Climate Law & Policy Project

Committee: Education, Health, and Environmental Affairs
Testimony on: SB0135 Climate Crisis and Environmental Justice Act
Submitted by: Donald M. Goldberg, Executive Director
Position: Favorable with amendment
Hearing Date: February 15, 2022

Climate Law & Policy Project strongly supports Senate Bill 135 and urges the Committee to issue a favorable report. We do, however, recommend an amendment, discussed below.

SB135 places a fee on fossil fuel combusted in the State to incentivize the reduction of fossil fuel CO_2 emissions. The fee escalates gradually, providing business and regulatory certainty to energy companies for future planning. It will generate billions of dollars for investment in clean energy infrastructure, while providing benefits (rebates) to protect Maryland's low- and moderate-income households and energy-intensive trade-exposed businesses.

CLPP has supported this bill in its various formulations since it was first introduced in 2018. We believe the 2022 version is the strongest yet. It will provide 50% of the fees it collects—several billion dollars over the next decade—to expand the use of clean energy resources and energy efficiency; create a cleaner, more just, and more efficient transportation sector; fund resiliency to the impacts of climate change and severe weather events; sequester carbon in forests, soils, and wetlands; and promote a just transition to clean energy.

While we fully support the passage of SB135, we recommend eliminating the restriction on passing the fee to end-use consumers. We understand that the no-pass-through provision is popular, but we believe this provision has two very important negative consequences: (1) it reduces or eliminates the price signal to incentivize end users (e.g., vehicle owners) to reduce consumption, and (2) it could have serious and perhaps fatal financial consequences for small, local fuel distributors who often operate on tight margins.

For example, according to last year's testimony, some gas stations are the first point of sale in the State for gasoline and diesel, meaning they would pay the fee but could not pass it along to their customers. It is our understanding that gas stations make about 1-2% profit on fuel sales. Most of their revenue comes from sale of ancillary products and services. A $10 fee (the fee on transportation fuels in 2023) would raise gas prices by about $0.09, which is roughly 3% of the retail cost and exceeds their profit margin. Putting these companies in financial jeopardy could make the bill vulnerable to a takings challenge.

While we believe this recommendation would make it stronger, we fully support Senate Bill 135 even if it is not modified and urge a favorable report.