

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: |
|-------------------------------|--|
| <i>Dylan A. Fernandes</i> | <i>Barnstable, Dukes and Nantucket</i> |
| <i>Brian M. Ashe</i> | <i>2nd Hampden</i> |
| <i>James K. Hawkins</i> | <i>2nd Bristol</i> |
| <i>Patrick Joseph Kearney</i> | <i>4th Plymouth</i> |

HOUSE No. 778

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:

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

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

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

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

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

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

17 “Resident”, as defined in section 1 of chapter 62.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

128 SECTION 2. The General Laws are hereby amended by inserting after chapter
129 23M the following chapter:-

130 SECTION 3. Chapter 29 of the General Laws is hereby amended by inserting
131 after section 2WWWW, inserted by section 41 of chapter 133 of the acts of 2016, the following
132 3 sections:-

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

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

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

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

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

150 (i) The company is headquartered in Massachusetts;

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

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

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

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