

SENATE No.

The Commonwealth of Massachusetts

PRESENTED BY:

Michael J. Barrett

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 to expand carbon pricing in the commonwealth.

PETITION OF:

NAME:

Michael J. Barrett

DISTRICT/ADDRESS:

Third Middlesex

SENATE No.

[Pin Slip]

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE SENATE, NO. 2080 OF 2023-2024.]

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Fourth General Court
(2025-2026)**

An Act to expand carbon pricing in the commonwealth.

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 21N of the General Laws, as appearing in the 2022 Official
2 Edition, is hereby amended by striking out section 7 in its entirety and inserting in place thereof
3 the following section:-

4 Section 7. (a) Not later than January 1, 2028, the secretary and the department shall adopt
5 market-based compliance mechanisms for, or other fees and exactions on, the heating and
6 cooling of commercial, institutional, and industrial buildings, which mechanisms shall further the
7 achievement of the statewide greenhouse gas emissions limits and sublimits adopted pursuant to
8 this chapter related to commercial and industrial heating and cooling.

9 (b) Not later than January 1, 2029, the secretary and the department shall adopt market-
10 based compliance mechanisms for, or other fees and exactions on, industrial processes, which

11 mechanisms shall further the achievement of the statewide greenhouse gas emissions limits and
12 sublimits adopted pursuant to this chapter related to industrial processes.

13 (c) Not later than January 1, 2030, the secretary and the department shall adopt market-
14 based compliance mechanisms for, or other fees and exactions on, the transportation sector,
15 which mechanisms shall further the achievement of the statewide greenhouse gas emissions
16 limits and sublimits adopted pursuant to this chapter related to transportation.

17 (d) Not later than January 1, 2031, the secretary and the department shall adopt market-
18 based compliance mechanisms for, or other fees and exactions on, residential heating and
19 cooling, which mechanisms shall further the achievement of the statewide greenhouse gas
20 emissions limits and sublimits adopted pursuant to this chapter related to residential heating and
21 cooling.

22 (e) The executive office and the department may work with participating regional
23 greenhouse gas initiative states and other interested states and Canadian Provinces to develop or
24 expand market-based compliance mechanisms or other fees and exactions to sources and sectors
25 necessary or useful to achieving the greenhouse gas emissions limits and sublimits of the
26 commonwealth.

27 (f) The executive office and the department shall monitor compliance with any rule,
28 regulation, order, emissions limit, emissions reduction measure, market-based compliance
29 mechanism or other fees and exactions adopted by the secretary or the department pursuant to
30 this chapter. The department may impose an administrative penalty pursuant to section 16 of
31 chapter 21A for a violation of any rule, regulation, order, emissions limit, emissions reduction
32 measure or other measure adopted by the secretary or department pursuant to this chapter.

33 (g) Market-based compliance mechanisms or other fees and exactions adopted pursuant
34 to this section shall be designed to: (i) maximize the ability of the commonwealth to achieve the
35 statewide greenhouse gas emissions limits and sublimits established pursuant to this chapter;
36 provided, that any charges, exactions, allowances, or permits shall be set, imposed, allocated,
37 auctioned, sold or authorized so as to maximize the likelihood that, beginning in the first year of
38 implementation, said charges, exactions, allowances or permits shall result in a cost of emissions
39 per metric ton of carbon dioxide equivalent of not less than 50 dollars; provided, further, that
40 said charges, exactions, allowances, or permits shall be set, imposed, allocated, auctioned, sold
41 or authorized so as to maximize the likelihood that the cost of emissions per metric ton of carbon
42 dioxide equivalent will increase by ten dollars each year, up to a ceiling of 200 dollars per metric
43 ton of carbon dioxide equivalent; (ii) ensure that the commonwealth achieves said limits and
44 sublimits equitably and in a manner that protects and, where feasible, improves, the health and
45 economic condition of low-income and moderate-income persons and communities; (iii) prevent
46 increases in emissions of toxic air contaminants and criteria air pollutants, including, but not
47 limited to, emissions of nitrous oxide, sulfur dioxide and mercury; (iv) identify manufacturing
48 sectors, economic sectors, economic subsectors or individual employers at risk of significant
49 adverse impacts due to emissions limits and sublimits, and mitigate such impacts; (v) take into
50 account and address the distinctive vulnerabilities of rural, suburban and urban communities; and
51 (vi) maximize environmental and economic benefits to the commonwealth.

52 (h) Proceeds realized by the adoption of market-based compliance mechanisms or other
53 fees and exactions related to transportation shall be treated or disbursed in any proportion as
54 follows: (i) as rebates or refunds to residents and employers of the commonwealth in proportion
55 to the monies collected, respectively, from residents and employers; and (ii) as monies credited

56 to the Commonwealth Transportation Fund established under section 2ZZZ of chapter 29,
57 provided that such monies shall be used to further the achievement of the limits and sublimits
58 adopted pursuant to this chapter related to transportation; provided further, that the secretary may
59 allocate a reasonable amount of proceeds to reimburse the commonwealth for any direct costs
60 incurred in the administration of activities authorized by this section; and provided, further, that
61 there shall also be credited to the fund any appropriations made by the legislature and any
62 investment income earned on assets of the fund. Amounts remaining in the fund at the end of the
63 fiscal year shall not revert to the General Fund and shall be available for expenditure in
64 succeeding fiscal years.

65 (i) Proceeds realized by the adoption of market-based compliance mechanisms or other
66 fees and exactions related to industrial processes and the heating and cooling of commercial,
67 institutional, industrial and residential buildings shall be treated or disbursed in any proportion as
68 follows: (i) as rebates or refunds to persons in proportion to the monies collected, respectively,
69 from such persons; and (ii) as monies credited to the trust funds established in sections
70 2MMMMM, 2NNNNN, and 2OOOOO of chapter 29 of the General Laws, which monies shall
71 be expended pursuant to said sections; provided, that the secretary may allocate a reasonable
72 amount of proceeds to reimburse the commonwealth for any direct costs incurred in the
73 administration of activities authorized by these sections of chapter 29.

74 (j) Annually, the secretary of administration and finance, in consultation with the
75 secretary of energy and environmental affairs, shall file a report with the chairs of the senate
76 committee on ways and means, the house committee on ways and means, and the joint
77 committee on telecommunications, utilities and energy. The report shall include, but not be
78 limited to, an analysis of the effectiveness of the market-based compliance mechanisms or other

79 fees and exactions adopted or imposed pursuant to this chapter or maintained in connection with
80 the initiative known as the regional greenhouse gas initiative. Said analysis shall include
81 calculations of the contributions of each compliance mechanism, fee or exaction, expressed in
82 tons of carbon dioxide equivalent, to meeting the statewide greenhouse gas emissions limits and
83 sublimits established pursuant to this chapter.

84 (k) The secretary and the department may promulgate regulations governing market-
85 based compliance mechanisms or other fees and exactions adopted or imposed to achieve
86 greenhouse gas emissions from sources or categories of sources in order to achieve the statewide
87 greenhouse gas emissions limits and sublimits required by this chapter.

88 SECTION 2. Chapter 29 of the General Laws, as so appearing, is hereby amended by
89 adding the following 3 sections:-

90 Section 2MMMMM. There shall be established and set up on the books of the
91 commonwealth a separate fund, to be known as the Green Commercial Building Fund, to be
92 operated by the Massachusetts Clean Energy Center. Monies generated by the adoption of
93 market-based compliance mechanisms or other fees and exactions related to commercial and
94 industrial heating and cooling shall be distributed to said Fund in an amount or proportion
95 determined by the secretary of energy and environmental affairs and used to further the
96 achievement of the limits and sublimits adopted pursuant to Chapter 21N of the General Laws
97 related to commercial and industrial heating and cooling. There shall also be credited to the fund
98 any appropriations made by the legislature and any investment income earned on assets of the
99 fund. Amounts remaining in the fund at the end of the fiscal year shall not revert to the General
100 Fund and shall be available for expenditure in succeeding fiscal years.

101 Section 2NNNNN. There shall be established and set up on the books of the
102 commonwealth a separate fund, to be known as the Green Industrial Fund, to be operated by the
103 Massachusetts Clean Energy Center. Monies generated by the adoption of market-based
104 compliance mechanisms or other fees and exactions related to industrial processes shall be
105 distributed to said Fund in an amount or proportion determined by the secretary of energy and
106 environmental affairs and used to further the achievement of the limits and sublimits adopted
107 pursuant to Chapter 21N of the General Laws related to industrial processes. There shall also be
108 credited to the fund any appropriations made by the legislature and any investment income
109 earned on assets of the fund. Amounts remaining in the fund at the end of the fiscal year shall not
110 revert to the General Fund and shall be available for expenditure in succeeding fiscal years.

111 Section 2O0000. There shall be established and set up on the books of the
112 commonwealth a separate fund, to be known as the Green Residential Building Fund, to be
113 operated by the Massachusetts Clean Energy Center. Monies generated by the adoption of
114 market-based compliance mechanisms or other fees and exactions related to residential buildings
115 shall be distributed to said Fund in an amount or proportion determined by the secretary of
116 energy and environmental affairs and used to further the achievement of the limits and sublimits
117 adopted pursuant to Chapter 21N of the General Laws related to residential heating and cooling.
118 There shall also be credited to the fund any appropriations made by the legislature and any
119 investment income earned on assets of the fund. Amounts remaining in the fund at the end of the
120 fiscal year shall not revert to the General Fund and shall be available for expenditure in
121 succeeding fiscal years.