

## Regional Carbon Cost Collection Initiative (RCCCI)

### Bill Summary

January 2018

### Policy Objectives

The Regional Carbon Cost Collection Initiative (RCCCI) is a carbon pollution pricing program in Maryland designed to achieve the following objectives:

- Decrease greenhouse gas pollution to the maximum extent possible.
- Institute fee levels high enough to create an incentive that makes a major contribution to achieving the state's greenhouse gas reduction goals set by state policy.
- Have fee levels rise gradually in order to give society time to adjust to higher fossil fuel prices and increase investments in clean energy, energy efficiency, and low-emission forms of transportation.
- Have Maryland join the effort in many northeast and mid-Atlantic states to establish carbon pollution pricing in their own state, that eventually spurs creation of a regional and then national policy.

Policy choices shall be made relative to the impacts on households at different income levels and on employers. For these purposes, the objectives include:

- Provide a high degree of protection for low and moderate income households, which we define as the lower 3/5 of households ranked by income; for whom higher fossil fuel prices could potentially impact their living standards;
- Provide enough funds to protect vulnerable employers;
- Provide transitional assistance for workers and communities that are affected by shrinkage of the fossil fuel industry; and
- Provide revenues for clean energy, public and other low-carbon transportation, and other “green” programs, which can also make a substantial contribution to reducing GHG emissions.

## Provisions

Proposed provisions of legislation enacting a Maryland Carbon Cost Collection Initiative that charges for the damage to society from carbon dioxide and other greenhouse gas pollution:

- 1) A carbon fee will be assessed per metric ton of CO<sub>2</sub> emitted into the atmosphere by the fuels consumed by the transportation, household, commercial and industrial sectors and by generation of electricity that is consumed in Maryland.
- 2) The Secretary can designate other greenhouse gas-emitting substances to also have fees imposed on them.
- 3) The carbon price shall be collected on all CO<sub>2</sub> emissions from fossil fuels at their first point of sale or transfer within the state for consumption or distribution within the state.
- 4) Each electricity distributor in Maryland shall pay the carbon price based on CO<sub>2</sub> emissions from the generating plants, both in and outside the state, from which they purchase their power.
- 5) Natural gas distributors shall pay an additional charge to the carbon price for all natural gas or natural gas-based electricity due to escaped methane during the extraction, transport or distribution of natural gas within Maryland.
- 6) During the first year of implementation the carbon price will be set at \$15 per metric ton of CO<sub>2</sub>. Each year thereafter the carbon price will be increased by \$5 per metric ton reaching a price of \$45 per metric ton in the seventh year and each year thereafter.
- 7) Revenues from the Carbon Pricing Program will be allocated 10% to the Green Infrastructure Fund. The remaining 90% will be allocated to the Greenhouse Gas Pollution Charges Fund. From the Charges Fund 75% is allocated for household rebates and 25% for employer rebates.
- 8) The purpose of the Infrastructure Fund is to support investments in clean transportation, resiliency, clean energy projects, and transition benefits for workers and communities. 50% of the Infrastructure Fund will be distributed to local governments to reduce greenhouse gas emissions from the transportation sector, strengthen resiliency against climate change, support local governmental energy efficiency and renewable energy projects that reduce greenhouse gas emissions and provide transitional assistance to workers and communities affected by shrinkage of fossil-fuel related industries.
- 9) As a priority, money from the Infrastructure Fund will be distributed to or used for the benefit of neighborhoods and local governments with median incomes per household in the lowest third of median incomes for all local governments in Maryland.
- 10) The remaining funds in the Infrastructure Fund will be used to support State government programs to reduce greenhouse gases in the transportation sector, increase resiliency against climate change, support energy efficiency and renewable energy projects and provide transitional assistance to workers and communities that experience losses due shrinkage of fossil-fuel related industries.
- 11) The purpose of the Charges Fund is to provide rebates to households and employers in order to mitigate losses resulting from increased costs of fuels and electricity.
- 12) Rebates to households are that lower income receive a higher rebate per upper income households.

*Rebates are calculated based on total revenue received in the Charges Fund and on the number of household residents or the number of full time employees. The dollar value of a rebate is not a function of household or employer consumption of fossil fuels.*

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- 13) 10% of the money derived in the Charges Fund from the direct sale of heating fuels to households shall be allocated to the Maryland Energy Assistance Program and transferred to the Department of Human Services for use by the Energy Assistance Program.
- 14) Households that heat with fuel oil shall receive an additional rebate based on the average cost difference between households heated with fuel oil and households heated with natural gas.
- 15) Rebates to households will be based on individuals identified as the household tax payer and other adults in the household, each of whom will receive an equal payment. The tax payer will receive one half of the adult rebate for each dependent less than 18 years of age.
- 16) Rebates to employers will be provided primarily to “vulnerable” entities, which could include agriculture, manufacturers, small non-profit organizations, and government agencies. Rebates will be based on their number of full time equivalent employees, unless adjusted by the Secretary based on degree of need.
- 17) Rebates are exempt from state and local taxes.
- 18) Public transportation that reduces driving by private motor vehicles is exempt from greenhouse gas pollution charges.
- 19) The supplier of electricity shall deduct from the carbon price assessed by the RCCCI the amount it paid in the same year for emissions allowances under the regional greenhouse gas initiative (RGGI); provided, however, that the amount deducted may be no greater than the total amount of the assessed carbon fee.
- 20) Sufficient revenues will be allocated to cover the administrative costs associated with implementation of the RCCCI.
- 21) RCCCI will come into effect when any two of the following jurisdictions enact similar legislation: states participating in RGGI, states contiguous to Maryland, and the District of Columbia.

*MA, NY, CT, RI, VT and DC all have carbon pricing bills under consideration or about to be under consideration.*