February 2, 2021

The Honorable Delores G. Kelley, Chair
Finance Committee
3 East
Miller Senate Office Building
Annapolis, Maryland 21401

Re: SB148- Electric Generation – Transition From Fossil Fuels – Carbon Dioxide Emissions Rate and Transition Plan and Fund (Maryland Coal Community Transition Act of 2021)

Dear Chair Kelley and Members of the Committee:

The Maryland Department of the Environment (MDE or the Department) has reviewed SB 148- *Electric Generation – Transition From Fossil Fuels – Carbon Dioxide Emissions Rate and Transition Plan and Fund (Maryland Coal Community Transition Act of 2021)*. The bill has two main components, establishing a maximum emission rate of 180 pounds per million British Thermal Units (lbs/MMBtu) for carbon dioxide (CO_2) emissions from electrical generating units (EGUs) and establishing a Fossil Fuel Community Transition Fund. The Department would like to provide some information related to this bill.

CO_2 Emission Reductions

SB 148 establishes a maximum emission rate of 180 lbs/MMBtu for CO_2 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 CO_2 emission rate is set in the bill and varies between June 1, 2021 and March 1, 2030 depending on the affected unit. It is unlikely that the EGUs noted in the bill could meet the 180 lbs/MMBtu rate without CO_2 controls. The dates listed for the EGUs to achieve the 180 lbs/MMBtu rate are generally in sync with the current announced retirement date for those EGUs, expect for Morgantown Units 1 and 2. The bill would require Morgantown Units 1 and 2 to meet the 180 lbs/MMBtu rate by October 1, 2024; however, Morgantown has announced a retirement date of 2027.

Fossil Fuel Community Transition Fund

The bill amends State Government Article § 9-20B-05 to require $13.3 million be transferred from SEIF, which receives proceeds primarily from the sale of CO_2 allowances under the Regional Greenhouse Gas Initiative (RGGI), as well as other sources, to the Fossil Fuel Community Transition Fund during fiscal years 2022 through 2024.

MDE agrees that it is important to support displaced workers who are transitioning from employment with an affected EGU. The requirements under this bill to have EGUs meet the CO_2 emission standard by a date certain reflects, for most plants, what has already been decided; however, SB 148 requires the State to fund the full transition-related needs associated with those closures without consideration of any efforts on behalf of the companies to meet those same needs. Funding this transition will have a large financial impact on the State.

While SB 148 would allocate $13.3 million from SEIF, which is primarily funded by RGGI, it would not alter the formula dictating how those RGGI proceeds are expended. Since that formula would remain unchanged, it is not immediately clear which programs currently funded by the SEIF would be impacted by the diversion of SEIF funds to this purpose. But $13.3 million is a substantial fraction of annual RGGI proceeds, so the impact on affected programs during Fiscal Years 2022 through 2024 would be significant.

The SEIF formula in question allocates 20% of proceeds from RGGI to the renewable and clean energy programs account. This includes funding for MDE's Climate Change Program, which administers greenhouse gas regulatory programs like RGGI (the source of the funding), develops Maryland's long term climate plans under the Greenhouse Gas Reduction Act, and provides administrative and technical support for the Maryland Commission on Climate Change. Any reduction in available SEIF funds could limit funding available to MDE to perform its climate planning tasks, which continue to grow in importance and complexity with additional legislative requirements.

In addition to the potential SEIF impacts, as EGUs shut down, there will be a significant reduction in emission-based fee revenues. These sources collectively provide MDE several hundred thousand dollars in emission-based fee revenues yearly. The loss of this revenue, coupled with any potential reduction in SEIF revenues, magnifies the revenue loss to MDE.

Thank you for your consideration. We will continue to monitor SB 148- *Electric Generation – Transition From Fossil Fuels – Carbon Dioxide Emissions Rate and Transition Plan and Fund (Maryland Coal Community Transition Act of 2021).* 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