

Hearing Date: March 7, 2024

SUPPORT: HB1272 – Department of the Environment - Cap-and-Invest Program - Establishment

Climate Law & Policy Project and the undersigned organizations support HB1272.

Maryland has some of the most ambitious greenhouse gas reduction targets in the country: 60% below 2006 levels by 2031 and net-zero emissions by 2045. In December 2023, the Maryland Department of the Environment (MDE) released [Maryland's Climate Pollution Reduction Plan](#) (CPRP), laying out its strategy to achieve the state's near-term climate goal and place it on a path to achieve its 2045 goal. The CPRP includes an economy-wide cap-and-invest program both to close a 3.5 million metric ton emissions gap remaining after MDE's other policy recommendations are implemented and to raise revenue to fund several of these policy programs. The CPRP suggests a need for new revenue of approximately \$1 billion per year. (Alternative mechanisms, such as a carbon fee, are also included as potential revenue-raising options.) As stated in the CPRP, MDE is planning throughout 2024 to explore how an economy-wide cap-and-invest program could work best for Maryland.

Put simply, a cap-and-invest approach establishes a declining cap on emissions levels, requires polluters to purchase emission allowances, and invests the proceeds of allowance sales (which can be substantial) in achieving a **rapid, effective, and equitable transition** to a decarbonized economy. Under cap-and-invest, **both** the cap and the investment are designed to drive progress. The **cap** fills any shortfall in reductions achieved by other emissions abatement policies such as incentives, standards, and mandates. The **investments** can accelerate emissions reductions, enhance resiliency to climate impacts, protect underserved and overburdened communities, and help achieve many other climate-related objectives.

Maryland already participates in a cap-and-invest program — the Regional Greenhouse Gas Initiative (RGGI), a multi-state program covering only the electricity sector in the Northeast and Mid-Atlantic region. There are also some states and jurisdictions using cap-and-invest across multiple sectors, as a way to raise revenue and as a backstop policy to ensure that their statewide emissions targets are met. California, Washington, and Quebec have all adopted economy-wide cap-and-invest programs, and New York is in the process of developing such a program. The existing economy-wide cap-and-invest programs have raised billions of dollars for investment in climate-related programs, including focused efforts to ensure benefits for low-income, disadvantaged, and overburdened communities.

HB1272 would require MDE, in collaboration with the Maryland Commission on Climate Change, to **develop an economy-wide cap-and-invest program** by the end of 2024 that is consistent with the recommendations in the CPRP and that is designed in a way that (1) achieves the needed **reductions in climate pollution**, (2) addresses **energy affordability** and **environmental justice**, and (3) establishes protocols for participation in multi-state or regional cap-and-invest programs, if necessary.

CLPP and the undersigned organizations urge a favorable report on this bill.

CCAN Action Fund

Cedar Lane Unitarian Universalist Environmental Justice Ministry

Indivisible HoCoMD

League of Women Voters of Maryland

Mizrahi Family Charitable Fund