

THE 2019 HEALTHY CLIMATE INITIATIVE BILL

POLICY OBJECTIVES

PROMOTE clean, non-fossil energy and energy efficiency in all energy consuming sectors;

DECREASE energy consumption in and improve the efficiency of the transportation sector;

INCREASE resiliency of infrastructure, households and businesses against changing climate and associated catastrophic weather events;

PROMOTE healthy air, soils and forests;

PROMOTE environmental justice by ensuring low and moderate income residents, especially those disproportionately impacted by fossil fuel pollution, have equal access to more efficient and cleaner energy;

HAVE Maryland join the effort in many northeast and mid-Atlantic states to establish a regional and then national carbon pricing policy.



PROVISIONS

The Healthy Climate Initiative, administered by the Secretary of the Environment, will establish a charge on carbon pollution. 30% of the revenues from the charge will go to the Healthy Climate Infrastructure Fund and 70% will go to the Household and Employer Rebate Fund.

GREENHOUSE GAS POLLUTION CHARGE

1 | The source of revenues for the Healthy Climate Initiative is a greenhouse gas pollution charge. During the first year of implementation, the pollution charge will be set at \$20 per metric ton of CO₂. After the first year, the charge will increase each year by \$5 per metric ton until net emissions from fossil fuels and other greenhouse gas-emitting sources are zero.

2 | The conditions on collection of such charges are as follows:

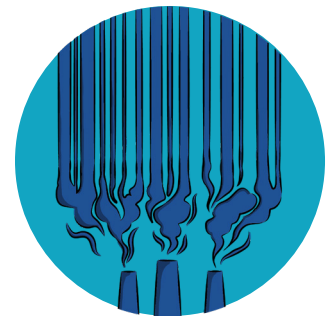
a | The pollution charge will be assessed per metric ton of CO₂ equivalent on fossil fuels in the transportation, household, commercial and industrial sectors and by generation of electricity that is distributed or consumed in Maryland.

b | The charge will be collected at the first point of sale or transfer of fossil fuel within the state for consumption or distribution within the state.

c | For fugitive GHG gases, i.e., GHGs that leak from pipelines and other infrastructure, and for which the leakage rate is not precisely known, the emissions will be estimated and included in the charge.

d | Each electricity supplier in Maryland will pay the pollution charge based on CO₂ equivalent emissions from the generating plants, both in and outside the state, from which they purchase their power.

e | Facilities that generate more than 25,000 KWH of electricity on-site, using any combination of fossil fuels, are subject to the charge.



f | The charge on natural gas will be paid by local distributors. They will pay an additional charge for methane that escapes during the extraction, transport or distribution of natural gas before consumption in Maryland.

g | Charges on fossil fuels are reduced to account for GHG emissions that are permanently sequestered.

h | The Secretary of Environment can designate other greenhouse gas-emitting substances to also have fees imposed on them.

3 | Certain exemptions are provided:

a | Public transportation that reduces driving by private motor vehicles is exempt from greenhouse gas pollution charges.

b | Suppliers of electricity deduct from the carbon charge assessed by the Healthy Climate Initiative 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.

c | If the Transportation and Climate Initiative (TCI) is adopted, it will receive treatment similar to RGGI.

d | Emissions from farm animals and crops are not subject to the charge.

ACHIEVING EMISSION LIMITS

4 | The Healthy Climate Initiative's greenhouse gas emission limits are set by the Greenhouse Gas Reduction Act, which presently requires a 40% reduction in statewide emissions by 2030. If the GGRA targets are amended, the Healthy Climate Initiative emissions limits will be adjusted accordingly.

5 | In any two-year period, if the Secretary determines that the Healthy Climate Initiative limits are not likely to be met, the Secretary will increase the carbon charge for future years by an additional \$5 per metric ton (\$10 total increase).

6 | The Secretary will recommend to the General Assembly and Governor any adjustments to the charge needed to achieve emission goals, account for inflation, address life cycle emissions and leakage, or mitigate economic harm.

7 | Sufficient revenues will be allocated from the Healthy Climate Initiative to cover the administrative costs associated with implementation of the Initiative.

INFRASTRUCTURE FUND

8 | The purpose of the Healthy Climate Infrastructure Fund is to invest in activities that improve the health and welfare of Maryland citizens by:

a | Creating a cleaner, more just and efficient transportation sector by facilitating the adoption of alternative fuel vehicles, increasing transit options, promoting compact development, and taking other actions that reduce transportation emissions (40% of Infrastructure Funds);

b | Expanding the use of clean energy sources and energy efficiency in the electricity and other energy-consuming sectors (25% of Infrastructure Funds);

c | Providing funding for resiliency against climate and extreme weather events that impact the lives of citizens of Maryland and Maryland's economy (25% of Infrastructure Funds);



d | Organizing and funding programs that guarantee a just transition for Marylanders who have lost jobs and associated benefits as a result of reductions in fossil fuel use (10% of Infrastructure Funds).

9 | As a priority, the Infrastructure Fund will provide low and moderate income residents with access to affordable renewable energy, energy efficiency, and public transportation.

10 | Half of Healthy Climate Infrastructure Fund investment will be made at the local government level; the rest will be spent on state projects. Money will be allocated to local governments based on the number of residents in their jurisdiction.

HOUSEHOLD AND EMPLOYER REBATE FUND

11 | The purpose of the Household and Employer Rebate Fund is to provide rebates to households and employers in order to offset increased costs of fuels and electricity.

a | Rebates to households and business will:

PROVIDE a high degree of protection for low and moderate income households, defined as the lower $\frac{3}{5}$ of households ranked by income; and

PROTECT vulnerable employers, which could include agriculture, manufacturers, small non-profit organizations, and government agencies.

b | Lower and middle income households will receive a higher rebate per resident than upper income households; most lower income households will receive more in rebates than they pay in charges.

c | Each adult member of the household will receive a full rebate. The size of the rebate will be determined by the income level of the household tax payer. The household taxpayer also will receive half a rebate for each dependent less than 18 years of age.

d | Rebates to employers will be provided primarily to vulnerable entities, which could include agriculture, manufacturers, small non-profit organizations, and government agencies.

e | Rebates to employers will be based on their number of full time equivalent employees but may be adjusted based on degree of need.

12 | Distribution of rebates will be scheduled to take account of the timing of charges paid by residents, particularly low-income households, and employers.

13 | The Healthy Climate Initiative will seek to ensure that renter-occupied dwellings are provided with low-income energy assistance and energy efficiency improvements.

14 | Rebates are exempt from state and local taxes and will not affect any other benefits a resident may receive from the state.

