



February 23, 2020

The Honorable Paul G. Pinsky, Chair
The Honorable Cheryl C. Kagan, Vice Chair
Maryland Senate Education, Health,
and Environmental Affairs Committee
Miller Senate Office Building, 2 West Wing
11 Bladen St., Annapolis, MD 21401 – 1991

Re: SB0737 The Comprehensive Conservation Finance Act of 2021

Dear Chairman Pinsky, Vice Chairwoman Kagan, and Members of the Committee:

Hannon Armstrong is the first U.S. public company solely dedicated to investments in climate solutions, providing capital to leading companies in energy efficiency, renewable energy, and other sustainable infrastructure markets such as ecological restoration. Our company has made approximately \$45 million of direct investments in ecological restoration, with the majority invested in Maryland. We strive to invest in excess of \$100 million in ecological restoration assets each year beginning in 2021.

With this letter, I would like to thank you for your sponsorship of the bill. The CCFA appropriately recognizes the role of private investment from companies like Hannon Armstrong in accelerating measurable environmental benefits. As outlined in more detail below, the proposed CCFA legislation will serve to 1) bolster ecological restoration demand; 2) improve transaction efficiencies; 3) increase investment in ecological restoration and; 4) reduce the cost of financing these critical infrastructure improvements.

Bolstering Ecological Restoration Demand

Government policy can encourage private investment by signaling consistent and dependable demand for conservation outcomes. By authorizing Pay-for-Success as a competitive procurement practice, the CCFA creates the opportunity for the state to buy completed environmental outcomes. If private companies perceive the state as a predictable buyer of environmental commodities, companies will start investing in the delivery of water quality and similar outcomes in advance of the state's need. Additionally, the proposed policy changes make it more likely that Counties and Municipalities adopt Pay-for-Success contracting structures. Pay-for-Success contracts can increase positive environmental outcomes while reducing the cost of the infrastructure improvements to Marylanders. More restoration projects will increase local jobs and increase the health of the bay economy.

Improving Transaction Efficiencies Critical to Market Expansion

The CCFA seeks to improve transaction efficiency in several ways. By defining "environmental outcome" as a commodity, it creates a way for agencies to use commodity or supply contracting authorities, which should dramatically simplify the paperwork. This can save on legal costs for the government, ecological restoration service companies, and lenders. Additionally, the legislation encourages the formation of public-private partnerships to aggregate projects for carbon market offset sales. Given the importance of scale for successful carbon development projects, aggregation is critical to reducing transaction costs. The Green Infrastructure and Restoration Task force recommended by the CCFA is, among other things, tasked with identifying overlapping areas of state and local procedures that could be simplified to make restoration easier. Similarly, the working group on carbon offset sales is charged with reducing barriers for Maryland landowners to participate in growing carbon markets.



Increasing Investment in Ecological Restoration

Currently, local governments are tasked with complying with the impervious surface remediation requirements. Many local governments use cash from stormwater fees collected on an annual basis to fund one-off RFPs for restoration credits. It is extremely inefficient to have dozens of different mitigation purchasers paying cash for ecological restoration from stormwater fees. Instead, local governments should leverage finance to perform much larger projects today that can be paid for using the future stream of stormwater fees collected. Ecological infrastructure assets are durable, long dated assets that generate benefits for Marylander for many generations. For example, the useful life of a restored stream or a protected wetland, if property maintained can be indefinite. Governments should pay for these assets the same way that governments fund other long-dated infrastructure assets such as roads. These assets should be financed over a long period of time which will help increase the amount of remediation projects that can be implemented today. Maryland should leverage the power of financing to invest in the health of our bay ecosystem today instead of doing one-off projects on an annual basis. The CCFA encourages longer tenor financing structures to enable more rapid outcomes.

Reduce the Cost of Financing These Critical Infrastructure Improvements

Maryland has committed significant public financial resources toward safeguarding the Chesapeake Bay. However, public funding is limited and will be stretched even further to keep up with the growing need in the current economic environment. Markets that encourage conservation and support ecosystem functions on private lands are critical to protecting the Bay and safeguarding natural resources and community health throughout Maryland. Billions of dollars are now flowing into sustainable and green investment initiatives and that flow has not stopped during this pandemic. Hannon Armstrong is a global leader in issuing Green Bonds to attract investment in positive environmental outcomes. We think the changes proposed in the CCFA draft will help Maryland become a leader in the region—and perhaps the country—in attracting private conservation investment. Maryland would be the first state in the country to introduce comprehensive legislation like this and we hope others will follow its lead.

In closing, I urge your support for the CCFA, which is another example of Maryland's leadership on conservation. Thank you for your consideration and please feel free to call me at 410-991-5150 if you would like to discuss further.

Sincerely,

A handwritten signature in blue ink, appearing to read "JEFF ECKEL".

Jeff Eckel
Chairman & CEO
Hannon Armstrong

CC:

Senator Jim Rosapepe
Senator Guy Guzzone
Senator Sarah Elfreth
Senator Will Smith
Senator Ron Young