

March 5, 2024

The Honorable Marc Korman
Chairman, House Environment & Transportation Committee
House Office Building, Room 251
Annapolis, Maryland 21401

RE: MBIA Letter of Opposition HB 1272 Department of the Environment – Cap-and-Invest Program – Establishment

Dear Chairman Korman,

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding **HB 1272 Department of the Environment – Cap-and-Invest Program – Establishment**.

This bill requires the Department of the Environment, in collaboration with the Maryland Commission on Climate Change, to establish a certain cap-and-invest program on or before a certain date; and generally relating to the development of a cap-and-invest program. The proposed program in The Climate Change Pathways Plan aims to reduce greenhouse gas emissions by imposing a tax on emitters and using the proceeds for climate projects. However, the lack of detail and potential complexities of the program raises concerns from our industry.

MBIA believes that a tax on greenhouse gas emissions could disproportionately affect economically disadvantaged communities and place heavy burdens on different employers. The plan's authors often cite New York's cap and invest program as a model, which also lacks comprehensive details like the proposed program in HB 1272. In New York, there are already calls to restrict industries in underprivileged areas from purchasing emissions credits, which will ultimately lead to a redistribution wealth from historically marginalized groups affected by environmental issues to the wealthy.

Unlike New York, Maryland's smaller size and geographic proximity to other states make it susceptible to business relocation across state lines. We saw this on full display in our experience with the Regional Greenhouse Gas Initiative (RGGI), a cap-and-invest program limited to power plants. The term "leakage" was used to describe the importation of power from areas outside the cap-and-trade program. The RGGI was able to limit leakage because it covered all the states from Maine to Virginia. A Maryland-exclusive program would likely face increased leakage as businesses will emit greenhouse gases in neighboring states and then import products into Maryland.

For these reasons, MBIA respectfully urges the Committee to give this measure **an unfavorable** report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the House Environment & Transportation Committee