February 18, 2021

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

Re: House Bill 33- Climate Crisis and Education Act

Dear Chair Davis and Members of the Committee:

The Maryland Department of the Environment (MDE or the Department) has reviewed House Bill 33- *Climate Crisis and Education Act* and would like to provide some information on the bill.

The purpose of HB 33 is to provide for the establishment of a Climate Crisis Initiative (the Initiative) in the Department for the purpose of achieving greenhouse gas (GHG) reduction targets for certain years as well as the establishment of a Climate Crisis Council (the Council) to develop plans that supports the Initiative. This bill has a very significant fiscal and operational impact on the Department. Amongst other provisions, the Department would have the following new responsibilities under the bill: administer the schedule of GHG fees on all fossil fuels brought into the State for combustion and electricity; solely administer the Household and Employee Benefit Fund; administer the Climate Crisis Infrastructure Fund in consultation with the Council; and administer the Kirwan Fund in consultation with the Department of Education.

As part of managing the GHG fees and three funds noted above, MDE would be required to: (1) ensure that if an exemption is taken for the sequestration of carbon dioxide equivalent emissions, those emission are permanently sequestered; (2) determine the fuel used to generate electricity at each generating plant in the state and the fuel used to generate electricity that is imported into the state based on information from PJM interconnection and other sources; (3) adopt regulations for the calculation, assessment, and collection of the charges; (4) report to the General Assembly; (5) identify other GHGs as a "greenhouse gas-emitting priority" for purposes of assessing a charge; (6) study and report on the feasibility of imposing and collecting additional GHG emission charges on emissions, such as fugitive emissions; and (7) in connection with disbursements from the Employer Benefit Fund and giving special attention to manufacturing, agriculture, small nonprofit organizations, and governmental units which would then require the Department to (i) consult with other State agencies, such as Commerce, Labor, Licensing, and Regulation and Housing and Community Development to identify economic sectors or subsectors at risk of serious negative impacts because of the charge, (ii) calculate, as mitigation, the total proceeds collected from the above-mentions sectors and may apportion part or all of the proceeds to the affected sector, and (iii) demonstrate, for manufacturers, agriculture and for-profit employers, that negative impacts from the charge are likely to occur due to competition from employers outside the State and for nonprofit and governmental that these entities would face undue burdens without the mitigation.

All of these provisions would have a significant fiscal and operational impact on the Department. Taking into account the requirement for the Department to delegate the collection of charges to the Comptroller, the Department estimates that this bill would require the development of a new program in the Department with roughly seventy employees and three new accounting systems/databases. The development of this program and systems would occur prior to seeing any influx of revenue generated from the required charges in the bill. Given that there are many unknowns about the full scope of the work to manage the three new and very complex funding programs, and the fact that managing education initiatives (the Kirwan Fund) is outside the scope of the Department's expertise, there is always the potential for needing more staff than envisioned at this time.

Additionally, under this bill, the statewide GHG reduction goals would be changed to reduce statewide GHG emissions by 60% from 2006 levels by 2030, and net-zero GHG emissions by 2045. After 2045, statewide GHG emissions shall be net negative. The bill creates the Council, which is primarily responsible for writing the plan to meet the new GHG reduction goals. However, the bill does not note who would be staffing the Council. If MDE staffs the Council and is primarily responsible for helping the Council write the new plan, there would be an additional fiscal and operational impact on the Department. The revised goals would require that MDE repeat the comprehensive emissions and economic impact analyses included in the current Greenhouse Gas Reduction Act Plan process using extended contracts with emissions and economic impact modelers. Because of the significant number of emissions reduction measures that Maryland has implemented, this would require a large number of additional scenarios and substantial contract costs. The Department would also be responsible for studying and reporting the feasibility of imposing and collecting additional GHG emission fees on fugitive emissions and intentional release of methane from the natural gas infrastructure. This would require additional contractual support to conduct the study as well.

Thank you for your consideration. We will continue to monitor House Bill 33- *Climate Crisis and Education Act* 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: George "Tad" Aburn, Director, Air and Radiation Administration