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MTF Session Preview: Climate

Climate policy has become a perennial action item on Beacon Hill, requiring consideration of two distinct topics:

- Reducing emissions and transitioning to renewable energy; and
- Preparing our communities for the weather effects of climate change.

The upcoming legislative session will once again have climate near the top of the policy agenda. Legislators will undoubtedly continue to pursue omnibus climate legislation while temporary surplus and federal resources are still available to make one-time climate infrastructure investments. At the same time, the Healey-Driscoll Administration will need build on the Baker Administration's work in developing and implementing actionable plans to meet ambitious climate goals.

Background

In 2008, Massachusetts passed two major pieces of climate and environmental legislation: The Global Warming Solutions Act (GWSA) and the Green Communities Act. The GWSA established emission reduction goals to be met by specific dates, created a framework to measure emissions based on 1990 levels and required the development of state plans to meet two ambitious goals:

- By 2020, Green House Gas (GHG) emissions were to be between 10 and 25 percent less than 1990 levels;
- By 2050, GHG emissions must be 80 percent below 1990 levels.

The Green Communities Act created a number of tools, incentives, and requirements for cities and towns to become more sustainable and energy efficient. The bill established five criteria for municipalities to be designated as Green Communities:

- Criteria 1 and 2 require adoption of land use policy that makes it easier for solar and renewable energy facilities to locate in the community;
- Criteria 3 requires establishing baseline energy use for public buildings and other assets and developing a plan to reduce usage by 20 percent over five years;
- Criteria 4 requires adoption of policies for transitioning to a fuel efficient vehicle fleet; and
- Criteria 5 relates to the energy efficiency of new construction.

In the decade after these landmark pieces of legislation, there have been a series of climate bills focused on supporting and expanding the use of renewable energy sources. Notably in 2016 legislation authorized large procurements of both wind and hydro energy projects, which are key to the state moving toward new sustainable and reliable energy sources.

In addition to legislation, administrative action has been a major part of climate policy. In 2020, the Baker Administration initially signed onto a multi-state memorandum of understanding for the Transportation and Climate Initiative (TCI). TCI would have required fuel suppliers to purchase allowances for pollution caused by fuel use. The revenue from the sales would be reinvested in transportation and climate policy, while the number of allowances would reduce each year, curbing pollution. Ultimately, Massachusetts pulled out of TCI after other states withdrew commitments and concerns about fuel costs rose.

At the tail end of the 2019-20 legislative session an attempt to update the state's climate foundation fell just short of the finish line. Governor Baker elected to veto a comprehensive climate bill that codified the goal of net zero emissions by 2050. The veto was based on concerns that some elements of the bill could have unintended economic impacts and that communities and sectors would struggle to meet standards by the required timeline.

Governor Baker's veto set the stage for a very active 2021-22 session for climate policy.

Key Policy Actions, 2021-22

Climate roadmap signed into law – In March of 2021, Governor Baker signed a revised version of the comprehensive climate bill he had vetoed several months before. The updated Next Generation Roadmap for Massachusetts Climate Policy codified a target of net-zero emissions by 2050 and increased emission reduction targets in the intervening years. Other major provisions of the bill include:

- Accelerating the share of electricity that must come from renewable sources to 40 percent by 2030;
- Providing $12 million in annual resources for the Clean Energy Center for the Clean Energy Equity Workforce and Market Development program. The program will help train workers for jobs in renewable energy, support environmental justice communities, and help minority and women-owned businesses participate in the clean energy sector;
- Increasing the amount of wind energy to be procured by two-thirds to 5,600 megawatts;
- Creating a stronger, optional, net-zero building code as well as an update of the existing stretch code created in the Green Communities Act; and
- Establishing stronger efficiency standards for a number of residential and commercial products.

Clean energy and wind bill signed into law – In addition to the ambitious Roadmap bill, both the House and Senate passed their own clean energy bills later in the same session, that were reconciled into omnibus legislation signed by the Governor. The House bill focused on supporting the state's growing wind industry, while the Senate bill focused on strategies for the state to achieve its 2050 net-zero target. The final bill included major provisions from both branches:

- Creating a wind industry investment fund as well as authorizing $35 million in annual tax credits for wind companies that meet employment and job creation goals;
- Eliminating the existing requirement that the bidding price for each subsequent wind energy procurement be lower than the preceding procurement;
- Expanding where solar arrays can be deployed and improving financial incentives for small and medium solar installations;
- Limiting the use of energy incentives for non-renewable sources or investments that use fossil fuels to improve the efficiency of equipment using fossil fuels;
- Creating a pilot program for up to 10 communities to prohibit the use of fossil fuels in many new or renovated building projects.

ARPA and surplus investments in climate – Two major COVID recovery/economic development bills were passed in 2021 and 2022 with $7.7 billion in investments supported by federal COVID funds and state surplus dollars. Investment in climate change prevention and preparedness was a major theme in both bills. Combined, the two bills included close to $500 million in spending related to climate goals, including:

- $190 million for wind industry port improvements in Salem, New Bedford and Somerset
- $100 million for municipal climate vulnerability and preparedness programs;
- $50 million for the Clean Energy Investment Fund, administered by the Clean Energy Center;
- $50 million for electric vehicle adoption incentives;
- $50 million for electric vehicle charging infrastructure;
- $25 million for tree-planting projects around the state;
- $14.6 million for local climate earmarks; and
- $5 million for geothermal pilot investments made by the Clean Energy Center.

Administration certifies 2020 climate goal compliance – In June of 2022, the Baker Administration certified that the state had met, and in fact exceeded, the Global Warming Solutions Act goal of reducing emissions by 25 percent from the 1990 level. According to the Administration's calculations, state emissions in 2020 were 31.4 percent lower than they had been 30 years before. However, the certification noted that the pandemic likely had a material effect on reducing 2020 emissions and that using one snapshot to assess emissions progress could lead to misleading conclusions.

Policy Context

The policy context for climate this session will be driven by the push for biennial climate legislation, the need for better coordination of climate efforts across the state, the scope of climate need, and the availability of federal climate resources.

Biennial Climate Legislation

Omnibus climate legislation has become a regular occurrence in recent legislative sessions. Since the 2013-14 session, there has been a major climate bill agreed to by the House and Senate at the very end of each formal session. Of the five bills, two have been a mix of capital spending and

policy, while three have been focused solely on policy. Climate legislation is now in the same category as economic development bills, where each two-year cycle typically ends with a large bill that includes proposals united by the theme of climate action. However, unlike economic development bills, which are always filed by the administration first and combine capital spending and policy, the origins of climate bills have been much more varied and often have had much less shaping by the administration.

Policy Coordination

As emissions goals get nearer, the policy prescriptions needed to achieve them become more challenging and touch more areas of life. Recent climate policy bills will have profound impacts on state and local transportation, housing, and economic development policy and yet there is no consistent or formalized way to coordinate climate policies with other important policy goals. For example, stricter environmental guidelines for housing production could limit production and increase costs for a housing system already under strain. Policy development in these two areas that fails to account for areas of intersection risks failure to achieve success in either area.

Reducing emissions and preparing for climate impacts will have significant costs and without due attention those costs could have the biggest effect of low-income and environmental justice communities. Coordinating climate goals with other priorities and establishing explicit policy goals in other areas is critical for an effective, achievable, and equitable game plan.

Scope of Need

The state response to climate change has profound impacts on infrastructure investment. Meeting emissions reductions goals requires investment in new industries, like wind power and battery storage, an overhaul of the electrical grid to adapt to changing power sources and needs, and a mass transit system that is sustainable and reliable. At the same time, climate mitigation is essential to ensuring that communities and physical assets can withstand more extreme weather. As discussed in MTF's Infrastructure Preview, these are both relatively new additions to an already strained capital budget.

Unprecedented Federal Resources

The federal Inflation Reduction Act, signed in August of 2022, and the Bipartisan Infrastructure Law, signed in November of 2021, included historic investments for climate, energy, and resiliency; many of which will flow to states and communities. New or expanded federal programs include billions in grants for states and municipalities to incentivize investments in clean energy technologies, improve climate resiliency, ease siting of wind and solar installation and transmission, improve environmental conditions in ports, and help cities, towns and schools purchase heavy duty electric vehicles. While much of this funding will be formula-based, billions will be awarded through competitive grants.

Key Questions for the Upcoming Session

What is the plan to coordinate climate policy at the state and local level?

Right now, climate policy is directed through the Executive Office of Energy and Environmental Affairs. This creates continuity and coordination for state policies related to energy procurement, permitting, conservation and environmental infrastructure. However, the state's climate goals are also inextricably linked with transportation, housing, and economic policy – all overseen by different secretariats. The answer is not to combine every agency that touches climate change into one behemoth, but the Healey Administration must put in place some structure to coordinate and direct climate policy across areas of government.

This challenge is not limited to the state level. Cities and towns in Massachusetts put their own stamps on 351 different climate preparedness and mitigation approaches. While the Green Communities act provides a template to incentivize state and local coordination, that bill is nearly 15 years old. It is past time to assess how state leadership can make sure that local climate policy aligns with state policies for climate, housing, and community equity.

Governor Healey has made improving climate policy coordination an early priority. One of the Governor's first actions after the election was to appoint Melissa Hoffer to a cabinet-level position overseeing climate policy and her first Executive Order created the Office of Climate Innovation and Resilience within the Governor's office. Providing that office with the resources and authority to direct policy across other secretariats is essential for implementing a coherent and effective climate agenda.

How do we balance climate, housing, economic development, and equity priorities?

Lack of accessible housing is an urgent threat to Massachusetts; and effective economic development in Gateway Cities and marginalized communities is essential to providing equitable economic opportunity. Both of these priorities are closely linked with climate policy. In the big picture, our ability to produce housing and develop the economy will not matter if climate change wreaks havoc on the state, with a disproportionate impact on low-income communities. In the short-term, however, these goals can be difficult to reconcile. The fossil fuel ban pilot program provides a telling example of a policy that is clearly aligned with climate goals, but treats housing and economic development policy as an afterthought. Even more worrying is that the increased costs of energy, housing, and transportation necessary to meet emissions targets will fall disproportionately on low-income families and environmental justice communities.

Improved climate policy coordination, as called for in the previous question, is an important step in helping to align different policy areas, but it is not sufficient. It is important that, in addition to establishing climate targets, it also sets clear, measurable goals for housing and equitable economic development. Without long-term plans in each area, meaningful coordination and an understanding of tradeoffs is impossible.

What's next for omnibus climate legislation?

The legislature has now acted on stand alone, omnibus climate legislation in each of the last two sessions and it is apparent that the issue remains atop the policy agenda. In the 2023-24 session, an environmental bond bill could provide the vehicle for the next round of climate policy. The last environmental bond bill was enacted in 2018 and those authorizations are scheduled to expire

midway through 2023. Given that major climate policy legislation is unlikely to be finalized by the end of June, it is possible that environmental authorizations are extended for an additional year and legislative action occurs in 2024.

One benefit of doing climate policy legislation in a bond bill is that the bond bill process begins with a bill filed by the Governor. Similar to the annual budget, giving the administration the first pass at a major bill can be helpful in setting forth some broad policy parameters for the bill that the House and Senate adhere to. Policy legislation in the last two sessions developed without a bill from the administration and the House and Senate proposals have shared little in common and increased the likelihood of an administration veto. Going forward, the Healey administration should take the lead in starting the conversation on climate each session. The House and Senate can build-on or reject administration proposals as they see fit, but will benefit by starting from the same point.

What is the plan to maximize federal investment in climate priorities?

Both the Bipartisan Infrastructure Law and the Infrastructure Reduction Act (IRA) include historic investments in existing and new programs to reduce emissions and mitigate the effects of climate change. For example, the IRA includes a new $27 billion Greenhouse Gas Reduction Fund to help disadvantaged communities deploy zero or low emissions technologies. The majority of these funds will be distributed through competitive grants, leaving billions of dollars on the table for Massachusetts to supercharge elements of its climate plan with the help of federal resources.

Unfortunately, the state's capital investment approach is not well-suited to quickly respond to new opportunities. Capital spending is limited to programs that fit within previously authorized spending bills. The Healey Administration should build on a Baker Administration proposal to set aside a share of available capital funds for the express purpose of meeting state match requirements for competitive federal dollars. The Baker proposal, included in his initial economic development bill, included $200 million to match competitive federal research and development programs. That approach could be tailored to federal climate funding.

How will increasing energy costs affect the pursuit of climate goals?

Massachusetts is a high energy cost state and transitioning to sustainable clean energy will continue to require investments borne by residents and employers. This is only underlined by the news that wind developers will depart existing procurement contracts unless they are changed to reflect updated costs. At the same time, we've seen the impact of spiking energy prices on consumers and policymakers over the last year. The state's climate policy will increasingly need to devote attention and resources to mitigating the impact of energy costs on low-income residents and employers eyeing moves to other states.