

**Committees: Economic Matters**

**Testimony on: HB0516 Climate Crisis and Environmental Justice Act**

**Organization: Climate Law & Policy Project**

**Submitted by: Donald M. Goldberg, Executive Director**

**Position: Favorable**

**Hearing Date: February 29, 2024**

Dear Chairman and Members of the Committee:

Climate Law & Policy Project supports HB0516, the Climate Crisis and Environmental Justice Act (CCEJA), and urges this Committee to issue a favorable report.

CCEJA would place a fee on fossil fuel combusted in the State to incentivize the reduction of fossil fuel CO<sub>2</sub> emissions. The fee would escalate gradually, providing business and regulatory certainty to companies for future planning and making non-emitting sources of energy even more economical.

If adopted, CCEJA 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.

While CLPP believes CCEJA would significantly advance efforts to meet the State's greenhouse gas reduction goals, CLPP would suggest two core modifications that would make the bill even stronger:

- (1) *Eliminate the restriction on passing the fee to end-use consumers.* CLPP understands that the no-pass-through provision is popular but believes this provision has at least two very important negative consequences: (1) it reduces or eliminates the price signal to incentivize end users to reduce consumption, and (2) it appears to have serious financial consequences for small, local fuel distributors, who often operate on tight margins. Having a prohibition on passing costs through to end-use consumers does not place those costs on huge, massively profitable multi-national companies; it puts the cost on whichever local company is at the end of the chain right before the end consumer. Putting these companies in financial jeopardy could make the bill vulnerable to a takings challenge.
- (2) *Apply the fee to electricity.* CCEJA does not assess a fee on emitting fuels that will be used to generate electricity. Electricity is covered by a regional, multi-state cap-and-invest program known as the Regional Greenhouse Gas Initiative (RGGI), but RGGI allowance prices have generally been much lower than the fee that CCEJA would create. CCEJA already has a provision reducing the total fees due for petroleum products by the amount paid for them under regional initiatives such as the Transportation and Climate Initiative, and a similar reduction could be added for RGGI fees paid. Assessing the fee on fuels used to generate electricity would make the fee much more of an economy-wide policy and would substantially increase revenues that can be invested to advance decarbonization and environmental justice goals.