



Jessica Langerman
Climate XChange
jlangerman@climate-xchange.org
Cell: 301.275.8118

Dereck E. Davis, Chairman

Committee: Economic Matters

Testimony on: HB 1543

Position: Favorable

Hearing Date: March 12, 2020

A century and a half ago, England had a problem. Steam engines were roaring through the countryside, emitting blazing chunks of coal from their smokestacks. Those pieces of coal set fire to the adjacent farmers' crops. The farmers wasted untold time and energy beating the fires out. They complained to the railroad companies, who ignored them. Finally, the farmers went to the government and asked for help.

Parliament decided to hire a brilliant economist named Arthur Pigou, who quantified the damage being done to the farmers. He then suggested that the government fine the railroads that amount, but, instead of keeping the money, **divide it equally among the farmers.** And that is just what they did.

The result was that almost instantaneously, the railroads decided they would install metal grills over their trains' smokestacks. Problem solved.

Today, economists see a similar situation with fossil fuels, only, in this analogy, all of us are the railroads, and all of us are the farmers. They propose levying a gradually-increasing (that point is key) "polluters' fee" *upfront*, at the point of sale. That slowly, ever-rising polluters' fee would not be kept by the government, but rather returned to all citizens.



On the face of it, this would seem crazy. You charge people increasingly more for fossil fuels, and then return it to them? How is that supposed to change things?

Well, because 48 national and sub-national jurisdictions around the world are already doing this, we know how. We know that when people receive a check in the mail from the government (one way to return the revenue), they want to keep it. Knowing the price of fossil fuels will continue to rise, they look for ways to avoid that cost. They weatherize their homes. They carpool. And, they spend the money locally, which has a stimulative effect. Slowly, emissions fall, and fossil fuels become “right-priced.” Their cost finally reflects the damage they do to the environment, all of us are compensated, and fossil fuels are eventually priced out of the economy.

SB0912, however, has language preventing fossil fuel companies from passing the polluters’ fee on to consumers. If that holds, the only entities that will feel the pressure of the increasing polluters’ fee would be the fossil fuel companies themselves, which finally would have the incentivization they need to get into a more lucrative business - the business of clean energy. Meantime, **billions of dollars will flow into the Maryland treasury.** That money can be used to compensate citizens directly with cash refunds, protect fossil fuel industry employees as they switch industries, and direct money into shoring up towns like Annapolis and Ellicott City against the ravages of climate change. And, we can use part of it to fund our schools.

Why *wouldn’t* we do this?

We can’t go on ignoring this problem. We can’t get to *April* without making this change. No more mouthing platitudes about how “we need transformative solutions” and then refusing to enact them. This *is* a transformative solution. Please, as a mother, I implore you to ACT. Take advantage of this opportunity to fund our schools and provide money to communities who need it by correcting the market failure that lies at the heart of climate change.

Thank you.