

Climate Pollution Reduction Fund Act

Generating Revenue to Address Climate Impacts

July 17, 2024 MWG
DISCUSSION AGENDA

Both Sides of the Equation

Summary Of 2024 Bill

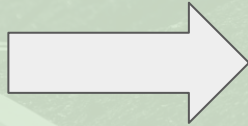
Four Investment Priorities

Distribution Of Revenue

Potential To Leverage Funds

Both Sides of the Equation

The Climate Plan estimates it will take at least \$1 B a year in state spending to meet Maryland's climate goals



The Climate Plan states this investment will yield:

- \$135 B in societal benefits through 2050
- 27,400 jobs between now and 2031
- Personal income increase by \$2.5 B between now and 2031
- GDP increase by \$5.3 B between now and 2031
- Avoided mortality benefits \$950 M through 2035 and \$4 B through 2050
- Health benefits of \$142 M to \$321 M in 2031

Climate Pollution Reduction Fund Act

HB 1008-2024: Fossil Fuel Transportation Fee and Mitigation Fund

Bill Summary

- 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. Charge \$0.08 per barrel and in FY 22 applied to 85,701,041 barrel and generated \$6,820,386
- **A fee is 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, 2/3 paid by exporters**

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Exemptions and Equity

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

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Revenue Estimate by Source

	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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Revenue by Rate

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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Consumer Impact

- 60% of Marylanders do not use gas to heat their homes so would be unaffected by a gas rate increase
- **Average monthly residential electric bill impact is \$0.50**
- **Average monthly residential gas bill impact is \$1.88**
- Impact to LMI households (~\$2 per month) could be more than mitigated by investments from the Fossil Fuel Mitigation Fund

Investment Opportunities

The Climate Pollution Reduction Plan

4 Major Investment Categories

Home Energy Efficiency and Electrification

- Home electrification incentives: 100% of project costs for low-mod income & 50% for middle income

Commercial, Multifamily, and Institutional Buildings

- Commercial building incentives to reduce cost of energy efficiency and electrification

Electric vehicles and Charging Equipment

- EV Purchasing Incentives - Make EV lowest cost vehicles
- Build EV chargers

Industry, Public Infrastructure, and Nature-Based Solutions

- Projects that reduce GHG from industry, waste,
- Mass Transit, clean buses, TOD, bike and pedestrian lanes, reduce VMT

Investment Opportunities

The Climate Pollution Reduction Plan

Distribution of Revenue

Home Energy Efficiency and Electrification - \$ 75 M

Commercial, Multifamily, and Institutional Buildings - \$ 75 M

Electric Vehicles, Charging Equipment, and Electric School Buses - \$ 70 M

Infrastructure: Mass Transit - \$ 75 M

Asthma Treatment for communities affected by coal dust - \$ 5 M

Leveraging Revenue

Maryland Clean Energy Center (MCEC)

BONDS

- MCEC has authority to issue bonds at tax exempt and taxable rates that do not count toward the State's debt capacity.
- Climate Solutions Now Act of 2022 created the Climate Catalytic Fund (C3 fund) that is administered through MCEC
- One of the eligible activities of the C3 fund is to create a Maryland Green Bond Fund

Leveraging Revenue (cont'd)

BONDS

- HB 1008 revenue could be used to issue a bond through MCEC's C3 fund
- Proceeds would be used for grants to support the four major investment categories under the Climate Pollution Reduction Plan
- Annual costs for bond issuance and transaction management for a **\$1 billion**, 20 year, 5% tax exempt bond are estimated at \$81.5 million (plus any MCEC fees for program administration)