



Maryland

Department of the Environment

Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor

Ben Grumbles, Secretary
Horacio Tablada, Deputy Secretary

March 5, 2020

The Honorable Dereck E. Davis, Chair
Economic Matters Committee
House Office Building, Room 231
Annapolis, MD 21401

Re: HB 1545- Electric Generation - Transition From Fossil Fuels - Carbon Dioxide Emissions Rate and Transition Account

Dear Chair Davis and Members of the Committee:

The Maryland Department of the Environment (MDE or the Department) has reviewed *House Bill 1545- Electric Generation - Transition From Fossil Fuels - Carbon Dioxide Emissions Rate and Transition Account*. The bill has two main components, establishing a maximum emission rate of 180 pounds per million British Thermal Units for carbon dioxide (CO₂) emissions from electrical generating units (EGUs) and establishing a Fossil Fuel Community Transition Account. The Department would like to provide some information related to this bill.

CO₂ Emission Reductions

HB 1545 establishes a maximum emission rate of 180 pounds per million British Thermal Units for CO₂ emissions from EGUs that primarily use coal as a fuel source. The six largest coal-fired EGUs in Maryland would be considered affected units under the bill. The timetable for meeting the mandated CO₂ emission rate is set in the bill and varies between October 1, 2025 and October 1, 2030 depending on the affected unit.

MDE would like to provide some information on existing initiatives that also provide emission reductions at these power plants- both in terms of CO₂ and criteria pollutants such as nitrogen oxides (NO_x).

RGGI

Maryland has been a member of the Regional Greenhouse Gas Initiative (RGGI) since 2007. RGGI is comprised of ten states in the Northeast and Mid-Atlantic regions. These states adopted market-based CO₂ cap and trade programs designed to reduce emissions of CO₂, a GHG, from fossil fuel-fired electricity generators with a nameplate capacity of 25 megawatts or greater. Since RGGI began in 2009, the RGGI states have cut power plant emissions in half.

Participating RGGI states require electricity generators to have acquired, through regional auction or secondary market transactions, one CO₂ allowance for every ton of CO₂ emitted over a three-year compliance period. Auction proceeds fund a number of State programs, including energy efficiency programs that result in lower CO₂ emissions through reduced electricity demand. Further, auction proceeds fund renewable energy projects that reduce the amount of CO₂ emissions generated by fossil fueled electricity generators.

Chair Davis

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In 2017 RGGI completed a program review and strengthened RGGI to bring about steady, deeper reductions of GHG emissions by 2030. With the success of the initiative, and as a national leader in the effort to combat climate change, Maryland and the other participating RGGI states are actively working to engage new participants in the program. The first-in-the-nation carbon cap-and-invest program for power plants has been strengthened by implementing the participating states' plan to secure an additional 30% reduction in power plant emissions by 2030 and expanding the program to new participating states in the region to reduce pollution from power plants supplying electricity into Maryland. This market-based system for CO₂ reductions will play a significant role in determining which plants will be operating in the future based on their ability to compete effectively in today's energy market and their importance in meeting the region's energy demands.

2015 NO_x Regulation

Since 2009, the Maryland Healthy Air Act (HAA) and Maryland's 2015 NO_x regulation for coal-fired power plants have reduced SO₂, NO_x and mercury emissions by 90, 70 and 90 percent respectively. Maryland's 2015 NO_x regulation builds on the ozone season provisions of the HAA by requiring power plants to minimize NO_x emissions every day of the ozone season by optimizing and running pollution control equipment and by lowering emission rates to achieve increasingly stringent standards by June 1, 2020. Since this rule was implemented in 2015, Maryland's coal-fired power plants have recorded their lowest NO_x emissions ever.

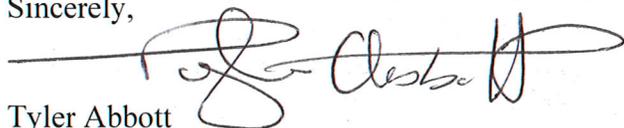
Fossil Fuel Community Transition Account

This bill also creates a "Fossil Fuel Community Transition Account" for the distribution of various grants to assist employees and communities impacted by the closure or reduced operations of the affected EGUs. Funding for the newly established account is to be provided from the Strategic Energy Investment Fund (SEIF) by reformulating how the overall SEIF funding is distributed. Two accounts within SEIF are to get a lower percentage of SEIF revenues to make funds available for the new account. The renewable and clean energy programs account is one that will be subject to a reduced percentage of SEIF funding under this bill. That account supports MDE's climate change programmatic activities in an amount that currently averages around \$3 million a year.

The overall SEIF revenues could, over the long term, decrease should all six plants shut down as a consequence of this bill. However, since the RGGI allowance value is a product of a regional allowance market, the price impact of reduced coal-fired EGU emissions in Maryland may be mitigated by the large and growing size of the regional market. Also, RGGI has built-in mechanisms that adjust the overall carbon cap in response to emissions changes, including the Emissions Containment Reserve and periodic Program Review, that could mitigate any decrease in RGGI allowance value (and therefore a decrease in SEIF revenues).

Thank you for your consideration. We will continue to monitor *House Bill 1545- Electric Generation - Transition From Fossil Fuels - Carbon Dioxide Emissions Rate and Transition Account* during the Committee's deliberations, and I am available to answer any questions you may have. Please feel free to contact me at 410-260-6301 or by e-mail at tyler.abbott@maryland.gov.

Sincerely,



Tyler Abbott

cc: The Honorable Kumar P. Barve
George "Tad" Aburn, Director, Air and Radiation Administration