HOUSE DOCKET, NO. 1580 FILED ON: 1/16/2019

HOUSE . . . . . No. 778

The Commonwealth of Massachusetts

PRESENTED BY:

Dylan A. Fernandes

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to carbon pricing.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
Dylan A. Fernandes	*Barnstable, Dukes and Nantucket*	*1/16/2019*
Brian M. Ashe	*2nd Hampden*	*2/1/2019*
James K. Hawkins	*2nd Bristol*	*1/31/2019*
Patrick Joseph Kearney	*4th Plymouth*	*1/29/2019*

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By Mr. Fernandes of Falmouth, a petition (accompanied by bill, House, No. 778) of Dylan A. Fernandes and others relative to carbon pricing on the sale of fossil fuels. Environment, Natural Resources and Agriculture.

The Commonwealth of Massachusetts

In the One Hundred and Ninety-First General Court
(2019-2020)

An Act relative to carbon pricing.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Chapter 23J of the General Laws is hereby amended by inserting after section 12, as appearing in the 2014 Official Edition, the following 6 sections:-

Section 13. "Carbon dioxide equivalent" ("CO2e"), a unit of measure denoting the equivalent mass of carbon dioxide that produces the same amount of global warming impact as a certain mass of any greenhouse gas over 10 years, as found by the Energy Information Administration of the United States Department of Energy.

"Electricity fuel mix", the mix of fuels for any 3-month period used to create electricity by generators within the control area of ISO-NE.

"Employer", any person, state agency, legal business, whether for profit or not for profit, or local governmental body who is located in Massachusetts and employs Massachusetts residents.

"Fossil fuel" coal, natural gas, or any petroleum product intended to be burned for electricity generation, heating, or transportation.

"ISO-NE", the Independent System Operator-New England, the regional transmission organization for New England licensed by the Federal Energy Regulatory Commission pursuant to the Federal Power Act of 1935.

"Resident", as defined in section 1 of chapter 62.

Section 14. (a) To correct the negative externality of carbon pollution, the center shall assess and collect a price at the first point of sale within the commonwealth on all fossil fuels, at the rate specified in accordance with this section.

(b) Any entity which is the first seller of petroleum products to be consumed or distributed within the commonwealth shall pay the price on a quarterly basis to the center to account for the sale of such petroleum products at their first point of sale within the commonwealth for consumption or distribution within Massachusetts. The center shall identify all such entities which are the first seller of petroleum products within the state and ensure payments are properly made.

(c) Any distributor of electricity, including investor-owned utilities, municipal utilities, and all competitive suppliers of electricity to end users, shall pay the price quarterly to the center to account for all electricity such distributers buy directly from a generation station outside of the commonwealth, on a per-kilowatt-hour basis. The CO2e of every kilowatt hour of electricity shall be determined by taking the weighted average of the natural gas, coal, and oil portions of the fuels used to generate the electricity and multiplying each of those portions separately by the amount of CO2e emissions created per kilowatt hour of electricity produced by

each such fuel, as those carbon intensity levels are from time to time determined by the Energy Information Agency of the United States Department of Energy. Distributors of electricity shall pay a weighted average in the same manner for the natural gas, coal, and oil portions of the ISO-NE electricity fuel mix for electricity that the distributor purchased on the ISO-NE spot market in the past quarter; provided that the center shall create a formula to estimate the portion of the ISO-NE mix which was generated in the commonwealth, and that portion shall be subtracted from the price.

Each supplier of electricity shall pass along the full cost of the price to all electricity customers, in a fully reconciling rate mechanism based upon a per-kilowatt-hour charge as a new line labeled “Carbon Pollution Price” on the generation side of electric bills of all classes of ratepayers.

(d) Any entity in the commonwealth which has bought carbon allowances through the regional greenhouse gas initiative clearing auctions in the past quarter shall be reimbursed quarterly by the center, provided that such reimbursement may not be greater than the total increased expenses which the center estimates the entity has incurred due to the price in the past quarter.

(e) Any local distribution company for natural gas shall pay the price quarterly to the center on behalf of all of its distribution customers. The price shall be calculated by multiplying the number of cubic feet of natural gas used by each customer by the amount of CO2e released by burning 1 cubic foot natural gas, as that value is from time to time determined by the Energy Information Agency of the United States department of energy.

The local distribution company for natural gas shall pass on the cost of the carbon price to end users in proportion to the amount of natural gas each customer uses.

(f) The department of energy resources shall estimate the amount of CO2e released in the form of escaped methane due to the extraction, transport, or distribution of natural gas before the point of consumption in Massachusetts, and the center shall add an additional per-cubic-foot charge commensurate with that estimate to the price for all natural gas or natural-gas-based electricity, based on the rate specified in this section.

(g) The price assessed on a given amount of fossil fuel shall be the number of metric tons of CO2e that would be released if that amount of fossil fuel were burned, excluding any carbon dioxide that is to be permanently sequestered, times the carbon price rate. The carbon price rate shall be $15 per metric ton from January 1, 2020 through June 30, 2020 and during the entirety of fiscal year 2021, and shall increase by $10, adjusted for inflation, every fiscal year thereafter. In any year in which the U.S. Federal government charges a similar price on fossil fuels, the Massachusetts rate shall be reduced by an amount equal to the Federal rate, provided however that the Massachusetts rate may not be less than zero.

(h) All money collected pursuant to this section shall be deposited in the Clean Energy Dividend Fund established in section 2WWWW of chapter 29.

Section 15. (a) Within 2 weeks after the end of each fiscal year quarter, the center, in coordination with the state treasurer, shall issue a check drawn from the Clean Energy Dividend Fund to every household in Massachusetts and every employer in Massachusetts, labeled “Clean Energy Dividend,” in an amount to be determined pursuant to this section. The center shall ensure that individuals and families who are homeless, in transition, or otherwise

may not receive checks in the mail shall still receive their dividend in any other appropriate manner determined by the center. Such checks for residents shall include the following description: “Massachusetts has a carbon pricing system to account for the pollution content of fossil fuels. You are receiving this check because you are a resident of Massachusetts. This check is for an amount proportional to the number of adult residents in this household. You may use this money to cover the slight increases in energy prices you may notice, or if you use less energy in any way, you may consider this check additional, tax-exempt, income, and spend it on whatever you like. These quarterly dividend checks will increase as revenue from the carbon price increases.” Such checks for employers shall include the following description: “Massachusetts has a carbon pricing system to account for the pollution content of fossil fuels. You are receiving this check because you are an employer in Massachusetts. This check is for an amount proportional to the number of full-time-equivalent employees you employ in Massachusetts. You may use this money to cover the slight increases in energy prices you may notice, or if you use less energy in any way, you may consider this check additional, tax-exempt, income, and spend it on whatever you like. These quarterly dividend checks will increase as revenue from the carbon price increases.” For checks to households in rural municipalities, a note substantively similar to “Because you live in a rural municipality, your per-person dividend is slightly higher than that for residents of non-rural municipalities” shall be added to the description.

(b) The center shall estimate the net increase in energy costs due to the carbon price for the preceding quarter for an average single-person household at the 60th percentile of income for Massachusetts. Such estimated figure shall be made public by the center and shall be known as the per-person sum.

(c) The clean energy dividend sent to each household shall be in an amount equal to the per-person sum multiplied by the number of residents 20 years of age or older in that household, plus the "rural rebate amount" as defined below.

(d) The dividend check to each employer shall be in an amount equal to the per-person sum multiplied by the full-time-equivalent number of employees employed in Massachusetts by that employer, provided, that any person who would not be considered an employee under chapter 151A shall not count as an employee; provided, further, that only bona fide employees working in the commonwealth shall be counted.

(e) The "rural rebate amount" shall be 0.2 multiplied by the per-person amount for households residing in rural municipalities and 0 for households residing in other municipalities. For the purposes of this paragraph, a "rural municipality" shall mean a municipality in which residents drive, on average, 130 per cent or more per year of the statewide average number of miles driven per household in the commonwealth.

(f) The dividend check sent pursuant to this section shall not be considered income for purposes of chapter 62 or chapter 63.

Section 16. (a) At any time when the actual balance of the Clean Energy Dividend Fund, established in section 2WWWW of chapter 29, is less than the amount needed to cover clean energy dividend disbursements made pursuant to section 15, the per-person sum shall be equal to the total balance of the fund, minus reasonable administrative costs, divided by the sum of:

(i) 1.2 multiplied by the number of adult residents in the commonwealth who reside in rural municipalities;

(ii) the number of adult residents of the commonwealth who reside in municipalities other than rural municipalities; and

(iii) the full-time-equivalent number of employees who would count in calculations of employer dividends for the purposes of subsection (d) of section 15.

(b) Dividends shall then be administered as usual in accordance with subsections (c)-(f) of section 15.

SECTION 2. The General Laws are hereby amended by inserting after chapter 23M the following chapter:-

SECTION 3. Chapter 29 of the General Laws is hereby amended by inserting after section 2WWWW, inserted by section 41 of chapter 133 of the acts of 2016, the following 3 sections:-

Section 2WWWW. There shall be a Clean Energy Dividend Fund to be administered by the Massachusetts Clean Energy Technology Center to consist of: (i) money collected pursuant to section 14 of chapter 23J; (ii) appropriations or other monies authorized by the general court and specifically designated to be credited to the fund; and (iii) funds from public or private sources, including, but not limited to, gifts, grants, and donations. No money from the fund shall be made available for the general operations of the government. Money in the fund shall be available without appropriation in accordance with sections 15 and 16 of chapter 23J.

Up to 2 per cent of money deposited into the fund each year shall be available to cover administrative costs associated with implementing sections 14, 15, and 16 of chapter 23J.

SECTION 4. Chapter 63 of the General Laws is hereby amended by inserting after section 38FF the following section:-

Section 38GG. (a) Any company that qualifies pursuant to subsection (b) shall be exempt from all state taxes and excises due pursuant to this chapter and chapter 62 provided that the company has been certified pursuant to subsection (c).

(b) A company shall qualify for the exemption established in this section if it meets all of the following criteria:

(i) The company is headquartered in Massachusetts;

(ii) The company and any corporations of which it is a subsidiary are owned by a person or entity based in Massachusetts;

(iii) The company has more than 80 per cent of its employees and contractors in Massachusetts; and

(iv) At least 90 per cent of the company's operations are research, development, demonstration, or manufacturing of technologies that reduce overall greenhouse gas emissions while providing energy more cheaply to end-users.

(c) The Massachusetts clean energy technology center shall certify companies as qualifying under this section. The center shall adopt a procedure to accept and review applications by companies to be qualified in accordance with this section.