



Maryland
Department of
the Environment

State Climate Funding Mechanisms

Mark Stewart, Climate Change Program Manager, MDE

Mitigation Working Group

May 22, 2024



Overview

Analysis: MDE examined the budgets of nine climate-leading states to determine the primary mechanisms used to fund GHG emissions reduction initiatives.

States included in the analysis are CA, CO, CT, MA, MD, ME, NJ, NY, and WA

Finding: Cap-and-Invest and ratepayer-funded programs are the most common mechanisms used by states for generating significant revenue for climate investments



State Climate Funding Mechanisms

	Typical Revenue	CA	CO	CT	MA	MD	ME	NJ	NY	WA
General Funds	\$	✓	✓	✓	✓	✓	✓	✓	✓	✓
VW Lawsuit	\$	✓	✓	✓	✓	✓	✓	✓	✓	✓
Green Banks	\$	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ratepayer Funds	\$\$	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cap-and-Invest (Power Plants)	\$\$	✓	Considering	✓	✓	✓	✓	✓	✓	✓
Cap-and-Invest (Economy-wide)	\$\$\$\$	✓	Considering	X	X	X	X	X	In progress	✓
Fossil Fuel Lawsuits*	TBD	✓	X	✓	✓	X	X	✓	X	✓

* Only lawsuits at State or Tribal level, not including local-level lawsuits. No revenue yet from these lawsuits.

Legend: \$ = less than \$100 million; \$\$ = \$100-500 million; \$\$\$\$ = roughly \$1 billion (for states with populations similar to MD's population)



States with Economy-wide Cap-and-Invest Make Significant Investments per Capita

State-Funded and Ratepayer-Funded Incentives in FY24	Population	FY 2024 State Budget	EV Incentives	Home Decarbonization Incentives	Total	Spending per capita ▼	% of FY 2024 State Budget
CA <i>(Cap-and-Invest)</i>	38.97 M	\$292 B	\$3.13 B	\$687 M	\$3.8 B	\$98	1.31%
MA	7.00 M	\$56 B	\$37 M	\$649 M	\$686 M	\$98	1.23%
WA <i>(Cap-and-Invest)</i>	7.81 M	\$70 B	\$249 M	\$50 M	\$299 M	\$38	0.43%
NJ	9.29 M	\$32 B	\$221 M	\$115 M	\$336 M	\$35	1.02%
CT	3.62 M	\$25 B	\$15 M	\$224 M	\$240 M	\$34	0.49%
MD	6.18 M	\$63 B	\$19 M	\$152 M	\$171 M	\$28	0.27%
CO	5.88 M	\$15 B	\$126 M	\$22 M	\$147 M	\$25	0.36%
ME	1.40 M	\$5 B	\$6 M	\$22 M	\$28 M	\$20	0.56%
DE	1.03 M	\$5 B	\$4 M	\$2 M	\$6 M	\$6	0.12%

Preliminary analysis by MDE. Numbers in this table should be considered rough estimates and not used outside of this presentation.

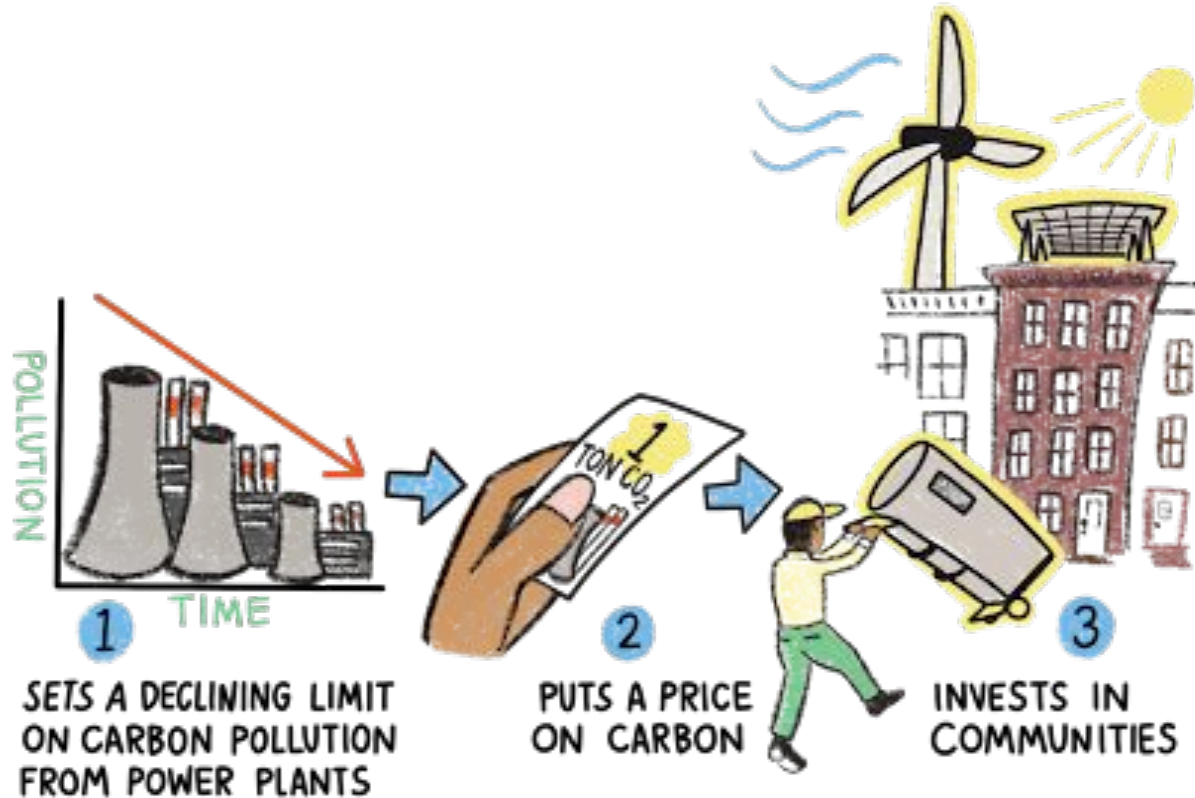


What is Cap-and-Invest?

1. Require CO2 sources (power plants, oil and gas industry, etc.) to turn in allowances for their emissions.
2. Set a declining limit (cap) on allowances/emissions.
3. Let sources trade allowances.
4. Auction the allowances to let the market set the carbon price.
5. Invest the auction proceeds into the community to further decrease emissions, improve public health, reduce energy costs, etc.



What is Cap-and-Invest?



JESSICA RUSSO, NRDC



Maryland's Existing Cap-and-Invest Program

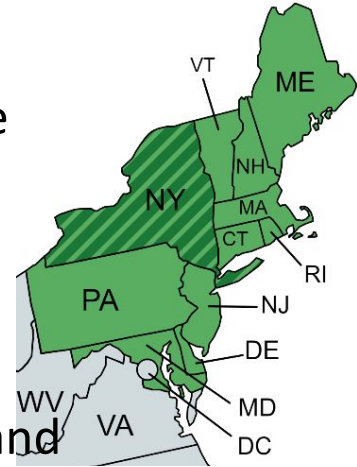
Maryland has participated in the Regional Greenhouse Gas Initiative (RGGI) - a cap-and-invest program covering fossil fuel power plants - for the last 17 years.

Maryland's power plant emissions decreased more than 63% since the start of the program.

Maryland has invested more than \$1 billion in allowance auction proceeds into energy projects. Annual revenue ~\$150 million.

The majority of proceeds are invested in low-income households and facilities serving low- and moderate-income communities.

More than \$16 billion in energy bill savings across the RGGI states.





RGGI Benefits: Outside Perspectives

Net economic benefits
on the order of

\$4 Billion

Bringing
more than

4K Jobs

Carbon emissions have
fallen by

50%

Independent analyses at: www.rggiprojectseries.org

“By almost any measure, RGGI is one of the most successful programs in the world to fight climate change.”

- Maryland Matters



Climate Plan: Potential New Funding Sources

Federal grants and loans - e.g. MDE is currently applying for EPA funding for BEPS

Green revenue bonds - Jump-start investments before revenue from any of the funding sources listed below would be available

Cap-and-Invest program - Require the fossil fuel industry to buy emissions allowances for the emissions they produce and reduce emissions over time

Carbon fee - Require the fossil fuel industry to pay a fixed fee rate for emissions

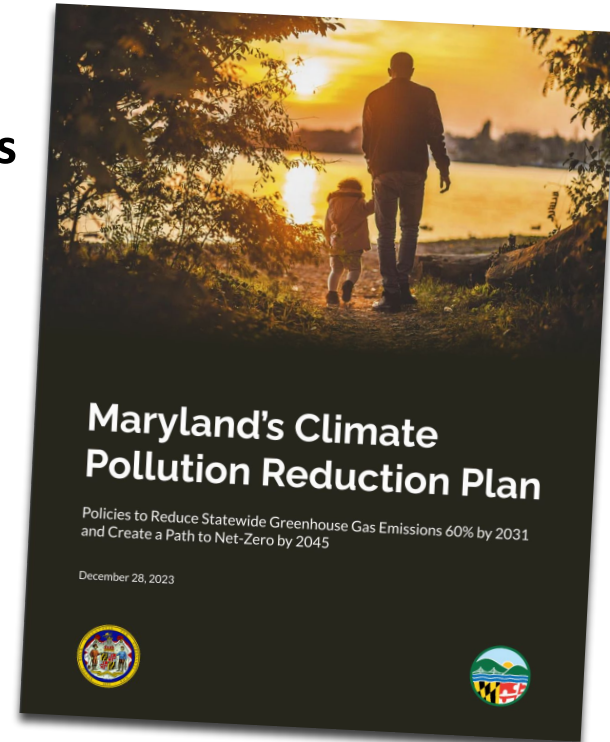
Hazardous substance fee - Require the fossil fuel industry to pay a fee for fossil fuels transported in the state

Fees on fuel-burning vehicles - If registration fees increase on EVs, then registration fees could increase by a comparable amount on fuel-burning vehicles



Climate Plan: New Investments

- **Home Energy Efficiency and Electrification**
- **Commercial, Multifamily, and Institutional Buildings**
- **Electric Vehicles and Charging Equipment**
- **Industry, Public Infrastructure, and Nature-Based Solutions**
- **Workforce Development**
- **Consumer Education Campaign**
- **Maryland Clean Buildings Hub**





Washington's Cap-and-Invest Program



Today's Guest Speakers

Becky Kelley

Senior Policy Advisor for Climate Office of
Governor Jay Inslee

Andy Hayes

Cap-and-Invest Policy Section Manager
Washington State Dept. of Ecology

