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By: **Delegates Owings and Guns**

Introduced and read first time: February 13, 1998

Assigned to: Environmental Matters

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A BILL ENTITLED

1 AN ACT concerning

2 **Air Quality - Emission Trading**

3 FOR the purpose of requiring the Department of the Environment to establish a  
4 certain emission trading system; providing for the purposes of the trading  
5 system; requiring the Department to develop and maintain a certain  
6 clearinghouse for certain purposes; providing for the creation, uses, transfer,  
7 and duration of emission reduction credits; prohibiting the Department from  
8 assessing certain fees or discounts in a certain manner relating to certain  
9 transactions; providing for the certification of certain credits; allowing the  
10 Department to impose a certain fee; defining a term; requiring the Department  
11 to adopt certain regulations by a certain date; and generally relating to  
12 market-based emission trading.

13 BY adding to  
14 Article - Environment  
15 Section 2-801 through 2-807 to be under the new subtitle "Subtitle 8.  
16 Market-Based Emission Trading"  
17 Annotated Code of Maryland  
18 (1996 Replacement Volume and 1997 Supplement)

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

21 **Article - Environment**

22 **SUBTITLE 8. MARKET-BASED EMISSION TRADING.**

23 2-801.

24 IN THIS SUBTITLE, "EMISSION REDUCTION CREDIT" OR "ERC" MEANS A CREDIT  
25 EQUAL TO 100 POUNDS OF VERIFIABLE REDUCTION IN EMISSION OF VOLATILE  
26 ORGANIC COMPOUNDS OR OXIDES OF NITROGEN.

1 2-802.

2 (A) THE DEPARTMENT SHALL ESTABLISH A MARKET-BASED EMISSION  
3 TRADING SYSTEM.

4 (B) THE SYSTEM SHALL FACILITATE THE CREATION AND TRANSFER OF  
5 EMISSION REDUCTION CREDITS AMONG HOLDERS OF AIR QUALITY PERMITS TO BE  
6 USED TO OFFSET EMISSIONS GENERATED BY NEW OR EXPANDED EMISSION  
7 SOURCES IN THE STATE, AND IN STATES WITH COMPARABLE SYSTEMS.

8 (C) (1) AS PART OF THE MARKET-BASED EMISSION TRADING SYSTEM, THE  
9 DEPARTMENT SHALL DEVELOP AND MAINTAIN A CLEARINGHOUSE FOR ERC  
10 TRANSACTIONS AMONG EMISSION SOURCES.

11 (2) THE CLEARINGHOUSE SHALL REGISTER ERC TRANSACTIONS AMONG  
12 SOURCES, INCLUDING INFORMATION ABOUT THE SOURCE OF THE EMISSION  
13 REDUCTION CREDIT, THE PARTIES TO THE TRANSACTION, THE DATE OF THE  
14 TRANSACTION, THE AMOUNT OF EMISSION REDUCTION CREDITS SOLD OR  
15 TRANSFERRED, AND THE PRICE PAID FOR AN EMISSION REDUCTION CREDIT.

16 (3) THE CLEARINGHOUSE SHALL PROVIDE CURRENT INFORMATION OF  
17 THE STATUS OF EMISSION REDUCTION CREDITS GENERATED OR APPLIED IN THE  
18 STATE TO OWNERS AND THE PUBLIC BY MEANS INCLUDING COMPUTER NETWORK  
19 ACCESS THROUGH THE INTERNET.

20 (4) THE DEPARTMENT SHALL USE THE CLEARINGHOUSE TO MAINTAIN A  
21 RECORD OF TRANSACTIONS INVOLVING THE CREATION AND APPLICATION OF  
22 EMISSION REDUCTION CREDITS IN THE STATE.

23 2-803.

24 (A) AN EMISSION REDUCTION CREDIT MAY BE GENERATED BY:

25 (1) A SHUTDOWN, OVERCONTROL, OR OTHER MODIFICATION OF A  
26 FACILITY OR ITS OPERATIONS THAT REDUCES EMISSIONS OF VOLATILE ORGANIC  
27 COMPOUNDS OR OXIDES OF NITROGEN, BEYOND ANY REDUCTION DIRECTLY  
28 ATTRIBUTABLE TO A MODIFICATION OF THE FACILITY OR ITS OPERATIONS  
29 MANDATED BY FEDERAL LAW OR REGULATION OR THE MARYLAND STATE  
30 IMPLEMENTATION PLAN; OR

31 (2) A PROGRAM ADMINISTERED BY AN OWNER OF A FACILITY TO  
32 REDUCE EMISSIONS OF VOLATILE ORGANIC COMPOUNDS OR OXIDES OF NITROGEN  
33 FROM MOBILE, OFF-ROAD, OR AREA SOURCES, BEYOND ANY REDUCTION DIRECTLY  
34 ATTRIBUTABLE TO A REQUIREMENT OF FEDERAL LAW OR REGULATION OR THE  
35 MARYLAND STATE IMPLEMENTATION PLAN.

36 (B) AN EMISSION REDUCTION CREDIT MAY BE USED TO OFFSET EMISSIONS  
37 FROM A NEW EMISSION SOURCE OR A SOURCE MODIFIED TO INCREASE  
38 PRODUCTION.

1 (C) AN EMISSION REDUCTION CREDIT GENERATED BY A REDUCTION OF ONE  
2 CLASS OF POLLUTANT MAY BE USED TO OFFSET AN INCREASE IN EMISSION OF  
3 EITHER VOLATILE ORGANIC COMPOUNDS OR OXIDES OF NITROGEN.

4 (D) AN EMISSION REDUCTION CREDIT SHALL CONTINUE IN EXISTENCE AND  
5 MAY NOT BE DIMINISHED OR EXTINGUISHED EXCEPT BY THE OWNER OF THE  
6 FACILITY OR PROGRAM FROM WHICH THE EMISSION REDUCTION CREDIT IS  
7 DERIVED.

8 (E) AN EMISSION REDUCTION CREDIT MAY INITIALLY BE SOLD OR  
9 TRANSFERRED BY THE OWNER OF THE FACILITY OR PROGRAM FROM WHICH THE  
10 EMISSION REDUCTION CREDIT IS DERIVED.

11 (F) AN EMISSION REDUCTION CREDIT MAY NOT BE APPLIED TO A SOURCE  
12 LOCATED IN A STATE THAT RESTRICTS THE SALE OR TRANSFER OF EMISSION  
13 REDUCTION CREDITS INTO MARYLAND.

14 2-804.

15 EXCEPT AS REQUIRED BY FEDERAL LAW, THE DEPARTMENT MAY NOT ASSESS A  
16 TRANSACTION FEE MEASURED IN EMISSION REDUCTION CREDITS, REQUIRE A  
17 CONTRIBUTION TO THE STATE OF EMISSION REDUCTION CREDITS, OR DISCOUNT  
18 THE VALUE OF AN EMISSION REDUCTION CREDIT IN AN ERC TRANSACTION, IN A  
19 MANNER THAT DECREASES THE EMISSION REDUCTION ASSOCIATED WITH THE  
20 TRANSACTION.

21 2-805.

22 ON REQUEST OF A PARTY TO AN ERC TRANSACTION, THE DEPARTMENT MAY  
23 REVIEW AND CERTIFY THE AMOUNT OF EMISSION REDUCTION CREDIT  
24 ATTRIBUTABLE TO A MODIFICATION OF A SOURCE.

25 2-806.

26 THE DEPARTMENT MAY IMPOSE AN ADMINISTRATIVE FEE ON AN ERC  
27 TRANSACTION ONLY TO COVER THE ACTUAL DIRECT COST TO THE DEPARTMENT OF  
28 PROCESSING THE TRANSACTION.

29 2-807.

30 THE DEPARTMENT SHALL ADOPT REGULATIONS TO IMPLEMENT THE  
31 PROVISIONS OF THIS SUBTITLE.

32 SECTION 2. AND BE IT FURTHER ENACTED, That on or before November 1,  
33 1998, the Department shall adopt final regulations to implement the provisions of  
34 this Act, to take effect no later than December 1, 1998.

35 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
36 July 1, 1998.