September 18, 2024

Mitigation Working Group – Maryland Commission on Climate Change
Maryland Department of the Environment
1800 Washington Blvd
Baltimore, MD 21230-172

**RE: MWG Recommendations**

Co-Chairs Kim Coble and Michael Powell:

The Mid-Atlantic Petroleum Distributors Association (MAPDA) is a regional trade association representing energy marketers throughout Maryland, Delaware, and the District of Columbia. MAPDA member companies supply motor and heating fuel products sold in the region including gasoline, diesel fuel and heating fuels. MAPDA members also own and operate Maryland, Delaware, and DC's gas stations and convenience stores.

The Mid-Atlantic Propane Gas Association (MAPGA) represents propane marketers, suppliers, distributors, and equipment manufacturers across Maryland. MAPGA members provide clean-burning energy to residential, commercial, agricultural, and industrial customers in the state. Members have more than 243,000 retail accounts, 80,000 primary home heating customers in Maryland, and generate more than $794 million in economic activity annually.

MAPDA and MAPGA file these comments jointly in response to the *draft* recommendations by the Mitigation Working Group (MWG) of the Maryland Commission on Climate Change. Broadly, these recommendations seek to raise roughly $1 billion in taxes and fees that would have a devastating effect on the state's economy.

We urge the MWG to consider a broad-based energy policy that recognizes the importance of affordable, reliable power while moving toward lower greenhouse gas emissions at a measured pace. *Not* a sole-source energy policy as suggested in the state's Climate Pollution Reduction Plan and is implicit in these recommendations.

Specifically, the recommendations include the creation of a cap-and-trade program and a forced transition to heat pumps.

The recommendation of a new cap-and-trade program would be added for all sectors of the economy. According to the Climate Pollution Reduction Plan, the primary impact of the tax is the early closure of natural gas-powered plants by 2030 leaving only 15.5 Gigawatts of baseload power left in state, or 20%

of demand - an unsustainable level with the expected decline in regional baseload power generation. Maryland would become more reliant on importing its electricity needs as the necessary generation is not available in-state to avoid importing.

Further, MDE has not completed an economic analysis on the impact of a cap-and-trade program. Specifically, the cost implications for motor fuel, heat oil, or propane. It does, however, say it may follow similar programs in other states. For example, the Washington State program will have a minimum emission allowance cost of $19.70/metric ton of $CO_2$ in 2023, and a maximum price of $72.29 with each rising 5% per year plus the inflation rate for the past 12 months. By 2031 the range may be $36 to $134/metric ton. Washington state's third quarterly cap-and-trade program auction in 2023 settled at $63.03/metric ton, or three times the forecasted price, and 88% of the price cap. This will add $0.50/gallon to gasoline prices and has resulted in Washington having the second highest gasoline prices in the country at $4.98/gallon. The automatic inflator will raise the price cap more than six-fold by 2050 and could result in a gas tax of $3.75/gallon. It is also important to note that voters in Washington have successfully petitioned the repeal of the state's cap-and-trade program to the ballot this November.

The forced transition to electric heat pumps for homeowners and businesses will put further strain on the state's grid. It also ignores other technologies and fuel choices that provide immediate greenhouse gas emissions reduction. These include biofuels, renewable fuels, and propane as other options for homeowners and businesses.

These fuel choices and their potential benefits were acknowledged in the Climate Solutions Now Act of 2022 but are continually passed over as viable options. All-electric requirements for space heating equipment artificially distort the energy marketplace in an anticompetitive manner and deny consumers the ability to choose the energy source that is most economic, convenient, and preferable to their situation. The irony here is that proponents of full-scale electrification believe that electricity is a superior energy source, however they refuse to let it compete freely or fairly against other energy options in the marketplace.

Fuel switching to electricity has other embedded costs outside of the fact it costs more per unit of energy. Purchasing and installing new appliances and the necessary onsite electrical upgrades all add to the costs borne by consumers and customers. They are best served through choice and competition.

Some suggested policy guidelines to include as alternatives that follow states such as North Carolina and Virginia are:

- Flexible emission reduction goals that recognize the uncertainty involved in adopting new technologies;

- Consideration of comparative cost of adopting new technologies; and
- Incorporation of biofuels as a proven method of lowering greenhouse gas (GHG) emissions.

For these reasons, we urge the MWG to reject these recommendations. These approaches have been vetted and rejected by the General Assembly several times. They would cause irreparable harm to Maryland's economy and its regional and national competitiveness.

Sincerely,

Mike O'Halloran
On behalf of the
Mid-Atlantic Petroleum Distributors

Jonthan Williams
On behalf of the
Mid-Atlantic Propane Gas Association