

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE
First Reader

House Bill 277 (Delegate Korman, *et al.*)

Environment and Transportation and
Economic Matters

**Regional Initiative to Limit or Reduce Greenhouse Gas Emissions in
Transportation Sector - Authorization (Regional Transportation and Climate
Protection Act of 2019)**

This bill authorizes the Governor to include the State as a full participant in any regional governmental initiative, agreement, or compact that limits or reduces greenhouse gas (GHG) emissions from the transportation sector. However, the State may only withdraw from such an initiative, agreement, or compact with statutory approval from the General Assembly. The bill also authorizes the Governor to impose a fee on the sale or distribution of motor fuel under specified conditions. Finally, the bill establishes reporting requirements for the Maryland Department of the Environment (MDE) and the Maryland Department of Transportation (MDOT). **The bill takes effect June 1, 2019.**

Fiscal Summary

State Effect: MDE and MDOT can handle the reporting requirements with existing resources. Any potential fiscal impact stemming from participation in such an initiative, agreement, or compact cannot be estimated at this time, as discussed below.

Local Effect: There is no immediate impact on local governments. Any potential impact stemming from participation in such an initiative, agreement, or compact cannot be estimated at this time.

Small Business Effect: No immediate impact. Any potential impact stemming from participation in such an initiative, agreement, or compact cannot be estimated at this time.

Analysis

Bill Summary: If the Commonwealth of Virginia or the District of Columbia imposes a statewide or citywide GHG emission fee on the sale or distribution of motor fuel, the Governor may impose a similar fee (of up to the same amount charged in Virginia or the District of Columbia).

By November 1, 2019, and every six months thereafter for the next three years, MDE and MDOT must report to specified legislative committees on the status of any regional governmental initiative, agreement, or compact that limits or reduces greenhouse gases from the transportation sector. The report must include (1) whether such an initiative, agreement, or compact exists and, if so, whether the Governor has included the State as a full participant and (2) any other information MDE or MDOT considers relevant.

Current Law/Background:

Greenhouse Gas Reduction Act

The Greenhouse Gas Reduction Act, originally enacted in 2009 (Chapters 171 and 172), and made permanent and expanded in 2016 (Chapter 11), was enacted in light of Maryland's particular vulnerability to the impacts of climate change. Under the Act, the State must develop plans, adopt regulations, and implement programs to reduce GHG emissions by 25% from 2006 levels by 2020, and must further reduce GHG emissions by 40% from 2006 levels by 2030. The 2030 requirement terminates December 31, 2023.

Transportation and Climate Initiative of the Northeast and Mid-Atlantic States

The Transportation and Climate Initiative (TCI) of the Northeast and Mid-Atlantic States is a regional collaboration that seeks to improve transportation, develop the clean energy economy, and reduce carbon emissions from the transportation sector. There are 13 participating jurisdictions: Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Virginia. MDE advises that Maryland has been an active participant in TCI since its inception in 2010. According to TCI's website, the initiative is directed by state and district agencies within the participating jurisdictions and is facilitated by the Georgetown Climate Center, with funding support from various entities.

On December 18 2018, nine of the member states (including Maryland, Virginia, and the District of Columbia) announced the [intent](#) to design a regional low-carbon transportation policy proposal that would (1) cap and reduce carbon emissions from the combustion of transportation fuels and (2) invest proceeds from the program into a low-carbon and more resilient transportation infrastructure. Participating states intend to complete the policy

development process within one year, at which point each jurisdiction will decide whether to adopt and implement the policy. According to MDOT, to date, neither Virginia nor the District of Columbia have adopted a GHG emission fee on the sale or distribution of motor fuel.

Regional Greenhouse Gas Initiative

As the TCI states begin to design a cap-and-invest program for the transportation sector, participants may well look at the Regional Greenhouse Gas Initiative (RGGI) as a model. In fact, in 2018, the Georgetown Climate Center published a report titled *Reducing Transportation Emissions in the Northeast and Mid-Atlantic: Fuel System Considerations*, which examines policy design options for a hypothetical multi-state cap-and-invest program that could be used to limit GHG emissions from transportation fuels. In its report, it cites RGGI as an example of such a cap-and-invest program.

RGGI is a cap-and-trade program established in conjunction with several northeastern and Mid-Atlantic states, including Maryland, in an effort to reduce carbon dioxide (CO₂) emissions from the power sector. Each participating state limits CO₂ emissions from electric power plants, issues CO₂ allowances, and establishes participation in CO₂ allowance auctions. Maryland joined RGGI in 2007, as required under the Healthy Air Act of 2006 (Chapters 23 and 301).

Under RGGI, quarterly auctions of allowances are conducted with a uniform price (all allowances are sold at the same price), using a sealed bid format. Through the June 2018 auction, the participating states have generated a total of \$2.9 billion in revenue from the sale of allowances for compliance; Maryland's cumulative revenues during this time period have totaled more than \$600 million.

State Fiscal Effect: Because the bill is permissive in nature, and because it does not specify a specific agreement, initiative, or compact into which the Governor may include the State, there is no immediate fiscal impact, and a reliable estimate of any potential fiscal impacts cannot be made.

Maryland has already agreed to participate in TCI; thus, any impact resulting from participating in that initiative is likely to occur even in the absence of this bill. Furthermore, because the TCI policy is still under development, any impacts associated with the State's participation in TCI cannot be estimated at this time.

While the bill expressly authorizes the State to impose a GHG emissions fee on the sale or distribution of motor fuel under specified conditions, to date, neither Virginia nor the District of Columbia have established such a fee. Accordingly, it is unclear if such a fee will be established, and any future impact cannot be predicted.

Although the potential fiscal effects of participating in a regional initiative aimed at limiting or reducing GHG emissions in the transportation sector are unknown, based on the State's participation in RGGI, and given the scope of the intended TCI cap-and-trade program, State revenues from the sale of allowances (or from the implementation of other mechanisms) under such a program could be significant.

In addition, as a user of transportation fuels that result in GHG emissions, the State itself likely incurs costs to comply with any initiative that seeks to reduce GHG emissions from the transportation sector.

Local Fiscal Effect/Small Business Effect: Because the bill is permissive in nature, and because it does not identify a specific agreement, initiative, or compact, there is no immediate impact on local governments or small businesses, and there is no way to determine the potential impacts that might result from the bill.

In any event, as a user of transportation fuels that result in GHG emissions, local governments and small businesses likely incur costs to comply with any initiative that seeks to reduce GHG emissions from the transportation sector.

Additional Information

Prior Introductions: None.

Cross File: SB 249 (Senator Lam) - Education, Health, and Environmental Affairs.

Information Source(s): Governor's Office; Department of Budget and Management; Maryland Department of the Environment; Maryland Department of Transportation; Comptroller's Office; Georgetown Climate Center; Transportation and Climate Initiative of the Northeast and Mid-Atlantic States; Energy News Network; Yale Climate Connections; Department of Legislative Services

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