

HB1272 Department of the Environment- Cap-and-Inves

Uploaded by: Barbara Matheson

Position: FAV



HB 1272

Department of the Environment - Cap-and-Invest Program - Establishment

Testimony before the Economic Matters Committee

March 7, 2024

Position: FAVORABLE

Dear Chair Wilson, Vice Chair Crosby, and members of the committee. My name is Barbara Matheson. I represent the 700+ members of Indivisible Howard County. Indivisible Howard County is an active member of the Maryland Legislative Coalition (with 30,000+ members). We are providing written testimony today in support of HB1272. We thank Delegate Stein and his colleagues for sponsoring this bills.

HB1272 requires the Maryland Department of the Environment (MDE) in collaboration with the Maryland Commission on Climate Change to develop an economywide cap-and-invest program that reduces climate-altering emissions by the end of 2024. The program is consistent with recommendations in MDE's Maryland's Climate Pollution Reduction Plan. It is designed in a way that (1) achieves necessary climate pollution reductions, (2) addresses energy affordability and environmental justice, and (3) establishes protocols for participation in multistate or regional cap-and-invest programs.

Maryland since 2009 has participated in a successful cap-and-invest program – the Regional Greenhouse Gas Initiative (RGGI). In its first few years, RGGI reduced carbon emissions from electric power plants by 50%(1), had an economic impact of \$1.6 billion (2) and created 14,700 job-years (3). HB1227 would expand Maryland's participation in RGGI by extending coverage of emissions sources beyond fossil fuel power plants.

The program would require polluters to reduce climate pollution and purchase emission allowances for the emissions they produce. Both the cap and investment components accelerate progress. Caps along with incentives, standards, and mandates reduce GHG emissions. Revenue from the sale of allowances can promote remission reductions, enhance resiliency to climate impacts, and protect underserved and burdened communities.

Establishing an economy-wide cap-and-invest program is a strong and effective approach to further reduce GHG emissions and generate revenue. It moves Maryland toward its climate solution goals.

Thank you for your consideration of this essential bill.

We respectfully urge a favorable report.

Barbara Matheson, Columbia, MD

1. Murray, Brian C.; Maniloff, Peter T. (August 2015). "[Why Have Greenhouse Emissions in RGGI States Declined? An Econometric Attribution to Economic, Energy Market, and Policy Factors](#)" (PDF). *Energy Economics*. **51**: 581–589. doi:10.1016/j.eneco.2015.07.013.

2. "[The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States](#)" (PDF). Analysis Group. November 2011.[^]

3. "[The Economic Impacts of the Regional Greenhouse Gas Initiative on Nine Northeast and Mid-Atlantic States](#)" (PDF). Analysis Group. July 2011.

HB 1272_LWVMD_FAV_2024.pdf

Uploaded by: Casey Hunter

Position: FAV



TESTIMONY TO THE HOUSE ECONOMIC MATTERS COMMITTEE

HB 1272 - Department of the Environment - Cap-and-Invest Program - Establishment

POSITION: Support

By: Linda T. Kohn, President

Date: March 7, 2024

Since the emergence of the environmental movement in the 1970's, the League of Women Voters has advocated for policies that protect our planet and promote public health. The League believes in increasing energy efficiency and transitioning to predominant reliance on renewable energy sources. Establishing emissions cap programs is an important tool for reducing harmful greenhouse gas emissions.

The League of Women Voters of Maryland **supports HB 1272**, which would require the Department of Environment and Commission on Climate Change to develop a cap-and-invest program. This program would establish declining, economy-wide emissions caps, and require polluters to purchase emissions allowances. The revenue would then be invested in the state's policy efforts that work towards achieving Maryland's ambitious climate goals. The cap-and-invest program would be designed to reduce climate pollution, while also addressing energy affordability and environmental justice.

The Maryland Department of the Environment's [2023 Climate Pollution Reduction Plan](#) estimates that an approximately \$1 billion investment is needed *each year* for the state to achieve its clean energy transition goals. **HB 1272** would create an important source of revenue for funding key policy initiatives that work towards achieving Maryland's climate targets. These investments would notably benefit overburdened and underserved communities who are disproportionately impacted by the effects of climate change.

The League of Women Voters of Maryland **strongly urges a favorable report on HB 1272.**

Stein Testimony HB 1272.pdf

Uploaded by: Dana Stein

Position: FAV

DANA M. STEIN
Legislative District 11B
Baltimore County

—
SPEAKER PRO TEM
—

Environment and Transportation
Committee

Subcommittees

Chair, Environment

Natural Resources,
Agriculture and Open Space



The Maryland House of Delegates
6 Bladen Street, Room 301
Annapolis, Maryland 21401
410-841-3527 · 301-858-3527
800-492-7122 Ext. 3527
Dana.Stein@house.state.md.us

The Maryland House of Delegates
ANNAPOLIS, MARYLAND 21401

Delegate Stein's Testimony in Support of HB 1272

Department of the Environment – Cap-and-Invest Program - Establishment

Cap-and-invest is a type of pollution regulation that sets a cap on pollution from a specific set of pollution sources and reduces that cap over time. It is designed in a way that also drives investment from polluters into reduction projects and consumer benefit programs.

Maryland has been implementing a cap-and-invest program for carbon pollution from power plants for more than 15 years through the Regional Greenhouse Gas Initiative. Ten states actively participate in RGGI right now: Maryland, Delaware, New Jersey, New York, Connecticut, Massachusetts, Rhode Island, Vermont, New Hampshire, and Maine.

RGGI states have reduced carbon pollution from power plants faster than the country as a whole, cutting pollution roughly in half since the program began.

Maryland's Climate Pollution Reduction Plan identified a broader cap-and-invest program as a potential measure that would drive more rapid greenhouse gas emissions reductions across Maryland's economy and raise funding to invest in key clean energy, clean transportation, and clean industry projects in Maryland homes, businesses, and communities. The plan tasked MDE with evaluating how expanding the cap-and-invest policy framework to additional sectors of Maryland's economy would work.

This bill would ensure that evaluation of this potential measure happens by the end of the year and follows key priorities for energy affordability and environmental justice.

Testimony HB1272 Cap and Invest.pdf

Uploaded by: Debbie Cohn

Position: FAV

Committees: Economic Matters
Environment and Transportation
Testimony on: HB1272 - Department of the Environment – Cap-and-Invest Program -
Establishment
Submitting: Deborah A. Cohn, Individual
Hearing Date: March 7, 2024
Position: Favorable

As a Maryland resident I am concerned about climate change and environment impacts to protect the health and well-being of my children and grandchildren who are also Maryland residents.

Maryland has established ambitious goals to reduce greenhouse gas (GHG) emissions –60% below 2006 levels by 2031 and net-zero emissions by 2045. The state’s strategy for achieving these goals while reducing other air pollutants and improving public health, the Climate Reduction Plan, calls for an economy-wide cap-and-invest program both to close the 3.t million metric ton emissions gap between other policies and programs recommended under the plan, and to provide some of the nearly \$1 billion per year needed to fund the programs.

Nothing will accelerate decarbonization of Maryland’s economy as efficiently as clear pricing signals. These can be achieved through a well-designed cap-and-invest program. HB1272 will require MDE with the Maryland Commission on Climate Change (MCCC) to develop this year an economy-wide cap-and-invest system to reduce carbon emissions in a manner that takes into account energy affordability and environmental justice. To strengthen economic signals and reduce movement of polluters to neighboring states, any cap-and-invest system is strengthened by participation by neighboring states. Accordingly, HB1272 also directs MDE, in designing this system, to establish protocols for Maryland’s participation in a multi-state or regional cap-and-invest program.

Because a cap-and-invest program designed to put a price on carbon emissions will accelerate the most cost-effective and economically efficient economy-wide reductions in GHG emissions and significant reduction of other air pollutants often associated with the economic activities creating these GHG emissions, I urge you to issue a **favorable** report on HB1272.

Thank you.

Deborah A. Cohn

HB1272_CLPP_Goldberg_FAV sign-on testimony.pdf

Uploaded by: Donald M. Goldberg

Position: FAV

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

HB 1272_Environmental Defense Fund_FAV.pdf

Uploaded by: Kate Courtin

Position: FAV



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.

HB 1272- MDLCV Support - Department of the Environ

Uploaded by: Kim Coble

Position: FAV



Kim Coble
Executive Director

2024 Board of
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Thomas

March 7, 2024

SUPPORT: HB 1272 - Department of the Environment - Cap-and-Invest Program - Establishment

Chairs Wilson and Korman and Members of the Committees:

Maryland LCV supports HB 1272 - Department of the Environment - Cap-and-Invest Program - Establishment - and we thank Delegate Stein for his enduring leadership on climate and clean energy issues.

With the passage of the Climate Solutions Now Act in 2022, Maryland set the most ambitious short term greenhouse gas emissions reductions targets in the nation, 60% by 2031. To reach these goals, the Maryland Department of the Environment (MDE) published a roadmap, the [Maryland Climate Pollution Reduction Plan](#), on December 28, 2023. The cost of implementing all the policies in the plan is ~ \$1 billion per year. (It is also worth noting that the report states “between now and 2031, up to 27,400 additional jobs will be generated under the new policies of this plan; total personal income will increase by \$2.5 billion; and Gross Domestic Product (GDP) will increase by \$5.3 billion.”) While the Climate Plan did not commit to one specific funding mechanism, it laid out several options, including a cap and invest program.

Governor Moore recently made a \$90 million down payment on the plan: At least 50 percent of the funding will be directed to communities that have been historically overburdened and underserved, going towards electric school buses, vehicle charging stations, and building electrification. This is an important first step, and the state will need to continue to invest state, federal, and private dollars to meet our targets.

Generally, a cap and invest program establishes a limit on emissions levels, which declines over time, that requires polluters to purchase emission allowances, and invests the proceeds of allowance sales into specified uses, which are usually related to the damages caused by fossil fuel pollution. Maryland would not be the first state to consider this option. In addition to already participating in the Regional Greenhouse Gas Initiative (RGGI), which generated \$151 million for Maryland in 2022, California and Washington have cap and invest policies and New York is writing their policy now. In its first year, Washington’s policy brought in [\\$2.2 billion](#) to invest in protections for climate, clean air, and clean water that will directly benefit communities.

HB 1272 would codify MDE’s commitment in the Climate Plan to “in 2024...explore how expanding Maryland’s current cap and invest program (RGGI) to cover additional sources could work” with specific attention to addressing energy affordability and environmental justice. The legislature is considering several bills addressing funding climate solutions this session, and we have supported all of them because they are complementary and together will support the needed investments.

Maryland LCV urges a favorable report on HB 1272, which is a straightforward directive to develop a cap and invest program directed at implementing the Climate Plan.

HB1272_MDSierraClub_fav_ECM 7Mar2024.pdf

Uploaded by: Mariah Shriner

Position: FAV



P.O. Box 278
Riverdale, MD 20738

Committees: Economic Matters and Environment and Transportation
Testimony on: HB 1272 “Department of the Environment - Cap-and-Invest Program – Establishment”

Position: Support

Hearing Date: March 7, 2024 (Economic Matters)

The Maryland Chapter of the Sierra Club supports HB 1272, the Cap-and-Invest Program (CIP) Establishment. This bill directs the Maryland Department of the Environment (MDE) to develop a program that lowers Maryland’s greenhouse gas emissions by setting a cap on emissions, pricing or auctioning off the right to emissions, and devoting the income from the auctions to investments that will further lower emissions in an equitable manner.

Maryland has set ambitious climate goals and achieving those goals will require significant revenue to fund important programs like building electrification, EV charging systems, and public transit. Maryland’s climate goals, as established through the Climate Solutions Now Act, created a legislative mandate for a 60% reduction in greenhouse gas emissions by 2031 and net zero greenhouse gas emissions by 2045. Maryland’s Climate Pollution Reduction Plan, released December 2023, “calls for at least \$1 billion annually in new state spending for investments.”¹

The Sierra Club believes that a cap-and invest-mechanism can be an effective tool in the State’s overarching climate strategy when it is integrated with environmental and economic justice principles. Maryland has established important aspects of its energy policy, and CIP would support implementation by bringing much needed revenue. HB 1272 calls for investing in programs that will meaningfully lower energy use, lower energy prices, and promote a just transition. Other states, including Washington and California, have implemented cap-and-invest programs. RGGI, a successful program which Maryland joined in 2007, is a cap-and-invest program for electricity, which currently generates a minority of our greenhouse gases.

CIP offers a process for defining how to generate and apply the needed resources. Because the effective design of the CIP will be complex, involving a number of environmental, economic, financial, and equity policies, having MDE lead a design process is appropriate. Ongoing engagement of stakeholders before and during the MDE study and subsequent implementation will be essential to mitigate unintended consequences, minimize cost impacts on low-income communities, and ensure benefits of the program return to impacted communities.

The CIP represents an important opportunity for the State to achieve its climate goals, through contributing to greenhouse gas emission reductions, generating needed revenue, and righting historical injustices. The Maryland Chapter of the Sierra Club urges a favorable report.

Christopher T. Stix
Clean Energy Legislative Team
Stixchris@gmail.com

Mariah L. Shriner
Climate Campaign Representative
Mariah.Shriner@MDSierra.org

Josh Tulkin
Chapter Director
Josh.Tulkin@MDSierra.org

¹ MDE, Maryland’s Climate Pollution Reduction Plan. 2023, p. 77.

HB 1272 Department of the Environment - Cap-and-I

Uploaded by: Mariana Rosales

Position: FAV

Thursday, March 7, 2024

TO: C. T. Wilson, Chair of the House Economic Matters Committee; Marc Korman, Chair of the Environment and Transportation Committee, and Committee Members.

FROM: Mariana Rosales, The Nature Conservancy, Director of Climate; Cait Kerr, The Nature Conservancy, State Policy Manager

POSITION: Support HB 1272 Department of the Environment - Cap-and-Invest Program – Establishment

The Nature Conservancy (TNC) supports HB 1272. This bill will allow the administration to develop a valuable tool to dissuade polluters and gather necessary funds for policy programs directed to achieve Maryland's commitments to address climate change. These goals include reducing GHG emissions by 60% from 2006 levels by 2031 and achieving net-zero statewide GHG emissions by 2045.

Furthermore, the bill aligns with the recommendations of the Maryland Commission on Climate Change and the Maryland Department of the Environment. In particular, Maryland's Climate Pollution Reduction Plan includes this proposal as a potential new source of funding in the chapter on economy-wide policies.

Maryland is experiencing more frequent extreme weather events with increasing intensity, including heavy rainfall, high tides, and record heat, causing significant damage to infrastructure, homes, and natural habitats. Our existing infrastructure is not equipped to handle today's challenges and certainly not the expected challenges in the future. This bill will protect lives and property and promote a more sustainable and resilient future for our state, capping the emissions levels and requiring polluters to purchase emission allowances. The government will invest the proceeds in achieving a rapid, effective, and equitable transition to a Net-Zero Economy.

Governor Moore has called for investing \$1 billion annually to fight climate change. HB 1272 requires MDE, in collaboration with the Maryland Commission on Climate Change, to develop an economy-wide cap-and-invest program by the end of 2024. This program will generate new revenue transferring the cost that polluters historically have placed in society. As it currently stands, taxpayers across Maryland are paying for the cost of climate change, which are adding up and contributing to the state's projected budget shortfall. A cap-and-invest program will require polluters to pay, dissuade future emissions, and generate revenue that will be invested in critical projects and climate resilience initiatives.

TNC commends the legislature for bringing forward a proposal to generate positive incentives that will allow us to achieve our mitigation goals and generate revenue to address climate change, promoting resilience in Maryland.

Therefore, we urge a favorable report on HB 1272.

HB 1272 - CBF - FAV.pdf

Uploaded by: Matt Stegman

Position: FAV



CHESAPEAKE BAY FOUNDATION

Environmental Protection and Restoration
Environmental Education

House Bill 1272

Department of the Environment – Cap-and-Invest Program – Establishment

Date: March 7, 2024

To: House Economic Matters Committee

House Environment & Transportation Committee

Position: **Favorable**

From: Gussie Maguire

MD Staff Scientist

Chesapeake Bay Foundation (CBF) **SUPPORTS** HB 1272 which directs the Department of the Environment (MDE) to develop an economy-wide cap-and-invest program to reduce climate pollution, address energy affordability, and work to correct environmental injustices. The program would include providing a pathway for participation in multistate or regional cap-and-invest programs.

Maryland's ambitious climate goals, culminating in net-zero greenhouse gas emissions by 2045, cannot be fully met under current policy and funding strategies—meaning that Marylanders will be forced to reckon with more extreme consequences of rising temperatures and sea level. By creating a cap-and-invest program, however, the state will be able to require polluters to stay below a declining cap level. Payment for pollution allowances will fund additional programs discussed in MDE's Climate Pollution Reduction Plan, including programs to protect Maryland's underserved and overburdened communities. Addressing energy affordability through this bill will help ensure that the cost of reducing greenhouse gas emissions will be paid by polluters, not by Maryland residents.

Maryland already participates in the Regional Greenhouse Gas Initiative, a cap-and-invest program that targets the electricity sector. An economy-wide program would provide greater mitigation of climate pollution, protecting the health of people and the environment. It would also create a larger pool of funds to be invested back into the communities most impacted by air emissions and climate change, helping right longstanding injustices.

Cap-and-invest programs have been successfully instituted by other states: in Washington, funds raised at pollution allowance auctions in 2023 totaled \$1.8 billion, and were reinvested across the state in a portfolio of transportation, transit, clean energy, air quality, and health improvement projects¹. Washington's Department of Ecology has also studied linking their program to regional programs, with promising results for both environmental impact and cost-effectiveness². Maryland has the opportunity to follow this model of success.

CBF urges the Committee's FAVORABLE report on HB 1272.

For more information, please contact Matt Stegman, Maryland Staff Attorney, at mstegman@cbf.org.

¹ <https://ecology.wa.gov/air-climate/climate-commitment-act/auction-proceeds>

² <https://ecology.wa.gov/blog/july-2022/independent-studies-show-new-climate-change-initia>

Maryland Office • Philip Merrill Environmental Center • 6 Herndon Avenue • Annapolis • Maryland • 21403

HB 1272 MDCC Department of the Environment - Cap-a

Uploaded by: Hannah Allen

Position: UNF



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**.



HB1272 testimony.pdf

Uploaded by: Kirk McCauley

Position: UNF



WMDA/CAR Service Station
and Automotive Repair Association

Chair: C.T. Wilson, Vice Chair Brian Crosby, and Members of Economic Matters Committee and members of Environment and Transportation committee

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

Position: Oppose

Looking at HB1272 and reading fiscal and policy notes that are unclear to intent, is bill authorization to develop a program or authorization to implement a program? Costs for Cap and Invest can be extremely high for consumers, and costs should be transparent.

For this reason, we Oppose HB1272b and ask for unfavorable report

Any questions can be addressed to Kirk McCauley, 301-775-0221 or kmccauley@wmda.net

MBIA Letter of Opposition HB 1272.pdf

Uploaded by: Lori Graf

Position: UNF

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

HB1272 - Maryland Motor Truck Association - Oppose

Uploaded by: Louis Campion

Position: UNF



Maryland Motor Truck Association

9256 Bendix Road, Suite 203, Columbia, MD 21045

Phone: 410-644-4600 Fax: 410-644-2537



HEARING DATE: March 7, 2024

BILL NO/TITLE: House Bill 1272: Department of the Environment - Cap-and-Invest Program - Establishment

COMMITTEE: Economic Matters / Environment & Transportation

POSITION: **Oppose**

Maryland Motor Truck Association (MMTA) appreciates the intent of House Bill 1272 to lower greenhouse gas emissions across all economic sectors; however, we are concerned that the adoption of this legislation will have a crippling effect on the state's economy, costing billions of dollars, with a huge financial impact on all businesses and no guarantee that it will have any meaningful impact on GHG reductions.

Trucking is a non-discretionary user of the highways, delivering 88% of the manufactured goods in the state. Over 93% of Maryland communities have no way other than by truck to get the food, clothing, medical supplies, and other goods that they need. While efforts continue to transition the trucking industry to a zero-emission future, today ZEV trucks are not widely available and do not yet offer a feasible alternative for most of the trucking industry's operations – particularly in the heavy-duty long-haul sector. For the near future, diesel will remain the dominant fuel to deliver the goods citizens need because it has the higher energy content necessary to transport widely diversified loads for long distances under extreme operating conditions.

Establishing a cap on emissions will increase the cost of diesel fuel. The California Air Resources Board estimates that its cap-and-trade program adds about 27 cents to each gallon of fuel sold in the state. Washington state's cap and trade program is estimated to have driven costs up between 25 and 45 cents per gallon. To offer some context, a 30-cents increase in fuel prices costs a single truck owner an extra \$5,000 per year.

Also according to CARB, it is unclear how effective programs like this are at reducing emissions. CARB states:

"The complex interactions between cap-and-trade and other state climate change efforts—as well as the many technological and economic factors that affect emissions in California—make it difficult to quantify the level of emissions reductions attributable to the program alone. To our knowledge, no studies have produced a reliable estimate of the emission reductions achieved by the cap-and-trade program so far. While the cap-and-trade program likely also has made some progress in spurring market-based climate policies outside of California, data are similarly unavailable to quantify the extent of this influence."

Lastly, MMTA is concerned that HB1272 provides no guidance as to where money generated under the new cap and invest program be spent. While it is assumed that the intent is for it to go to incentives that further reduce greenhouse gas emissions, that is not stated specifically in the legislation.

For the reasons noted above, Maryland Motor Truck Association asks for an unfavorable report.

About Maryland Motor Truck Association: Maryland Motor Truck Association is a non-profit trade association representing the trucking industry since 1935. In service to its 1,000 members, MMTA is committed to support, advocate and educate for a safe, efficient and profitable trucking industry in Maryland.

For further information, contact: Louis Campion, (c) 443-623-4223

MCIES OPPOSE HB 1272_March 5 2024 FV.pdf

Uploaded by: Sarah Peters

Position: UNF



Bill: HB 1272-Department of the Environment- Cap-and-Invest Program- Establishment

Position: OPPOSE

Dear Chair, Vice Chair, and Members of the Committee:

On behalf of the Maryland Coalition for Inclusive Energy Solutions (MCIES), a trade association promoting the inclusivity of all energy sources to meet the state's energy needs, I am writing to oppose HB 1272.

The bill requires the Maryland Department of the Environment (MDE) to develop an economywide cap-and-invest program within a relatively short timeframe, which raises serious questions about the practicality of designing a program that adequately addresses the complex issues of energy affordability and environmental justice. Indeed, MDE's December 2023 Climate Pathway Report directs the agency to "consider if cap and invest or another policy is best for Maryland."¹ That report stated that a cap and invest program would require certain fossil fuel sources to pay at least \$1 billion per year. This extraordinary cost would be paid by Maryland's energy users. HB 1272 ignores MDE's own recommendation that the agency study the potential costs and benefits of a cap and invest program and, instead, requires adoption of this program without the necessary deliberations.

Moreover, while HB 1272 outlines lofty goals, it provides little detail on how the program will achieve necessary climate pollution reductions while simultaneously addressing energy affordability and environmental justice. Access to reliable and affordable energy is a basic human necessity. Energy policies must be crafted with a clear understanding of their socio-economic impacts, ensuring that they do not disproportionately burden low-income households or exacerbate existing inequalities.

The MCIES has serious concerns that HB 1272 will have a detrimental impact on Marylanders who are likely to see higher energy bills, much like what is happening in Washington because of a similar law passed in 2021. Just two years after its passage, a repeal effort of Washington's law is already underway, and it is our understanding it will be on the November ballot. We support Maryland's climate and sustainability goals and are committed to energy policies that alleviate energy burden, so that all Marylanders can affordably access the energy they need.

For these reasons, we respectfully request an unfavorable report.

Sincerely,

George Anas
President

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<https://mde.maryland.gov/programs/air/ClimateChange/Maryland%20Climate%20Reduction%20Plan/Maryland%27s%20Climate%20Pollution%20Reduction%20Plan%20-%20Final%20-%20Dec%2028%202023.pdf>

HB1272 - LOI.pdf

Uploaded by: Landon Fahrig

Position: INFO



Maryland

Energy Administration

TO: Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee
FROM: MEA
SUBJECT: HB 1272 - Department of the Environment - Cap-and-Invest Program - Establishment
DATE: March 7, 2024

MEA Position: LETTER OF INFORMATION

This bill would require the Maryland Department of the Environment (MDE) to work with the Maryland Commission on Climate Change to develop an economy-wide state cap-and-invest program to reduce climate-altering emissions in the state. This is consistent with the recommendations in Maryland's Climate Pollution Reduction Plan (December 2023).

Per the Climate Pollution Reduction Plan, it was recommended that MDE examine ways to add a new state cap and invest program. This would provide a critical new revenue stream for implementation of the Plan. MDE anticipates that it can meet the requirements of this bill with existing resources, including working to braiding the program (as needed) with the Regional Greenhouse Gas Initiative (RGGI).

Maryland is already a member state of RGGI, a regional cap-and-invest program among East Coast states that have cut emissions in half from fossil fuel-fired electric power generators. Maryland allocates proceeds from the sale of carbon dioxide allowances sold at auction into the Strategic Investment Energy Fund (SEIF), the special, non-lapsing fund administered by the Maryland Energy Administration (MEA). This revenue stream is utilized for implementing climate solutions programs within the energy sector. MDE already enforces Maryland's regulations for RGGI participation.

Our sincere thanks for your consideration of this testimony. For questions or additional information, please contact Landon Fahrig, Legislative Liaison, directly (landon.fahrig@maryland.gov, 410.931.1537).

HB1272 LOI.docx.pdf

Uploaded by: Les Knapp

Position: INFO



**The Maryland Department of the Environment
Secretary Serena McIlwain**

House Bill 1272

Department of the Environment - Cap and Invest Program - Establishment

Position: Informational
Committee: Economic Matters
Date: March 7, 2024
From: Leslie Knapp, Jr.

The Maryland Department of the Environment (MDE) is providing **INFORMATIONAL** testimony on House Bill 1272.

Bill Summary

House Bill 1272 requires MDE to develop an economy-wide cap and invest program that reduces climate-altering emissions in the State. The bill requires that a cap and invest program be designed to be consistent with Maryland's Climate Pollution Reduction Plan, achieve necessary climate pollution reductions, and address energy affordability and environmental justice.

Position Rationale

Maryland has successfully applied a version of the cap-and-invest policy model to reduce carbon pollution from power plants for more than 15 years through the Regional Greenhouse Gas Initiative (RGGI). Maryland and its partner RGGI states have reduced carbon pollution from power plants faster than the rest of the country while achieving substantial economic benefits and reducing energy costs.

This bill is consistent with Maryland's Climate Pollution Reduction Plan and explores how Maryland could expand the model of its current cap and invest program. This bill would require MDE to develop cap and invest program options with input from the Maryland Commission on Climate Change. MDE can meet the requirements of the bill with existing resources.

HB 1272_MTBMA_UNF.pdf

Uploaded by: Michael Sakata

Position: INFO



March 7th, 2024

Delegate C.T. Wilson, Chair
House Economic Matters Committee
231 House Office Building
Annapolis, MD 21401

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

Dear Chair Wilson and Members of the Committee:

The Maryland Transportation Builders and Materials Association (“MTBMA”) has been and continues to serve as the voice for Maryland’s construction transportation industry since 1932. Our association is comprised of 200 members. MTBMA encourages, develops, and protects the prestige of the transportation construction and materials industry in Maryland by establishing and maintaining respected relationships with federal, state, and local public officials. We proactively work with regulatory agencies and governing bodies to represent the interests of the transportation industry and advocate for adequate state and federal funding for Maryland’s multimodal transportation system.

House Bill 1272 requires the Maryland Department of the Environment to develop an economy wide cap-and-invest program that reduces climate-altering emissions in Maryland. The program must be designed to achieve necessary climate pollution reductions, address energy affordability and environmental justice, and establish protocols for participation in multistate or regional cap-and-invest programs.

MTBMA submits this letter of inquiry to request clarification about the nature of the cap-and-invest program. The bill text is unclear, and does not fully explain the provisions of its development and implementation or how it will be funded. We look forward to gaining a better understanding of HB 1272.

Thank you,

Michael Sakata
President and CEO
Maryland Transportation Builders and Materials Association

HB 1272_MAA_UNF.pdf

Uploaded by: Tim Smith

Position: INFO

CHAIRMAN:
Jeff Graf
VICE CHAIRMAN
David Slaughter

MARYLAND ASPHALT ASSOCIATION



TREASURER:
Paul Bramble
SECRETARY:
Curtis Hall
PRESIDENT:
Tim Smith

March 7th, 2024

Delegate C.T. Wilson, Chair
House Economic Matters Committee
231 House Office Building
Annapolis, MD 21401

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

Dear Chair Wilson and Members of the Committee:

The Maryland Asphalt Association (MAA) is comprised of 19 producer members representing more than 48 production facilities, 25 contractor members, 25 consulting engineer firms, and 41 other associate members. MAA works proactively with regulatory agencies to represent the interests of the asphalt industry both in the writing and interpretation of state and federal regulations that may affect our members. We also advocate for adequate state and federal funding for Maryland's multimodal transportation system.

House Bill 1272 requires the Maryland Department of the Environment to develop an economy wide cap-and-invest program that reduces climate-altering emissions in Maryland. The program must be designed to achieve necessary climate pollution reductions, address energy affordability and environmental justice, and establish protocols for participation in multistate or regional cap-and-invest programs.

MAA submits this letter of inquiry to request clarification about the nature of the cap-and-invest program. The bill text is unclear, and does not fully explain the provisions of its development and implementation or how it will be funded. We look forward to gaining a better understanding of HB 1272.

Sincerely,

Tim Smith P.E.
President
Maryland Asphalt Association