

Climate Pollution Reduction Act

HB1008-2024: Fossil Fuel Transportation and Mitigation Fund

Overview

- Implements a recommendation specified in the Climate Pollution Reduction Plan of creating a “Hazardous Substance Fee”
- Replicates existing fee on oil maintained by the Maryland Department of the Environment
- \$.30/million BTU levied against the carrier of coal and gas brought into the State (utilities are excluded unless they are the first carrier to bring coal or gas into the State)
- Estimated \$250-\$300 Million annual revenue (primarily from exporters)

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Exemptions and Amendments

- Exempts fuel for agricultural use
- Exempts products that travel through Maryland in transit to other states
- Exempts fossil fuels subject to the existing MDE fee (gasoline, diesel, heating oil, etc.), also propane and liquefied petroleum gas
- Requires 40% of fund be directed to address impacts in overburdened and underserved communities

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Coal/Gas for Export vs. Maryland Use

	Consumed or Exported	Reported Volume in 2021	Reported Units	MMBTU Equivalent	Fee per MMBTU	Fee Revenue	Percentage of Total
Coal	Consumed	2,806	thousand short tons	67,344,000	\$0.30	\$20,203,200	6%
	Exported	19,960	thousand short tons	452,692,800	\$0.30	\$135,807,840	43%
Natural Gas	Consumed	291	billion cubic feet	301,476,000	\$0.30	\$90,442,800	28%
	Exported	234	billion cubic feet	242,424,000	\$0.30	\$72,727,200	23%
Petroleum	Consumed	87,272	thousand barrels	506,177,600	exempt	\$0	0%
	Exported	0	thousand barrels	0	exempt	\$0	0%
					Total Revenue	\$319,181,040	
					<i>from Marylanders</i>	\$110,646,000	35%
					<i>from Exports</i>	\$208,535,040	65%

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Consumer Impact

HB 1008 (Fossil Fuel Transport Fee) Revenue and Consumer Price Projections						
	Fee/MMBTU	Total Revenue* (\$ million)			Consumer Price Impact** (\$/unit of energy)	
		FY26	FY27	FY28	Electricity***	Natural Gas
	\$0.10	\$97	\$94	\$92	\$0.0002/kwh	\$0.01/therm
Proposed rate >	\$0.30	\$291	\$283	\$276	\$0.0005/kwh	\$0.03/therm
	\$0.50	\$485	\$472	\$460	\$0.0009/kwh	\$0.05/therm
	\$0.70	\$679	\$661	\$644	\$0.0012/kwh	\$0.07/therm
	\$0.90	\$872	\$850	\$828	\$0.0016/kwh	\$0.09/therm
* Revenue projections assume that coal and natural gas consumption decreases annually as modeled for Maryland's Climate Pollution Reduction Plan and that coal and natural gas exports remain constant at 2021 levels.						
** Consumer price impacts assume that 100% of the cost of the fee is passed on to consumers in PSC-approved electricity and natural gas rates.						
*** Electricity rate projections assume that the two remaining coal-fired power plants in Maryland close, as expected, by FY26 and that gas consumption at gas-fired power plants remains constant at 2021 levels.						

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Considerations

- 60% of Marylanders do not use gas to heat their homes so would be unaffected by a gas rate increase
- Ratepayer impact would be minimal for those on gas (and captured within context of normal market price fluctuations). Oil would not be covered by the proposed fee, so there's no oil price impact
- Average monthly electric bill impact is 50 cents; average monthly gas bill impact is \$1.88
- Impact to LMI households could be mitigated by the fund

Considerations

- This proposal would capture revenue from fossil fuels used in **and** exported from Maryland (in contrast to some other revenue proposals in the Climate Pollution Reduction Plan, which apply a carbon price only to fossil fuels used in the State)
- **Precedents:**
 - New Jersey charges a fee to transport hazardous substances through the state
 - States that produce fossil fuels collect huge revenue through extraction taxes