Testimony for SB0076

Climate Crisis and Education Act

Committee: Budget and Taxation; Education, Health, and Environmental Affairs
Organization: Montgomery Countryside Alliance, Joyce Bailey, Education Chair
Position: Favorable

Dear Chairman and Members of the Committees:

Montgomery Countryside Alliance strongly supports SB0076 and urges your Committees to issue a favorable report.

The Montgomery Countryside Alliance was founded to promote sound economic, land-use and transportation policies that preserve the natural environment, open spaces and rural lands in Montgomery County's Agricultural Reserve for the benefit of all Washington Metropolitan area residents.

SB0076 would place a fee on fossil fuel combusted in the State to incentivize the reduction of fossil fuel CO^2 emissions. The fee would escalate gradually, providing business and regulatory certainty to energy companies for future planning. It will make renewable sources of energy more economical, incentivizing energy companies to increase renewable generation in their portfolio. Reducing carbon in our atmosphere is essential for slowing the rate of the climate crisis which affects us all-farmers, business owners, and people across the globe.

If adopted, SB0076 will generate billions of dollars for investment in clean energy infrastructure and education, while providing benefits (rebates) to protect Maryland's low- and moderate-income households and energy-intensive trade-exposed businesses.

While we believe SB0076 would significantly advance efforts to meet the State's greenhouse gas reduction goals, we would suggest some modifications that would make the bill even stronger.

Apply the fee to electricity. HB0076 does not directly assess a fee on electricity. As a result, electricity generators in the State will pay the fee based on the amount and type of fossil fuel they combust, while electricity imported into the State (approximately 45% of consumption), will be exempt from the fee. This could drive Maryland generators to other PJM states, costing Maryland jobs with no corresponding reduction in emissions (Maryland counts emissions from imported electricity in its inventory). We also note that assessing the fee directly on electricity would substantially increase revenue that can be invested in clean energy, transportation, and schools.

Add a carveout for Regional Greenhouse Gas Initiative (RGGI) allowances. The 2020 CCEA contained a carve-out for money paid for RGGI allowances. We assume the omission of this provision in 2021 was an oversight, since a similar carve-out for Transportation and Climate Initiative (TCI) allowances has been retained. If the RGGI carve-out is not reinstated, in-state generators will be subject to double pricing, further undercutting their competitiveness in PJM markets.

Modify revenue distribution. Whatever revenue distribution is ultimately decided by the General Assembly, it is essential that low- and middle-income households be adequately protected from economic impacts of the fee. As currently written, SB0076 distributes revenue to the Benefit and Infrastructure funds only after $350 million has been distributed to the Kirwan Fund. It may be several years before the fee raises enough revenue to fully fund the Benefit Fund and several more before sufficient money is provided to the Infrastructure Fund. We recommend a reordering of distribution so that all funds receive a fair proportion of revenue. We recommend the first 50% of revenue go to the Benefit Fund (divided 40% to households / 10% to employers), which was the intent of the bill in previous years. 75% of the remaining revenue should go to education, up to a maximum of $350 million, and the rest to the infrastructure Fund.

Eliminate the restriction on passing the fee to end-use consumers. We understand that the no-pass-through provision is popular, but we believe this provision has two very important negative consequences: (1) it reduces or eliminates the price signal to incentivize end users (e.g., vehicle owners) to reduce consumption, and (2) it appears to have serious and perhaps fatal financial consequences for small, local fuel distributors, who often operate on tight margins. For example, according to last year's testimony, some gas stations are the first point of sale in the State for gasoline and diesel, meaning they would pay the fee but could not pass it along to their customers. It is our understanding that gas stations make about 1-2% profit on fuel sales. Most of their revenue comes from sale of ancillary products and services. A $10 fee (the fee on transportation fuels in 2022) would raise gas prices by about $0.09, which is roughly 3% of the retail cost and exceeds their profit margin. Putting these companies in financial jeopardy could make the bill vulnerable to a takings challenge.