

**Committee:** Education, Energy and the Environment

**Testimony on:** SB590

**Position:** Support

**Hearing Date:** February 26, 2026

### **Testimony of the Maryland Chapter of the Sierra Club**

The Maryland Chapter of the Sierra Club supports SB 590 and urges the Committee to adopt a favorable report. This bill requires the Maryland Department of the Environment, in collaboration with other relevant agencies and stakeholders, to conduct a comprehensive study evaluating the design and implications of an economy-wide cap-and-invest program<sup>1</sup>. This is a prudent step before considering implementation of any policy that could affect fuel prices, household energy bills, and broader cost-of-living pressures across the State.

### **Maryland should evaluate economy-wide carbon pricing carefully before implementation**

Maryland has committed in statute to achieving net-zero greenhouse gas emissions by 2045. Achieving that target will require durable, economy-wide tools. At present, Maryland participates in the Regional Greenhouse Gas Initiative (RGGI), which covers only the electric power sector. SB 590 would examine whether and how a broader approach that includes transportation fuels, buildings, and industrial emissions could help close the emissions gap while protecting consumers.

Only two U.S. states currently operate economy-wide cap-and-invest programs at scale. California has operated an economy-wide cap-and-trade program since 2013. The program yields multi-billion-dollar annual proceeds that fund clean energy deployment, transit investments, wildfire resilience, and consumer programs<sup>2,3</sup>. California's experience shows that such programs can operate over multiple administrations and generate sustained climate investment funding when structured carefully. Washington State launched its Climate Commitment Act in 2023. Program documentation indicates that auctions have generated billions in revenue, and state law requires that at least 35 percent of revenue benefit vulnerable populations and overburdened communities<sup>4,5</sup>. Washington's design highlights how equity can be embedded directly into revenue allocation requirements rather than treated as an afterthought.

Several additional states are actively studying or developing cap-and-invest frameworks. These efforts reinforce that the design phase is critical and that modeling, stakeholder engagement, and public transparency are prerequisites for durable policy.

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<sup>1</sup> Maryland General Assembly. SB 590 (2026). <https://mgaleg.maryland.gov/2026RS/bills/sb/sb0590f.pdf>

<sup>2</sup> International Carbon Action Partnership. California Cap-and-Trade Program Summary. <https://icapcarbonaction.com/en/ets/usa-california-cap-and-trade-program>

<sup>3</sup> California Air Resources Board. Cap-and-Trade Data Dashboard. <https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/program-data/cap-and-trade-program-data-dashboard>

<sup>4</sup> International Carbon Action Partnership. Washington Cap-and-Invest Program Summary. <https://icapcarbonaction.com/en/ets/usa-washington-cap-and-invest-program>

<sup>5</sup> Washington Department of Ecology. Climate Commitment Act Revenue and Equity Requirements. <https://ecology.wa.gov/air-climate/climate-commitment-act/auction-revenue>

### **Equity and cost-of-living impacts must be central**

Cap-and-invest works by setting a limit on greenhouse gas emissions and requiring fuel users to purchase allowances to cover their emissions. The revenue collected by the state from these allowance purchases is used to make climate-related investments. Pricing of emissions is generally based on the carbon content of fuels. In turn, this tends to raise the costs to consumers and businesses of gasoline, natural gas, and electricity. Households with longer commutes, limited transit options, or higher energy burdens may experience disproportionate impacts if revenue recycling mechanisms are not structured effectively.

Public debate in Washington State has demonstrated that consumer fuel price concerns can significantly influence political discourse around carbon pricing design<sup>6</sup>. Programs that do not clearly demonstrate net household benefits can face sustained opposition even if overall economic modeling shows positive long-term outcomes.

Lessons from Canada reinforce the importance of visible household protections. Canada's federal carbon pricing program included direct rebates, with a family of four receiving up to the equivalent of \$1,300 dollars in certain provinces for 2024 to 2025<sup>7</sup>. These rebates were designed to offset average household impacts. The Canadian experience suggests that consumer-facing policies would likely need to be paired with transparent, timely rebates or bill credits to maintain public support. It also illustrates that even with rebates, public concern about visible fuel price impacts can influence public debate and opposition.

SB 590 is appropriately structured as a study bill rather than an implementation mandate. The legislation requires modeling of energy affordability, economic competitiveness, and strategies to ensure that low-income households do not experience a net increase in costs. It also requires examination of how revenues would be used, including rebates, weatherization, transportation investments, and climate resilience measures.

### **What SB 590 gets right**

SB 590 requires evaluation of key program design elements, including:

1. Covered sectors and interaction with existing RGGI obligations
2. Treatment of emissions-intensive and trade-exposed industries
3. Allowance allocation approaches, including options to mitigate customer cost impacts
4. Auction design and price responsiveness
5. Revenue use for consumer rebates, efficiency, transportation, and resilience
6. Explicit modeling of impacts on emissions targets, affordability, and economic competitiveness

The bill also requires stakeholder engagement and coordination with environmental justice entities. This ensures that equity considerations are incorporated into the analytical process from the outset.

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<sup>6</sup> Washington State Standard. Washington Carbon Auction Prices Rise Again. Bill Lucia.  
<https://washingtonstatestandard.com/2025/03/12/washington-carbon-auction-prices-rise-again/>

<sup>7</sup> Government of Canada. Canada Carbon Rebate Amounts 2024 to 2025.  
<https://www.canada.ca/en/department-finance/news/2024/02/canada-carbon-rebate-amounts-for-2024-25.html>



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### **Suggestions for the study**

The study should provide clear and accessible outputs so that Maryland residents can understand the potential impacts. These should include:

1. Estimated gasoline price impacts under multiple carbon price scenarios and monthly household energy bill impacts by income bracket
2. A net impact analysis comparing price increases with rebates, efficiency savings, and other benefits
3. Exploration of guardrails to ensure the revenues are used for intended purposes

Providing transparent modeling results will strengthen public confidence and allow policymakers to make evidence-based decisions.

### **Conclusion**

SB 590 does not implement cap-and-invest. It requires Maryland to conduct the rigorous analysis necessary to determine whether such a program can achieve climate goals while protecting affordability and advancing equity.

California and Washington State demonstrate that state-wide cap-and-invest can generate substantial climate investment revenue and embed equity in program design. In these states, rebates have been essential to maintaining public acceptance, and they should be carefully considered in the study proposed for Maryland. For these reasons, the Maryland Chapter of the Sierra Club urges a favorable report on SB 590.

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