

HB 735-FN-A - AS INTRODUCED

2019 SESSION

19-0765

10/01

HOUSE BILL ***735-FN-A***

AN ACT relative to carbon pricing.

SPONSORS: Rep. Oxenham, Sull. 1; Sen. Fuller Clark, Dist 21; Sen. Watters, Dist 4

COMMITTEE: Science, Technology and Energy

ANALYSIS

This bill establishes the required payment of a carbon pricing fee to be paid by vendors of carbon-based fuels based on their emissions factors.

Explanation: Matter added to current law appears in ***bold italics***.
 Matter removed from current law appears [~~in brackets and struckthrough.~~]
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Nineteen

AN ACT relative to carbon pricing.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 New Chapter; Carbon Pricing. Amend RSA by inserting after chapter 339-G the following
2 new chapter:

3 CHAPTER 339-H
4 CARBON PRICING

5 339-H:1 Definitions. In this chapter:

6 I. "Applicable entity" means the vendor of a carbon-based fuel, at the first point of sale
7 within the state.

8 II. "Carbon-based fuel" means coal, a petroleum product, natural gas, or electricity
9 produced from such fuels.

10 III. "Carbon dioxide equivalent" and "C02e" mean the amount of carbon dioxide by mass
11 that would produce the same global warming impact as a given mass of another greenhouse gas
12 over an integrated 20-year time frame after emission, based on the best available science.

13 IV. "Commission" means the New Hampshire public utilities commission.

14 V. "Department" means the department of revenue administration.

15 VI. "Electricity suppliers" means electric utilities providing default energy service and
16 competitive electricity retailers.

17 VII. "Greenhouse gas" or "greenhouse gas emission" means carbon dioxide, methane,
18 nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and any other substance
19 emitted into the air that may be reasonably anticipated to cause or contribute to anthropogenic
20 climate change.

21 VIII. "Petroleum product" means all petroleum derivatives, whether in bond or not, which
22 are commonly burned to produce heat, electricity, or motion, or which are commonly processed to
23 produce synthetic gas for burning, including without limitation, propane, gasoline, unleaded
24 gasoline, kerosene, heating oil, diesel fuel, kerosene based jet fuel, and number 4, number 5 and
25 residual oil for utility and non-utility uses, but not including, petroleum feedstocks to plastics
26 production or other manufacturing.

27 339-H:2 Carbon Pricing; Fee.

28 I. Every applicable entity shall pay, in a manner determined in rules adopted pursuant to
29 RSA 541-A by the commissioner of revenue administration, a fee to the department on any carbon-
30 based fuel sold, used, or entered into the state by such applicable entity for purposes of distribution
31 or use within the state.

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1 II. The amount of the fee imposed by paragraph I on any carbon-based fuel shall be equal to
2 the applicable amount per ton of carbon dioxide equivalent that would be emitted through the
3 combustion of such product, as determined in rules adopted pursuant to RSA 541-A by the
4 department of environmental services and pursuant to RSA 339-H:6.

5 III. For the purposes of paragraph II, the applicable amount shall be:

6 (a) For any carbon-based fuel sold, used, or imported into the state during calendar year
7 2020, \$20;

8 (b) For any carbon-based fuel sold, used, or entered into the state during any calendar
9 year after 2020 and before 2030, an amount equal to the sum of:

10 (1) The sum of the amount in effect under this paragraph for the preceding calendar
11 year plus \$10; and

12 (2) The product of the amount determined under subparagraph (1) for such year
13 and an inflation adjustment using the United States Bureau of Labor Statistics Consumer Price
14 Index or, if that index is not available, another index adopted by the department.

15 (c) For any carbon-based fuel sold, used, or entered into the state during any calendar
16 year after 2030, an amount equal to the sum of:

17 (1) The amount in effect under this paragraph for the preceding calendar year; and

18 (2) The product of the amount determined under subparagraph (1) for such year
19 and an inflation adjustment using the United States Bureau of Labor Statistics Consumer Price
20 Index or, if that index is not available, another index adopted by the department.

21 IV. The department shall calculate and publish the amount of the fee established under this
22 section in current dollars for each year by October 1 of the previous year.

23 V. The department shall require all applicable entities to pay the fees required pursuant to
24 this section by the end of each calendar quarter.

25 VI. The department shall deposit all moneys collected by applicable entities paying the fee
26 established in this section in the carbon pricing fund. The carbon pricing fund is hereby established
27 in the treasury and shall be nonlapsing and continually appropriated to the department. Amounts
28 in the fund shall be expended as provided in RSA 339-H:5.

29 VII. Each applicable entity paying the fee established in this section shall submit an annual
30 compliance report to the department, by a date and in a form prescribed in rules of the department.
31 Each report shall include clear and concise information that demonstrates that the applicable entity
32 made calculations and collected moneys fully in accordance with this section. The department shall
33 determine if each applicable entity complied with the requirements of this chapter, or if additional
34 actions must be taken by the applicable entity to come into compliance. Failure to pay the fees due
35 under this chapter shall be subject to enforcement and penalties provided in RSA 21-J:33.

36 339-H:3 Calculation of Emissions Factors.

37 I. Not later than one year after enactment of this chapter, the department of environmental
38 services shall, for each carbon-based fuel identified in this chapter, including various sources of

1 electricity consumed in the state, calculate greenhouse gas emissions factors, in units of carbon
2 dioxide equivalent.

3 II. Emissions factors calculated under this section shall take into account life-cycle
4 greenhouse gas emissions.

5 III. At least once a year, the department of environmental services shall calculate, for each
6 electricity supplier, greenhouse gas emissions factors, in carbon dioxide equivalent per megawatt-
7 hour, associated with the combustion of each carbon-based fuel identified in this chapter for the
8 purposes of generating electricity.

9 339-H:4 Reduction in Fees Due. Any fees due under RSA 339-H:2 shall be reduced by the
10 amount of any fee or payment due under any federal law or regional carbon pricing system that
11 establishes a direct greenhouse gas price on the same carbon-based fuels for the same year as the
12 fee required in this chapter, provided however that such reduction shall not be to an amount less
13 than zero.

14 339-H:5 Use of Funds. The moneys in the carbon pricing fund shall be used for the following:

15 I. Up to 5 percent of funds collected annually may be used to pay for administrative costs
16 associated with collecting the fees established in RSA 339-H:2 and in administering the carbon
17 pricing fund.

18 II.(a) Twenty percent shall be distributed to greenhouse gas reduction programs that
19 primarily benefit low-income residents and families, small-business properties, or non-profit
20 organizations, based on recommendations of the commission and the department of environmental
21 services;

22 (b) Seventy percent shall be used to provide rebates to state residents; and

23 (c) Five percent shall be used to provide rebates to disproportionately impacted large
24 commercial and industrial energy users in the state.

25 III. Fees collected under this chapter shall only be used for the purposes described in this
26 section.

27 IV. No later than 6 months after the effective date of this chapter, the department shall
28 adopt a schedule of fees to be levied on the sources of greenhouse gas emissions identified in this
29 chapter. No later than 9 months after enactment, department shall adopt rules and publish the
30 mechanism by which 70 percent of the fees collected under this program shall be rebated to the
31 residents of the state of New Hampshire. For such rebates, every adult shall receive one full share,
32 while every child under the age of 18 shall receive one-half share, with no single family unit to
33 receive more than the equivalent of 3 full shares. In determining the most efficacious mechanism
34 for providing rebates to New Hampshire residents, the department shall prioritize direct property
35 tax relief and the provision of funding to individuals receiving Section 8 housing assistance under
36 the federal Department of Housing and Urban Development.

37 339-H:6 Rulemaking.

38 I. The commissioner of the department of environmental services shall adopt rules under

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1 RSA 541-A for the calculation of emissions factors in RSA 339-H:3.

2 II. The commissioner of the department of revenue administration shall adopt rules under
3 RSA 541-A required for the implementation of this chapter.

4 2 New Subparagraph; Application of Receipts. Amend RSA 6:12, I(b) by inserting after
5 subparagraph (343) the following new subparagraph:

6 (344) Moneys deposited in the carbon pricing fund established in RSA 339-H:2.

7 3 Effective Date. This act shall take effect July 1, 2019.

**HB 735-FN-A- FISCAL NOTE
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AN ACT relative to carbon pricing.

FISCAL IMPACT: State County Local None

STATE:	Estimated Increase / (Decrease)			
	FY 2020	FY 2021	FY 2022	FY 2023
Appropriation	\$0	\$0	\$0	\$0
Revenue	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase
Expenditures	Indeterminable	Indeterminable	Indeterminable	Indeterminable
Funding Source:	<input type="checkbox"/> General	<input type="checkbox"/> Education	<input type="checkbox"/> Highway	<input type="checkbox"/> Other

COUNTY:

Revenue	\$0	\$0	\$0	\$0
Expenditures	Indeterminable	Indeterminable	Indeterminable	Indeterminable

LOCAL:

Revenue	\$0	\$0	\$0	\$0
Expenditures	Indeterminable	Indeterminable	Indeterminable	Indeterminable

The Public Utilities Commission was originally contacted on December 29, 2018, with a subsequent request January 7, 2019 for a fiscal note worksheet, which they have not provided as of January 17, 2019.

METHODOLOGY:

This bill establishes the required payment of a carbon pricing fee to be paid by vendors of carbon-based fuels based on their emission factors.

The Department of Environmental Services indicates 95% of the revenue collected would be disbursed to residential, commercial and industrial energy users and greenhouse gas reduction programs. The applicable New Hampshire annual greenhouse gas emissions (GHG) are estimated to be 15 million tons of carbon dioxide equivalents. Assuming entities pay fees for nearly all of NH's GHG emissions the Department estimated the revenue as follows:

Calendar Year	Tons of CO2 Equiv.	Fee	Revenue
2020	15,000,000	\$20.00	\$300,000,000
2021	15,000,000	\$30.75	\$461,250,000

2022	15,000,000	\$41.77	\$626,550,000
2023	15,000,000	\$53.05	\$795,900,000

Stated in terms of state fiscal years the revenue amounts would be \$150 million in FY 2020, \$380.6 million in FY 2021, \$543.9 million in FY 2022 and \$711.2 million in FY 2023. Based on the distribution provided in the bill these amounts would be disbursed as follows:

Disbursements (In Millions)	FY 2020	FY 2021	FY 2022	FY 2023
State Residents 70%	\$105	\$266	\$381	\$498
GHG Reduction Programs 20%	\$30	\$76	\$109	\$142
Large C&I Energy Users 5%	\$7.5	\$19	\$27	\$36
Program Administration 5%	\$7.5	\$19	\$27	\$36
Totals (Rounded)	\$150	\$381	\$544	\$712

At the State level, all of the additional revenue would be disbursed or offset administration costs. The impact to county and local governments is indeterminable as such entities could benefit from projects under the GHG reduction program, but such project awards and the resulting benefits are indeterminable at this time.

The Department of Revenue Administration (DRA) indicates the proposed bill requires every vendor of carbon-based fuels to pay carbon pricing fees to the DRA on fuels sold, used, or brought into the state for distribution or use within the State.

- Vendors are required to pay the fees at the end of each calendar quarter.
- The DRA is required to publish a schedule of fees each October 1st for the coming calendar year. The fees shall be based on the tons of carbon dioxide equivalents emitted through combustion of the particular type of fuel product. The Department of Environmental Services would determine the per-ton equivalents through rulemaking by July 1, 2020.
- Each vendor would submit an annual compliance report to the DRA to demonstrate compliance and the DRA would determine if further action is necessary for the vendor to achieve compliance.
- DRA would deposit fees collected in the carbon pricing fund and expend the funds as provided in proposed RSA 339-H:5.
- 70% of the fees would be used to provide rebates to state residents. The DRA would be required to develop rules and publish the process for issuing rebates 9 months after the bill becomes effective on July 1, 2019.

The DRA assumes it would need to hire many additional positions and update its information

management systems. The DRA does not have sufficient information to estimate these potential costs.

AGENCIES CONTACTED:

Departments of Revenue Administration and Environmental Services and the Public Utilities Commission