

Considering Maryland's Climate Mitigation Funding Proposals

- Maryland's business community understands the importance of reducing greenhouse gas emissions. Regulated entities and the public need cost-effective, technically feasible pathways to achieving the state's ambitious emissions reduction targets.
- The state and local governments are simultaneously seeking funding for climate mitigation, the Education Blueprint and transportation. Coordinated management of financing all these priorities is essential to limiting emissions leakage and maintaining the state's competitive economic position.
- Proposals creating a Cap and Invest calibrated to the 60% by 2031 emissions reduction target could result in abrupt and sharp price increases for electricity, heating and transportation fuels before transition opportunities are readily accessible. Regulated entities and consumers must have the necessary time, incentives and regulatory flexibility to access feasible compliance alternatives.
- The experience with Cap and Invest in Washington State - marked by a \$0.40 per gallon increase in gasoline prices, a volatile emissions allowance market, unpredictably high revenues, unclear emissions reductions and eroding public support - raises questions about the advisability of adopting the Washington State model in Maryland.
- We encourage the Mitigation Working Group and other policy makers to focus on low-cost, high impact policies to work towards our GHG reduction goals.



Questions and Comments for the MWG and Other Policy Makers to Consider

- A 2022 analysis of carbon pricing commissioned by MEA estimated that a carbon price starting at \$80 per ton could enable a 50% emissions reduction by 2030. Market prices in Washington State were predicted to start about \$20 per ton to achieve a 45% reduction by 2030 but the first auction cleared at \$48.50 per ton and ranged between \$50 and \$70 per ton in the fall of 2023. How high would a carbon price need to be to achieve Maryland's 60% reduction in emissions reductions targeted for 2031?
- How would those carbon prices affect consumer costs for electricity, heating and transportation fuels through 2031?
- The Washington State Cap and Invest plan reduced available emissions allowances 7% per year to achieve its 45% reduction by 2030. What downward trajectory in the availability of emission allowances would be required to achieve Maryland's 60% by 2031 target?
- What is the spending strategy to deploy that revenue in ways that can reduce emissions to the 2031 target and provide necessary transition support to low- and moderate-income residents, building owners and small businesses?
- Maryland is lagging the national average and neighboring states in GDP, employment and personal income growth. The business community is concerned that unilaterally adopting carbon taxes and fees, if neighboring states are unwilling to participate in a regional market, will further deteriorate the state's competitive position and lead to economic and emissions leakage.



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Tax Proposals Concerns and Considerations

- Cap-and-Invest – Cost on the economy, cost of energy, stacking on top RGGI, BEPS and other regulations, carbon and economic leakage, volatile market prices, complex market to create and manage, needs significant public input and stakeholder engagement prior to enactment.
- Climate Crisis and Environmental Justice Act – Increased cost of energy, cost burden on those relying on natural gas and other fuels for daily activities.
- Fossil Fuel Transportation Fee – Increased cost of energy, effectiveness in achieving goals, impact to industries that rely on fossil fuels, allowing the tax to be imposed on subsequent carriers, loss of revenue / avoidance via closing of LNG or coal terminal.
- RENEW Act – Strict liability, retroactive component during a time of legal activities, singles out refining industry, long, complicated litigation likely to delay revenue.

