

# Will Massachusetts and Other Northeastern States Move to Aggressively Price Carbon Emissions?



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Carbon tax proposals are proliferating, both nationally and in New England. Last year, carbon tax bills were introduced in all New England states, New York, and several other states. While some of those proposals have faded away (at least for now), they are alive and well in Massachusetts. In addition, the Regional Greenhouse Gas Initiative (RGGI) is set to expand while northeastern states also consider a way to reduce greenhouse gas (GHG) emissions from transportation using a RGGI-like program popularly called the Transportation Climate Initiative (TCI). These and other developments have the potential to impact both businesses and individuals across the northeast.

**Support Grows for Massachusetts Carbon Tax**

A carbon tax proposal pending in Massachusetts has gained significant support. HD 2370 would establish economy-wide “charges on the distribution or sale of greenhouse gas-emitting priorities.” That “charge” would start at \$20/ton of GHG emissions (measured in CO<sub>2</sub>-equivalent, or CO<sub>2</sub>e), rising \$5 annually to \$40. Thereafter, the charge would be \$40 plus \$5 for each year that GHG emissions exceed a certain target (the idea being to create a more slowly-rising “charge” that is tied to actual emissions goals). The GHG “priorities” subject to the charge are anything that “emits or is capable of emitting a greenhouse gas when burned or released to the atmosphere”, including “natural gas, petroleum, coal, and any solid, liquid or gaseous fuel.” Emissions from livestock are excluded.

Notably, the measure has at least 107 co-sponsors in the state Legislature. Nearly 100 of those are in the Massachusetts House of Representatives, making the bill likely to pass there (the House has 160 members). Its passage is more of a question in the Senate, where it has 12 current sponsors (the Senate has 40 members). It is also unclear whether Governor Charlie Baker (a Republican) supports the measure or whether it would need to be passed over his veto—all of the sponsors at this point are Democrats.

## **Northeastern States Agree to Begin Development of a Transportation Climate Initiative**

On December 18, 2018, nine states and Washington, D.C. agreed to begin development of a regional cap and trade program covering transportation emissions. If implemented, the Transportation Climate Initiative (TCI) would establish a regional program to impose a declining cap in emissions from transportation sources. Details are thin at this stage, but with transportation becoming an increasingly large portion of northeast GHG emissions, TCI could ultimately result in a significant regulatory and carbon pricing regime. The current state lineup largely mirrors RGGI and consists of: Connecticut, Delaware, Maryland, Massachusetts, New Jersey, Pennsylvania, Rhode Island, Vermont, Virginia, and Washington, D.C.

## **RGGI Likely to Expand Membership to Virginia and New Jersey**

In September 2018, the Virginia Department of Environmental Quality released a revised proposed regulation aimed at establishing a GHG trading program, creating a pathway towards full RGGI membership. The revised rule contains a reduced CO<sub>2</sub> allowance budget, a change in line with earlier comments from RGGI and other RGGI member states. The proposal includes a base budget of 28 million tons, beginning in 2021, with a 3% annual reduction for annual budgets and allocations through 2030. Virginia made the change to help allay concerns that its proposed rule was not ambitious enough and could potentially result in a surplus of allowances. Virginia’s Air Pollution Control Board decided to move forward with the revised rule and the revised, re-proposed rule is open for public comment from February 4 through March 6, 2019. Current RGGI member states [submitted comments](#) on the revised rule, noting that while the new base budget of 28 million tons is consistent with RGGI, reductions planned in the 2030-40 timeframe need revision for consistency with other RGGI states and the program as a whole.

New Jersey (which withdrew from RGGI in 2011) plans to rejoin RGGI and released its

proposed regulations to do so in December 2018. Both Virginia and New Jersey are on track to begin participating in RGGI in 2020. While RGGI allowance prices rose last year, selling for \$5.35 at the December auction (auction prices hadn't broken \$5 since early 2016), they are still well below prices in California and the EU.

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