

# Climate Assessment

## Office of Legislative Oversight

### Bill 3-23: Environmental Sustainability – Montgomery County Green Bank

#### SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Bill 3-23 will likely have a positive but indeterminant impact on the County's contribution to addressing climate change as the intended outcome of the bill is to engage in projects that will ultimately increase community resilience and could decrease greenhouse gas emissions as a co-benefit. However, as the bill does not commit the Montgomery County Green Bank to engage in any specific resilience activities, nor require the County to commit any resources to the Green Bank in support of resilience activities, the overall impact is indeterminant.

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#### BACKGROUND AND PURPOSE OF BILL 3-23

The Environmental Protection Agency (EPA) defines climate resilience as the capacity of a system to continue functioning in the face of stresses imposed by climate change and the ability of a system to adapt to future climate impacts. Systems include communities, such as Montgomery County.<sup>1</sup> Actions that increase a community's climate resiliency include building infrastructure that is designed to withstand future climate conditions.

If enacted, Bill 3-23 will modify language in the County Code to allow the Montgomery County Green Bank to engage in activities and projects related to climate resilience. Proposed enabling language defines resiliency, sustainability, or climate adaptive projects as:

“designed to support property or community resilience, reliability, and environmental sustainability; property or community environmental health and environmental safety; property or community water conservation and on-site management; sustainable waste treatment; sustainable agricultural activities; and adaption of systems to manage changes to the climate, such as activities responding to extreme weather events.”

The Green Bank is a publicly chartered 501c3 nonprofit corporation focused on accelerating energy efficiency, renewable energy, and clean energy investment in the County. The Green Bank receives funding from the County, in addition to other public and private funders that finance their projects.<sup>2</sup>

This Bill does not commit the Green Bank to engage in any specific resilience activities. The bill also does not require the County to commit any resources to the Green Bank in support of resilience activities.

Bill 3-23, Environmental Sustainability – Montgomery County Green Bank, was introduced by the Council on behalf of the County Executive on January 31, 2023.

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## METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

**Methodology.** A literature review was conducted on local actions towards community resilience actions, specifically actions financed by green banks. The enabling legislation from the Maryland General Assembly creating State resilience authorities and the Montgomery County Green Bank and previous projects financed by them was reviewed.

**Assumptions.** The assessment assumes the Green Bank will finance projects that will lead to an increase in the County's resilience.

**Uncertainties.** There are a few uncertainties associated with Bill 3-23: (1) It is uncertain to what extent the Green Bank will invest in resiliency projects; (2) How much the Green Bank will invest in resiliency projects, outside the energy sector, which was their original purview; (3) How much resources the County will commit to the Green Bank for these resiliency projects; and (4) How much these future projects undertaken by the Green Bank will ultimately increase community resilience.

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## COMMUNITY RESILIENCE, RESILIENCE AUTHORITIES, AND GREEN BANKS

Community resilience can be defined as a community's ability to prepare for, withstand, and successfully recover from a disaster and/or environmental impacts caused by climate change.<sup>3</sup> This includes not only reducing vulnerabilities in physical infrastructure, but also the delivery of services and social and economic supports before, during, and after an emergency.<sup>4</sup> Community resilience also recognizes the historical trauma and injustices that led to communities, primarily low-income and BIPOC communities, becoming particularly vulnerable to disasters and emergencies, and developing equitable processes and distribution of resources to withstand and recover from emergencies.<sup>5</sup>

Local governments have been increasingly taking actions to increase their communities' resilience. However, many resiliency projects are prohibitively expensive if only funded through public dollars. Resilience authorities and green banks are a way to combat this issue.

In 2020, Maryland passed Senate Bill 457, which authorizes local governments in the state to establish Resilience Authorities. Resilience Authorities are meant to provide a flexible and efficient way to fund resilience large-scale infrastructure projects, specifically aimed at addressing the effects of climate change, such as stormwater infrastructure designed to handle increased flooding.<sup>6</sup> Resilience Authorities are allowed to draw on diversified funding options, including the collection of non-tax-related fees and selling state or local tax-exempt bonds for projects.

Green banks, which often use a mix of public and private funding, provide financing to support projects that have beneficial environmental and climate impacts, such as solar generation in residential and commercial buildings.<sup>7</sup> They also tend to focus on projects that struggle to obtain capital from traditional financing institutions.<sup>8</sup> However, it should be noted that green banks still need to invest in viable projects that provide economic returns, in order to have the ability to finance future projects.<sup>9</sup> Bill 3-23's proposed enabling language will allow the Green Bank to finance resiliency projects outside of the energy sector. In the Bill's introduction packet, the County Executive writes "it was determined that creating a Resilience Authority in Montgomery County at this time would not provide any benefits to the County that could not be achieved by expanding the authority of the Green Bank."

The Green Bank was established to accelerate energy efficiency, renewable energy, and clean energy investment in the County.<sup>10</sup> These energy projects not only decrease greenhouse gas emissions associated with energy use but increase community resilience as they can strengthen local energy systems by providing reliable and affordable energy for local governments, households, and businesses.<sup>11</sup> In their 2022 Annual Report, the Green Bank reported 5,299 metric tons in annual greenhouse gas reductions as a result of projects they invested in.<sup>12</sup>

While the models of green banks and resilience authorities are uniquely positioned to finance costly resilience projects, these models are relatively new and more evidence is needed to determine the efficacy of these models in building equitable community resilience.<sup>13</sup> The Green Bank has invested in projects that has benefitted 1,207 low- and moderate-income households, though data disaggregated by race, ethnicity, and income are not available on these households.<sup>14</sup> However, OLO notes the Green Bank has been able to finance projects that have both increased community resilience and reduced greenhouse gas emissions.<sup>15</sup>

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## ANTICIPATED IMPACTS

OLO anticipates Bill 3-23 will likely have a positive but indeterminant impact on the County's contribution to addressing climate change as the intended outcome of the bill is to engage in projects that will ultimately increase community resilience and may decrease greenhouse gas emissions as a co-benefit. However, as the Bill does not commit the Green Bank to engage in any specific resilience activities, nor require the County to commit any resources to the Green Bank in support of resilience activities, the overall impact is indeterminant.

**Greenhouse Gas Emissions.** Bill 3-23's impact on greenhouse gas emissions is likely positive but indeterminant. Many resiliency projects can lead to a decrease in GHG emissions as a co-benefit. The Green Bank has focused on energy efficiency and clean energy projects, which has positive impacts on both greenhouse gas emissions and community resilience so OLO can assume that similar projects will be financed by the Green Bank in the future. However, as the bill does not include specific resilience activities and projects, the impact is indeterminant.

**Community Resilience.** Bill 3-23 is likely to have a positive but indeterminant impact on community resilience. As the legislation explicitly changes language to enable the Green Bank to undertake activities and projects related to resiliency, OLO assumes that this will lead to an increase in community resilience. However, the impact is indeterminant as there are not specified resilience activities and projects.

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## RECOMMENDED AMENDMENTS

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.<sup>16</sup> OLO does not offer recommendations as Bill 3-23 is likely to have a positive, but indeterminant impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

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## CAVEATS

OLO notes two caveats to this climate assessment. First, predicting the impacts of legislation upon climate change is a challenging analytical endeavor due to data limitations, uncertainty, and the broad, global nature of climate change. Second, the analysis performed here is intended to inform the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

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## PURPOSE OF CLIMATE ASSESSMENTS

The purpose of the Climate Assessments is to evaluate the anticipated impact of legislation on the County's contribution to addressing climate change. These climate assessments will provide the Council with a more thorough understanding of the potential climate impacts and implications of proposed legislation, at the County level. The scope of the Climate Assessments is limited to the County's contribution to addressing climate change, specifically upon the County's contribution to greenhouse gas emissions and how actions suggested by legislation could help improve the County's adaptative capacity to climate change, and therefore, increase community resilience.

While co-benefits such as health and cost savings may be discussed, the focus is on how proposed County bills may impact GHG emissions and community resilience.

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## CONTRIBUTIONS

OLO staffer Kaitlyn Simmons drafted this assessment.

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- <sup>1</sup> ["Climate Adaptation and EPA's Role", United States Environmental Protection Agency, Accessed 2/15/2023](#)
- <sup>2</sup> [Montgomery County Green Bank About Us, Accessed 2/15/2023](#)
- <sup>3</sup> ["Improving Community Resilience by Prioritizing Ecosystem Goods and Services", United States Environmental Protection Agency, 05/2022](#)
- <sup>4</sup> ["What Do We Mean by Community Resilience?' A Systematic Literature Review of how it is Defined in the Literature", Patel, S., Rogers, M., Amlot, R., and Rubin G., 02/2017](#)
- <sup>5</sup> ["Community Resilience: A Social Justice Perspective", Morrow, B., 09/2008](#)
- <sup>6</sup> ["Maryland Senate Bill 457: Resilience Authorities", Adaptation Clearinghouse, Accessed 2/13/23](#)
- <sup>7</sup> ["Green Banks", National Renewable Energy Laboratory, Accessed 2/13/23](#)
- <sup>8</sup> ["Green Banks, Poised for Billions in Climate Funds, Draw States' Attention", Pew Charitable Trusts, 1/9/23](#)
- <sup>9</sup> ["State of Green Banks 2020", Green Bank Design Platform, 2020](#)
- <sup>10</sup> [Montgomery County Green Bank About Us, Accessed 2/15/23](#)
- <sup>11</sup> ["Enhancing Community Resilience through Energy Efficiency", American Council for an Energy Efficient Economy, 10/2015](#) , ["Solar Resilience: Keeping Communities Connected", Office of Energy Efficiency and Renewable Energy, 09/29/22](#)
- <sup>12</sup> [Montgomery County Green Bank Annual Reports, Accessed 2/15/23](#)
- <sup>13</sup> ["Green Banks", National Renewable Energy Laboratory, Accessed 2/13/23](#)
- <sup>14</sup> [Montgomery County Green Bank Our Impact, Accessed 2/15/23](#)
- <sup>15</sup> ["Green Banks: Part of Climate Solution and More Resilient Communities", Natural Resources Defense Council, 09/20/2022](#)
- <sup>16</sup> Bill 3-22, Legislative Branch – Climate Assessments – Required, Montgomery County Council, Effective date October 24, 2022