**DATE:** February 25, 2020
**BILL NO:** Senate Bill 887
**BILL TITLE:** Electric Generation - Transition From Fossil Fuels - Carbon Dioxide Emissions Rate and Transition Account
**COMMITTEE:** Senate Finance & Senate Education, Health, and Environmental Affairs

**Statement of Information**

Senate Bill 887 would implement a limit on carbon dioxide emissions for six coal-fired power plants in Maryland and would create a new Advisory Board and Fund that would help reduce the impact of a transition to a decarbonized economic on impacted counties and workers. The fund is established in order to help reduce the adverse impacts on Maryland workers, who rely on employment in these plants to provide for their family, and Maryland counties, who rely on the tax revenue generated by these plants to provide essential services for local residents. The Advisory Board and the Fund would be staffed and administered by the Maryland Department of Commerce (Commerce).

SB 887 mandates that the six plants identified in the bill reduce their CO2 emissions levels so that they do not exceed 180 pounds per million British thermal unit (MMBTU). According to the US Energy Information Administration (EIA), coal production results in, on average, 210.2 pounds of CO2 per MMBTU[1]. Therefore, the emissions levels mandated in SB 887 are roughly 15 percent below average. To reduce emissions in order to be compliant, Maryland's coal-fired plants will likely need to invest in expensive renovations, such as carbon capture and storage. These investments will create additional costs and may force coal plants to close.

Fossil fuel plants in Maryland support hundreds of Maryland workers. As of the second quarter 2019, Maryland had 31 fossil fuel plants which each employ an average of 71 workers[2]. These workers earn an average annual salary of $112,320, far above the average Maryland wage. The closure of one plant would mean the loss of high-paying jobs in the state and would present workers with few immediate employment opportunities where their skills would be directly applicable. Additionally, the loss of a single plant would have large tax implications for county governments. A report by the Maryland Department of the Environment estimated that the

[1] Energy Information Administration. Carbon Dioxide Emissions Coefficient. Accessed at: https://www.eia.gov/environment/emissions/co2_vol_mass.php
[2] Quarterly Census of Employment and Wages. Private, All Industry Aggregations, Maryland. Accessed at: https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=11&year=2019&qtr=2&own=5&area=24000&supp=0

average local fiscal impacts would be nearly $6.3 million were one fossil fuel plant to close[3]. Much of this fiscal impact comes from property taxes.

The timeframe for the phase-in of the CO2 emissions limits does provide some coal plants with time to prepare. For example, the Warrior Run plant has 10 years before it is required to comply with the new limits in SB 887. However, there is the potential that many of the coal plants in the state will be closed in the near-term regardless of what happens with proposed legislation.

For example, Maryland is part of the Regional Greenhouse Gas Initiative (RGGI). RGGI is a partnership between a number of Mid-Atlantic and Northeastern states to run a joint cap-and-trade program to reduce CO2 emissions. In 2017, these states announced that the overall cap on CO2 emissions would reduce by 30 percent between 2020 and 2030. The Maryland Department of the Environment recently completed research to understand the potential impact of the shrinking RGGI cap on Maryland's electricity generation.

The Greenhouse Gas Emissions Reduction Act (GGRA) of 2016 requires Maryland to reduce greenhouse gas emissions by 40 percent of 2006 levels by 2030. In October 2019, the Maryland Department of the Environment released its draft plan to meet this mandate. In the plan, generation from coal-fired plants decreases by roughly 80 percent as a result of a shrinking RGGI cap and decreased electricity demand[4,5].

Therefore, while the limits mandated in SB 887 may lead to closures on their own, it is unclear if the plants will remain open even if the proposed legislation does not pass. Without a transition plan in place, counties and workers will suffer. A transition plan is especially needed in case either of the Warrior Run, located in Allegany County, or Morgantown, located in Charles County, plants close, as these plants are located in counties that have fewer employment opportunities for displaced workers. While SB 887 provides the framework for this transition plan, the funding mechanism results in a substantial amount of money being taken from programs that directly employ workers or put money in the hands of low income residents and puts it into county governments with the hope that the money be used to employ workers or put money in the hands of low income residents. Although county governments also drive local economies, it is not clear that this approach would be able to provide greater economic benefits when compared to the more direct approaches currently in place. Additionally, the administration of this fund would require significant additional staff resources and expertise which Commerce does not currently have available.

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[3] Maryland Department of the Environment. Appendix I: Just Transition. Page 18. Accessed at: https://mde.maryland.gov/programs/Air/ClimateChange/Documents/2019GGRAPlan/Appendices/Appendix%20I%20-%20Just%20Transition.pdf

[4] Maryland Department of the Environment. Appendix F: Documentation of Maryland PATHWAYS Scenario Modeling. Page 13. Accessed at: https://mde.maryland.gov/programs/Air/ClimateChange/Documents/2019GGRAPlan/Appendices/Appendix%20F%20-%20Documentation%20of%20Maryland%20PATHWAYS%20Scenario%20Modeling.pdf

[5] Maryland Department of the Environment. GGRA Draft Emissions Estimates (link under 11/19/2019 meeting). Accessed at https://mde.maryland.gov/programs/Air/ClimateChange/MCCC/Pages/MWG.aspx