



To: Members of the House Economic Matters Committee
From: Environmental Defense Fund
Subject: HB1272 “Department of the Environment – Cap-and-Invest Program – Establishment”
Date: March 07, 2024

The Environmental Defense Fund appreciates the opportunity to testify in support of House Bill 1272, directing the Department of the Environment in collaboration with the Maryland Commission on Climate Change to develop an economy-wide cap-and-invest program.

EDF is a global non-profit organization focused on tackling climate change and the world’s most challenging environmental issues. We have more than three million members globally, including more than 70,000 Marylanders as of last year.

Role of Cap-and-Invest in Achieving Maryland’s Climate Goals

Maryland has been a leader for many years in taking action to address climate change while delivering health and economic benefits to its residents. Maryland’s Climate Solutions Now Act (CSNA), passed by the General Assembly in 2022, establishes some of the most ambitious climate pollution reduction goals in the country, in line with what science suggests is necessary to mitigate the worst impacts of climate change. This includes requiring cutting pollution by at least 60% from 2006 levels by 2031 and achieving net-zero emissions by 2045.

An economy-wide cap-and-invest program would be a powerful tool to ensure the state achieves pollution cuts in line with these statutory targets and drives significant investments in decarbonization, economic development, environmental justice, resilience, and other identified priorities. Analysis by the Department of the Environment and University of Maryland found that with policies in place as of 2023, Maryland would fall short of its 2031 target, whereas policy scenarios that include economy-wide policies like cap-and-invest would achieve the CSNA goals.¹

EDF has worked on policies that limit economy-wide pollution for decades across dozens of states and countries. Through that experience and research, EDF has found that economy-wide policies – like the proposed cap-and-invest program – represent a critical component in the suite of climate policies necessary to meet ambitious emission reduction targets. By establishing an enforceable, declining limit across all major emission sources, a cap-and-invest program can maximize certainty that Maryland achieves its fast-approaching climate targets.

An economy-wide program can support and complement other climate and clean energy policies by providing a consistent price signal for reducing GHG emissions, thereby ensuring no cost-effective

¹ The Maryland Department of the Environment and University of Maryland Center for Global Sustainability. 2023. Maryland’s Climate Pathway. <https://www.marylandsclimatepathway.com/>.

reduction opportunity is missed and incentivizing early and deep reductions. A cap-and-invest program complementing sector-specific climate policies would support the most cost-effective path to meeting Maryland's climate goals.

Proven Approach to Cutting Polluting and Driving Investments in Communities

Cap-and-invest is a proven approach to cutting emissions and investing in communities, as Maryland knows firsthand from its participation for over a decade in the Regional Greenhouse Gas Initiative. While this regional cap-and-invest program cuts emissions from power plants, expanding this tool economy-wide in Maryland would help to ensure all sectors are on track to meet the CSNA targets while providing an important revenue source for investments in communities.

Other climate leadership states like California, Washington, and New York have adopted or are in the process of adopting economy-wide cap-and-invest programs as critical components of strategies to meet their climate targets. Existing programs are driving billions of dollars of investments every year in projects to accelerate greenhouse gas reductions and support clean air, resiliency, and economic benefits in communities, prioritizing investments in low-income communities and communities overburdened by pollution and impacted first and worst by climate change.

Prioritizing Affordability and Environmental Justice

In addition to demonstrating that cap-and-invest is a critical tool to cut costly climate pollution, EDF's decades of experience have also taught us that programs must be deliberately designed to deliver environmental justice and maximize affordability. Critically, HB1272 explicitly directs Maryland to develop a program that prioritizes energy affordability and environmental justice.

With respect to affordability, it is worth reiterating that a well-designed cap-and-invest program would maximize certainty that Maryland achieves its climate targets in the most cost-effective way, as the price signal on climate pollution would ensure no opportunities to cut pollution cost-effectively are missed. Furthermore, through the program design and use of revenues there are many opportunities to ensure costs are not borne by those least able to afford them, including via direct rebates or bill credits targeting Maryland's most vulnerable residents.

EDF also believes that cap-and-invest can be a tool to advance environmental justice in Maryland, which must be prioritized in the design of the program. First and foremost, this must start with participation of community representatives in the program development and oversight. Maryland has taken an important step via the CSNA to define "overburdened" and "underserved" communities in the state. Benefits to these communities should be prioritized through both dedicated cap-and-invest revenues and the design of the regulatory mechanism with respect to facilities in or impacting these communities.

California and Washington's programs, and New York's proposed program, all require that a minimum percentage of cap-and-invest revenues be directed to disadvantaged communities. Maryland has established similar requirements for investments through its Climate Catalytic Capital

Fund – with a minimum of 40% of those investments directed to low-income households – and should consider establishing a similar firm requirement for cap-and-invest revenues.

Beyond revenue investments, cap-and-invest programs can and must also be designed to accelerate reduction of harmful local air pollution in overburdened communities. While programs designed to reduce GHG emissions frequently have significant positive impacts on reductions of the local pollutants, additional protections are important to ensure that policies do not perpetuate disproportionate pollution burden.

HB 1272 would significantly accelerate Maryland's ability to achieve its climate targets and drive investments to support safer, healthier communities. EDF urges a favorable report on this important bill.