

February 16, 2022

Representative Martin Abney
Chair, House Finance Committee
Rhode Island State House
Providence RI 02908

**Re: The Nature Conservancy testimony on Article 7 – Relating to Energy and the Environment and
ARPA Article 1, Section 16**

Dear Chairman Abney,

The Nature Conservancy is grateful for the opportunity to testify on Article 7 of the proposed FY 2023 budget and the ARPA Article 1, Section 16 allocation. We support elements of the proposed Articles, but respectfully, also would propose a few amendments that we believe are essential for this budget to achieve its aim of supporting Energy and the Environment.

The Nature Conservancy is a global organization dedicated to conserving the lands and waters on which all life depends. Here in Rhode Island, The Nature Conservancy protects more than 10,000 acres of land and has partnered on the permanent conservation of more than 35,000 acres of land. We do much of our work to protect and restore our natural environment in partnership – including with State agencies such as the Department of Environmental Management.

The Nature Conservancy recognizes the urgency of the climate crisis. We support bold action to not only fully mitigate carbon emissions, but to aggressively adapt to our changing environment. Last year, the State adopted Act on Climate, which commits us to net zero greenhouse gas emissions by 2050 – with significant upfront progress by 2030 and 2040. To effectively implement the science-based goals set forth in Act on Climate and other important environmental legislation, state agencies responsible for this work need to be fully supported. We also need to have robust and well-funded programs to enable the transition. We appreciate that the Governor's proposed budget recognizes the need to begin ramping up programs to address the climate crisis. However, there are elements of the proposed budget that we support and others where we have concerns:

- TNC **supports** the proposal to release a request for proposals to manage the state's energy efficiency programs. While Rhode Island has been a national leader in energy efficiency programs for the last 15 years, the field of energy efficiency continues to grow and change. Further, with the potential sale of National Grid to an out-of-region firm that does not rank well for energy efficiency, it seems prudent to evaluate additional options. Many states have run successful energy efficiency programs with third-party entities. Energy efficiency is our most cost-effective option to not only mitigate climate change, but also to improve the comfort and affordability of buildings.
 - However, there is a section of the language that states that the Office of Energy Resources has sole discretion of whether to distribute additional requests for proposals for the administration of this program. The energy efficiency programs have functioned well in part because they have additional oversight from the Energy Efficiency and Resource Management Council. Any additional requests for proposals should also be done in coordination and collaboration with this body.
- TNC **is does not support** the section about transferring \$6 million from the state's energy efficiency programs to the Office of Energy Resources for Act on Climate implementation. While we believe that the Executive Climate Change Coordinating Council (EC4) needs funding to implement Act on Climate, we

believe that this needs to be additional, new funding – not transferring funds from an existing, high-performing program. While the proposed budget describes this as just funding the programs through eliminating the performance incentive for the efficiency programs, that is not accurate. The incentive is not set at a flat \$6 million/year. In fact, in this most recent program year, the incentive approved by the PUC is closer to \$4 million. We are in a climate crisis. Moving funding from energy efficiency is akin to transferring money from fire prevention to buying more fire trucks. We likely need both interventions, but we should not underfund cost-effective programs.

- Further, while energy efficiency is our most cost-effective program to tackle climate change -- and should be fully funded for that reason -- we also note that it is paid for by electric and gas ratepayers – not by taxpayers. While the Venn diagram of taxpayers and ratepayers overlap, it is not a complete overlap. Notably, residents who rely on “delivered fuels” like propane and oil are not contributing to these programs. Moving ratepayer money to state agency funding is not appropriate.
- TNC does agree that the EC4 needs funding to implement Act on Climate. If the funding is going to be used to create incentive programs or new grant programs, it would be most efficient to house that funding within an agency or department with experience managing programs of this nature. Some agencies have decision-making infrastructure, staff, and processes in place to efficiently administer grant and incentive programs. For example, the RI Commerce Corporation manages the Renewable Energy Fund or DEM manages brownfield remediation grant programs.
- Similarly, TNC is supportive of using ARPA funds to expand programs to electrify heating through incentivizing heat pumps. We will need to rapidly “decarbonize” our buildings, which will include increasing the use of electric heating and cooling through heat pump technology. We raise the same concerns as above, though, that to be maximally efficient, the funding should flow through an agency with staff and infrastructure to administer large incentive programs.
- TNC also supports the use of federal funds to expand electric vehicle charging infrastructure. There are federal infrastructure funds earmarked for this purpose, and we support the Administration’s expedient commitment of these funds.
- While not in this budget article, we are also fully supportive of the new staffing proposed for both the Department of Environmental Management and the Office of Energy Resources. To fully meet the challenges we face in the environment and energy policy realms, both agencies need additional full-time staff capacity. The proposed staffing changes by OER and DEM are reasonable and would expand capacity in both agencies.

Thank you so much for the opportunity to provide this testimony. I am available any time to answer any questions or be helpful in any way.

Sincerely,



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