

# HOUSE BILL 737

M3, C5

71r3010

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By: **Delegate Hubbard**

Introduced and read first time: February 8, 2007

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Regional Greenhouse Gas Initiative – Carbon Allowances**

3 FOR the purpose of requiring carbon dioxide emission allowances allocated to the  
4 State under the cap and trade mechanism of the Regional Greenhouse Gas  
5 Initiative to be sold in an auction open to the public; requiring the Department  
6 of the Environment to adopt regulations to establish a certain auction system;  
7 requiring certain regulations to include certain information; requiring the  
8 proceeds from a certain auction to be used for certain purposes; requiring the  
9 Department and the Maryland Energy Administration to work in consultation  
10 with each other regarding certain proceeds and a certain fund; requiring  
11 proceeds from a certain auction to be deposited into a certain fund; establishing  
12 the Energy Efficiency Utility Fund; providing for the administration and  
13 funding sources of the Fund; and generally relating to carbon allowances under  
14 the cap and trade system of the Regional Greenhouse Gas Initiative.

15 BY repealing and reenacting, without amendments,  
16 Article – Environment  
17 Section 2–1002(g)  
18 Annotated Code of Maryland  
19 (1996 Replacement Volume and 2006 Supplement)

20 BY adding to  
21 Article – Environment  
22 Section 2–1002.1  
23 Annotated Code of Maryland  
24 (1996 Replacement Volume and 2006 Supplement)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY adding to  
2 Article – State Government  
3 Section 9–2009  
4 Annotated Code of Maryland  
5 (2004 Replacement Volume and 2006 Supplement)

6 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
7 MARYLAND, That the Laws of Maryland read as follows:

8 **Article – Environment**

9 **2–1002.**

10 (g) (1) Not later than June 30, 2007, the Governor shall include the State  
11 as a full participant in the Regional Greenhouse Gas Initiative among Mid–Atlantic  
12 and Northeast states.

13 (2) The State may withdraw from the Initiative, as provided in the  
14 December 20, 2005 memorandum of understanding of the Initiative, at any time after  
15 January 1, 2009.

16 (3) If the Regional Greenhouse Gas Initiative expires and there is a  
17 successor organization with the same purposes and goals, the Governor is encouraged  
18 to join the State in the successor organization.

19 (4) If the State’s participation in the Regional Greenhouse Gas  
20 Initiative ceases for any reason, the Governor shall report to the General Assembly, in  
21 accordance with § 2–1246 of the State Government Article, regarding:

22 (i) Why participation ceased; and

23 (ii) A plan to reduce carbon dioxide emissions from power plants  
24 in the State that considers the use of Maryland grown, native, warm season grasses as  
25 a possible method of reducing carbon emissions.

26 **2–1002.1.**

27 **(A) ANY CARBON ALLOWANCES THAT ARE ALLOCATED TO THE STATE**  
28 **AS PART OF THE CAP AND TRADE SYSTEM UNDER THE REGIONAL GREENHOUSE**  
29 **GAS INITIATIVE SHALL BE SOLD BY THE DEPARTMENT THROUGH AN AUCTION**  
30 **OPEN TO THE PUBLIC.**

1           **(B) (1) ON OR BEFORE JANUARY 1, 2008, THE DEPARTMENT SHALL**  
2 **ADOPT REGULATIONS THAT ESTABLISH AN AUCTION SYSTEM FOR THE CARBON**  
3 **DIOXIDE EMISSION ALLOWANCES ALLOCATED TO THE STATE UNDER THE**  
4 **REGIONAL GREENHOUSE GAS INITIATIVE.**

5           **(2) REGULATIONS ADOPTED UNDER PARAGRAPH (1) OF THIS**  
6 **SUBSECTION SHALL INCLUDE:**

7                   **(I) A DESCRIPTION OF THE DESIGN OF HOW THE AUCTION**  
8 **SYSTEM WILL FUNCTION;**

9                   **(II) A DETERMINATION OF WHICH ENTITY SHALL OVERSEE**  
10 **AND MANAGE THE AUCTION; AND**

11                   **(III) A DETERMINATION OF THE WAY PROCEEDS SHALL BE**  
12 **PROPORTIONED, IN ACCORDANCE WITH SUBSECTION (C)(2) OF THIS SECTION.**

13           **(C) (1) THE PROCEEDS RECOVERED FROM THE CARBON ALLOWANCE**  
14 **AUCTION SHALL BE USED FOR CONSUMER BENEFIT, IN A MANNER THAT**  
15 **BALANCES SHORT-TERM AND LONG-TERM BENEFITS.**

16           **(2) THE PROCEEDS MAY BE USED ONLY FOR THE FOLLOWING**  
17 **PURPOSES, IN A PROPORTION TO BE DETERMINED BY THE DEPARTMENT, IN**  
18 **CONSULTATION WITH THE MARYLAND ENERGY ADMINISTRATION:**

19                   **(I) PROMOTE ENERGY EFFICIENCY AND CONSERVATION;**

20                   **(II) DIRECTLY MITIGATE ELECTRICITY RATEPAYER**  
21 **IMPACTS; AND**

22                   **(III) PROMOTE RENEWABLE NONCARBON EMITTING ENERGY**  
23 **TECHNOLOGIES.**

24           **(D) PROCEEDS FROM THE CARBON ALLOWANCE AUCTION SYSTEM**  
25 **ESTABLISHED UNDER THIS SECTION SHALL BE DEPOSITED INTO THE ENERGY**  
26 **EFFICIENCY UTILITY FUND ESTABLISHED UNDER § 9-2009 OF THE STATE**  
27 **GOVERNMENT ARTICLE.**

1 **Article – State Government**

2 **9–2009.**

3 (A) IN THIS SECTION, “FUND” MEANS THE ENERGY EFFICIENCY  
4 UTILITY FUND.

5 (B) THERE IS AN ENERGY EFFICIENCY UTILITY FUND.

6 (C) THE ADMINISTRATION SHALL ADMINISTER THE FUND IN  
7 CONSULTATION WITH THE DEPARTMENT OF THE ENVIRONMENT.

8 (D) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT SUBJECT  
9 TO § 7–302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

10 (E) THE FUND SHALL:

11 (1) BE SELF–SUSTAINING; AND

12 (2) CONSIST OF PROCEEDS DEPOSITED FROM THE CARBON  
13 ALLOWANCE AUCTION ESTABLISHED UNDER § 2–1002.1 OF THE ENVIRONMENT  
14 ARTICLE.

15 (F) MONEYS IN THE FUND MAY NOT REVERT OR BE TRANSFERRED TO  
16 THE GENERAL FUND OF THE STATE.

17 (G) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE FUND  
18 SHALL BE USED ONLY FOR THE PURPOSES DESCRIBED UNDER § 2–1002.1(C) OF  
19 THE ENVIRONMENT ARTICLE.

20 (2) THE ADMINISTRATION MAY USE MONEYS IN THE FUND FOR  
21 ADMINISTRATIVE COSTS RELATED TO MANAGEMENT OF THE FUND, BUT MAY  
22 NOT SPEND MORE THAN 7 PERCENT OF THE MONEYS IN THE FUND FOR  
23 ADMINISTRATIVE EXPENSES.

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
25 July 1, 2007.