Department of Legislative Services

Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 990 (Delegate Stein)

Environment and Transportation and Economic Matters — Education, Energy, and the Environment

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Environment - Greenhouse Gas Emissions Reductions - Manufacturers

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This bill makes State greenhouse gas (GHG) emissions reduction requirements apply to the production of cement by altering the definition of “manufacturing” for purposes of the Greenhouse Gas Emissions Reduction Act (GGRA). The Maryland Department of the Environment (MDE) must make specified considerations and consult with specified stakeholders related to the regulation of the production of cement. The bill also alters provisions related to the regulation of GHG emissions reductions by other manufacturers under the Act, as described below.

Fiscal Summary

State Effect: MDE advises that it can handle the bill’s requirements with existing budgeted resources, including any actions related to considering and/or adopting regulations. The State may experience higher costs for cement on State construction projects, but any such increase has no effect on total spending under the capital budget, which is determined annually by the Governor and the General Assembly through the capital budget process. Any increase in capital project costs may result in fewer projects receiving funding each year. Revenues are not affected.

Local Effect: Local governments may experience higher costs for cement on construction projects. Revenues are not affected.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Production of Cement

As part of the consideration of any regulation of the production of cement under the bill, MDE must consider (1) the extent to which cement manufacturing is an energy-intensive and trade-exposed industry; (2) credit for early action investments made by cement producers to reduce emissions or for the manufacturing of alternative materials that result in GHG emissions reductions; (3) the adoption of policies that encourage, facilitate, and offer financial incentives for the use of alternative fuel sources; (4) the availability and cost of mature GHG abatement technologies; and (5) advancing policies that provide financial incentives to offset the costs of installing and transitioning to GHG emissions abatement technologies, including the manufacturing of materials and technology that results in GHG emissions reductions. In considering the feasibility of regulation and the topics listed above, MDE must consult with impacted cement producers and other stakeholders.

Other Manufacturing

Existing provisions under GGRA that limit GHG emissions reductions and cost increases for the manufacturing sector are modified to apply only to persons who engaged in manufacturing in 2023 and to apply to specific manufacturers. Other related provisions are unchanged. More specifically, for persons who engaged in manufacturing in 2023, unless required by federal law or regulations or existing State law, regulations adopted by State agencies to implement a final GHG reduction plan may not:

- require any manufacturer to reduce GHG emissions below the emissions levels for that manufacturer in 2023;
- cause an increase in costs to a manufacturer that are significantly beyond the costs that were incurred by that manufacturer in 2023; or
- require any manufacturer that is engaged in the creation of renewable energy components or technology aimed at GHG emissions reductions to reduce GHG emissions.

Current Law:

Treatment of Manufacturers under the Greenhouse Gas Emissions Reduction Act

Under GGRA, unless required by federal law or regulations or existing State law, regulations adopted by State agencies to implement a final GHG reduction plan may not:

- require GHG emissions reductions from the State's manufacturing sector; or
- cause a significant increase in costs to the State's manufacturing sector.

However, the above requirements may not be construed to exempt GHG emissions sources in the State's manufacturing sector from the obligation to comply with (1) GHG emissions monitoring, recordkeeping, and reporting requirements or (2) GHG emissions reductions required of the manufacturing sector as a result of the State's implementation of the Regional Greenhouse Gas Initiative (RGGI).

"Manufacturing" means the process of substantially transforming, or a substantial step in the process of substantially transforming, tangible personal property into a new and different article of tangible personal property by the use of labor or machinery. When performed by companies primarily engaged in the activities described above, manufacturing includes (1) the operation of saw mills, grain mills, or feed mills; (2) the operation of machinery and equipment used to extract and process minerals, metals, or earthen materials or by-products that result from the extracting or processing; and (3) research and development activities.

"Manufacturing" does not include (1) activities that are primarily a service; (2) activities that are intellectual, artistic, or clerical in nature; (3) public utility services, including gas, electric, water, and steam production services; or (4) other activity that would not commonly be considered as manufacturing.

The Maryland Department of the Environment's Climate Change Program

MDE's Climate Change Program leads the State's efforts to reduce GHG emissions, as required by GGRA and participation and oversight in other initiatives, including RGGI and the U.S. Climate Alliance. The program also ensures State compliance with climate-related State and federal laws, such as the Climate Solutions Now Act (Chapter 38 of 2022), discussed below.

The U.S. Climate Alliance is a bipartisan coalition of governors, including the Governor of Maryland, committed to reducing GHG emissions consistent with the goals of the Paris Agreement. These goals include reducing collective net GHG emissions by at least 26% to 28% by 2025 and by 50% to 52% by 2030 (both below 2005 levels) and collectively achieving overall net-zero GHG emissions as soon as practicable, but no later than 2050.

Maryland also participates in the multi-state RGGI in order to reduce carbon dioxide (CO_2) emissions from the power sector. Each participating state limits CO_2 emissions from electric power plants, issues CO_2 allowances, and establishes participation in CO_2 allowance auctions. A single CO_2 allowance represents a limited authorization to emit one ton of CO_2.

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing Strategic Energy Investment Fund (SEIF) to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances under RGGI.

Maryland Greenhouse Gas Emissions Reduction Targets and the Climate Solutions Now Act

Chapter 38 made broad changes to the State's approach to reducing statewide GHG emissions and addressing climate change. Among other things, the Act accelerated previous statewide GHG emissions reductions targets originally established under GGRA by requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045. In December 2023, MDE published *Maryland's Climate Pollution Reduction Plan*, which was developed to implement Chapter 38.

Small Business Effect: Small businesses that engaged in manufacturing in 2023, with limited exceptions specified in the bill, are subject to modified requirements related to emissions levels and cost increases. Small businesses that did not engage in manufacturing in 2023 – for example, businesses formed in 2025 – are subject to GHG emissions reductions requirements like other businesses. Any small businesses that use significant volumes of cement may experience increased costs, as GHG abatement costs for the State's large cement manufacturers are passed on to customers.

Additional Comments: Chapter 11 of 2016 required the Maryland Commission on Climate Change to oversee an independent study of the economic impact of requiring GHG emissions reductions from the State manufacturing sector. The report notes that the manufacturing sector accounted for 10% of statewide GHG emissions in 2020, with cement production being the largest single contributor in the sector and two cement plants being the highest-emitting facilities in the State.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Public Service Commission; Maryland Department of the Environment; Maryland Department of Labor; Maryland Environmental Service; Baltimore, Carroll, Harford, and St. Mary's counties; City of Greenbelt; Town of La Plata; Maryland Association of Counties; Maryland Municipal League; Center for Global Sustainability; Department of Legislative Services

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