

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1272 (Delegate Stein)
 Economic Matters and Environment and
 Transportation

Department of the Environment - Cap-and-Invest Program - Establishment

This bill requires the Maryland Department of the Environment (MDE), by December 31, 2024, and in collaboration with the Maryland Commission on Climate Change, to develop an economywide cap-and-invest program that reduces climate-altering emissions in the State. The program must be consistent with recommendations in *Maryland’s Climate Pollution Reduction Plan* and designed in a manner that (1) achieves necessary climate pollution reductions; (2) addresses energy affordability and environmental justice; and (3) establishes protocols for participation in multistate or regional cap-and-invest programs, if necessary. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: The bill text is somewhat unclear; however, assuming that the bill applies only to program *development*, and does not require program *implementation*, at least in the near term, MDE can develop the program with existing budgeted resources and State finances are not otherwise materially affected. MDE advises that it interprets the bill as requiring the *development*, not *implementation*, of such a program. Accordingly, this analysis does not include any fiscal effects associated with *implementing* a cap-and-invest program, which are likely significant in terms of administrative costs and State finances, depending on the specifics of the program. MDE frequently estimates administrative costs of more than \$1.0 million annually for proposed statewide pollution reduction/funding reallocation programs in other legislation. Administrative costs would be a small portion of overall State revenues and expenditures associated with the implementation of a cap-and-invest program.

Local Effect: None, assuming that the bill applies only to program development.

Small Business Effect: None, assuming that the bill applies only to program development.

Analysis

Current Law:

The Maryland Department of the Environment's Climate Change Program

MDE's Climate Change Program leads the State's efforts to reduce greenhouse gas (GHG) emissions, as required by the Greenhouse Gas Emissions Reduction Act and participation and oversight in other initiatives, including the Regional Greenhouse Gas Initiative (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 (CO₂) emissions from the power sector. Each participating state limits CO₂ emissions from electric power plants, issues CO₂ allowances, and establishes participation in CO₂ allowance auctions. A single CO₂ allowance represents a limited authorization to emit one ton of CO₂.

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 the Greenhouse Gas Emissions Reduction Act 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. Establishing a cap-and-invest program is included in the plan as one potential approach to further reduce GHG emissions and generate revenue to support Maryland's transition to a net-zero-emission economy. According to the plan, the program would require polluters to reduce climate pollution and buy emission allowances for the emissions they produce. Allowance prices would be determined by a market-based mechanism. Revenue from the sale of allowances would go into SEIF to fund the investments described in the plan. A portion of the funding provided by the program could offset potential fossil fuel price impacts for low-income households. The policy would expand RGGI by extending coverage of emissions sources beyond fossil fuel power plants. Pursuant to *Maryland's Climate Pollution Reduction Plan*, in 2024, even in the absence of this bill, MDE plans to explore how expanding RGGI to cover additional sources could work.

Additional Information

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

Designated Cross File: None.

Information Source(s): Maryland Department of the Environment; Public Service Commission; Maryland Department of Transportation; Department of General Services; Comptroller's Office; Maryland Environmental Service; Maryland Association of Counties; Maryland Municipal League; Department of Legislative Services.

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