

Committee: Senate Education, Energy, and the Environment
Testimony on: SB0590 – Study on Greenhouse Gas Emissions Economy-Wide Cap-and-Invest Program (Maryland Climate Crisis Equity Act)
Submitted by: Dave Grossman, Senior Advisor, Climate Law & Policy Project
Position: Favorable
Hearing Date: February 26, 2026

Dear Chairman and Members of the Committee:

Climate Law & Policy Project (CLPP) is a Maryland-based nonprofit research organization that works to develop, analyze, and promote policies to slow, stop, and ultimately reverse the buildup of greenhouse gases in the atmosphere and ensure that vulnerable communities are protected from climate impacts that cannot be avoided. CLPP has been studying and writing about cap-and-invest for the past couple of years and strongly supports SB0590.

Cap-and-invest is a market-driven policy that sets a declining cap on emission levels, requires polluters to acquire and retire emission allowances, and invests the money from allowance sales back into the economy to make it cleaner and more equitable. ***Cap-and-invest can be a key part of the solution for both climate change and energy affordability.***

In 2007, Maryland joined the Regional Greenhouse Gas Initiative (RGGI), a cap-and-invest system covering electricity generators in several Northeast and Mid-Atlantic states. RGGI launched in 2009 and has been a great success. RGGI states have cut power sector emissions roughly in half since 2005, while the regional economy has continued to grow. The cumulative lifetime benefits of RGGI investments include more than \$20 billion in energy bill savings.

In December 2023, the Maryland Department of the Environment (MDE) released *Maryland's Climate Pollution Reduction Plan*, laying out policies to reduce statewide greenhouse gas emissions 60% by 2031 and to create a path to net-zero by 2045 (as required in the Climate Solutions Now Act). The *Plan* includes an economy-wide cap-and-invest program, both to close significant emissions gaps remaining after MDE's other policy recommendations are implemented (3.5 million metric tons in 2031 and 15.6 million in 2045) and to raise the roughly \$1 billion per year in new revenue the *Plan* estimates is needed to fund several of these recommended policy programs. The *Plan* noted that an economy-wide policy such as cap-and-invest "could be necessary for Maryland to achieve its emissions reduction goals" and stated that MDE, in 2024, would "explore how expanding Maryland's current cap and invest program (RGGI) to cover additional sources could work." To the best of CLPP's understanding, that did not happen.

In December 2024, the annual report from the Maryland Commission on Climate Change noted that Maryland is not on track to achieve its climate pollution reduction targets, highlighted the *Climate Pollution Reduction Plan's* inclusion of a cap-and-invest policy, and recommended that

the General Assembly authorize a study that evaluates the design of a cap-and-invest program and considers the impact of a cap-and-invest program on energy affordability, the state's economy, and the state's competitiveness. The Commission recommended the study be completed by the end of 2025.

A little behind schedule, SB0590 responds to the Commission's recommendation.

Maryland is still falling short in meeting its climate targets, while the impacts of climate change are intensifying. At the same time, Maryland families face rising energy costs. An economy-wide cap-and-invest program could help address these challenges.

Other North American jurisdictions, including California, Quebec, and Washington, have successfully implemented economy-wide cap-and-invest programs to reduce greenhouse gas emissions, support climate investments, and promote energy affordability. For example:

- Washington, which has the newest cap-and-invest program in operation (launched in 2023), has so far invested \$1.4 billion of revenues in vouchers for low- and moderate-income electricity consumers, rebates for high-efficiency electric equipment (e.g., heat pumps), weatherization, clean energy projects, urban tree planting, grants focused on a range of transit needs, programs focused on pedestrians and biking, vehicle electrification, projects that increase ecosystem resilience (e.g., habitat restoration, flood risk reduction), and projects that address environmental justice and health equity (e.g., air quality monitoring, reducing environmental harms in overburdened communities).
- Over the last decade, California has invested \$13 billion of cap-and-invest revenues in programs to provide rebates for clean vehicles, develop high-speed rail, conserve and restore land, incentivize reductions in fluorinated gas emissions, enhance coastal resilience, support healthy soils, advance community fire prevention and preparedness, promote workforce development, and much more. Roughly three-quarters of the funds (more than \$9 billion) have been spent to benefit underserved, over-burdened, low-income communities, including projects to locate affordable housing near job centers, expand low-emission transit and mobility, plant urban trees, support low-income home solar and weatherization, improve community air quality, and more. In addition, California's program has generated \$21 billion for utilities to use for the benefit of ratepayers, including "climate credits" to reduce customers' bills.
- Quebec's program, which is linked with California's, has facilitated a broad range of investments, including support for innovative emission-reducing technologies, electrification of transportation, energy efficiency, clean energy for buildings and industry, reducing refrigerant emissions, agricultural technologies and practices, adaptation planning, and more.

SB0590 directs MDE — in coordination with other departments and stakeholders, including the Commission on Environmental Justice and Sustainable Communities — to conduct a study to understand what an economy-wide cap-and-invest program for Maryland might look like and what effects it might have. (The study would be paid for out of the Maryland Strategic Energy

Investment Fund, with those funds paid back to the SEIF from cap-and-invest revenues if the program is implemented sometime before mid-2030.)

There are some important program design questions that MDE would have to evaluate as part of this study, such as which sectors might be covered and which mechanisms could best protect overburdened communities. The study would also consider potential uses of revenue generated through a cap-and-invest program. As in other jurisdictions with cap-and-invest programs, revenues could be invested in reducing energy bills (particularly for low- and moderate-income households, through rebates, energy efficiency, etc.), reducing emissions, workforce development, enhancing the resilience of the state's economy, communities, and ecosystems to climate impacts and extreme weather, and much more.

In addition, the study would include modeling and analysis to help answer critical questions about what effects a cap-and-invest program might have — including on achieving the state's climate pollution reduction targets, energy affordability, and the state's economy and competitiveness — as well as ways to ensure that low-income households experience no net increase in costs resulting from the program.

If designed well, cap-and-invest could reduce emissions, lower energy bills, support workers, and reinvest billions into Maryland's economy. SB0590 would make sure that policymakers have more information about whether expanding cap-and-invest beyond electricity could be an environmentally and economically helpful approach — as experience shows it has been in other jurisdictions — and, if so, how to design such a program effectively and equitably. Given the time it will take to complete a thorough study and analysis, as well as, perhaps, to eventually implement an economy-wide cap-and-invest program, it is imperative to get started with this study as soon as possible.

Climate Law & Policy Project urges a favorable vote on SB0590.