



LEGISLATIVE POSITION:

Unfavorable

**House Bill 1272 – Department of the Environment - Cap-and-Invest Program - Establishment
House Economic Matters Committee
Thursday, March 7, 2024**

Dear Chairman Wilson and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 6,800 members and federated partners working to develop and promote strong public policy that ensures sustained economic growth and prosperity for Maryland businesses, employees, and families.

HB 1272 requires the Maryland Department of the Environment (MDE) to develop an economy-wide cap-and-invest program by December 31, 2024. While HB 1272 lacks structure and does not include any specifics of what a cap-and-invest program would look like, several concerns arise from the proposed legislation.

The Climate Solutions Now Act of 2022 increased the state's greenhouse gas reduction goals to 60% by 2031. It is important to note that the original recommendation from the Maryland Commission on Climate Change that MDE adopted was to achieve a 50% reduction by 2030. In June 2023, MDE released their Climate Pathway Report, which modeled policies like a cap-and-invest program. However, the modeling lacked details and did not include scenarios with emission cap levels, how revenue from allowances would be allocated and used, or how the program would be designed. Notably, the report estimates that implementing a cap-and-invest program would entail an annual cost of at least \$1 billion from certain fossil fuel sources, ultimately borne by energy users in Maryland.

Following the Pathway Report, MDE issued their final Climate Pollution Reduction Plan in December 2023, which did not build on the structure of a cap-and-invest program. It did state, "The state must further consider if cap and invest or another policy is best for Maryland" and noted that, "In 2024, MDE will explore how expanding Maryland's current cap and invest program (RGGI) to cover additional sources could work". HB 1272 overlooks this recommendation by mandating program development without adequate stakeholder discussions and further studies.

This program will have a significant impact on the state's economy but includes very little detail. There are no parameters or guardrails set forth in the proposed legislation, which we believe should be set by the legislature. It will be costly for businesses to purchase credits or invest in expensive emissions reduction technologies to comply with caps. The costs would be especially burdensome for small businesses and low income and disadvantaged communities. It would also be fairly easy for Maryland businesses to relocate to more business-friendly states across state lines resulting in reduced economic activity and job losses.

Additionally, cap-and-invest programs can lead to uncertainty and regulatory unpredictability. If regulations and caps are frequently changed, it can make business planning difficult, which would discourage investment. It would also likely lead to higher energy prices as companies pass on the costs of compliance to consumers. This is especially true in Maryland, which already participates in a cap-and-invest program through the Regional Greenhouse Gas Initiative (RGGI) and would therefore double cap-and-invest costs for doing business in the state.

Carbon leakage is a concern for a statewide cap-and-invest program. Industries will move their operations to other states with less restrictive carbon emissions reduction regulations to avoid the high costs of compliance. Businesses in those states can also emit greenhouse gases then import their products into Maryland, creating an unfair playing field for Maryland businesses.

Lastly, Washington State passed legislation implementing a statewide cap-and-invest program in 2021. Efforts are already underway to repeal the law, with expectations of it appearing on the November ballot (*Initiative 2117*). The cost of energy has a big impact on working families' budgets, and voters in Washington continue to reject attempts at a carbon tax, as it is driving the cost of fuel, food and energy prices higher.

HB 1272 lacks important details, raising significant concerns about the feasibility of crafting a program that effectively addresses the intricate issues of energy affordability. As noted in the fiscal note, it is also unclear if the intent is to *develop* a cap-and-invest program or if the intent is to also *implement* the program.

For these reasons, the Chamber respectfully requests an **unfavorable report** on **House Bill 1272**.

