

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1258 (Delegate Arikan, *et al.*)

Environment and Transportation and
Economic Matters

**Consumer Goods - Restrictions Based on Energy Source - Prohibition (Energy
Equality Act of 2025)**

This bill repeals the State’s low emissions vehicle (LEV) program, which, pursuant to current law, requires the Maryland Department of the Environment (MDE) to adopt regulations implementing the California Clean Car Program in Maryland. The bill also repeals related provisions that prohibit the Motor Vehicle Administration (MVA) from issuing a certificate of title or from registering a vehicle that does not meet standards established under the State’s LEV program. The bill also prohibits a local government or unit of State government from restricting the sale, purchase, or use of any “consumer good” solely on the basis of the energy source used to power the consumer good. The bill’s provisions are construed to apply retroactively and must be applied to and interpreted to affect State and local restrictions adopted before the bill’s effective date.

Fiscal Summary

State Effect: While a reliable estimate of the bill’s overall effect cannot be made at this time, the bill likely has significant and far-reaching impacts on State operations and finances. At a minimum, MDE must develop and promulgate new alternate emissions reduction regulations and an updated State Implementation Plan (SIP) to maintain compliance with the federal Clean Air Act (CAA), which likely increases MDE’s general fund expenditures (potentially significantly) beginning in FY 2026 and also has operational and potential cascading fiscal effects on other State agencies.

Local Effect: The bill prevents the establishment of new and the enforcement of existing local restrictions on affected consumer goods, which likely has both operational and fiscal effects on local governments. The bill may also have other significant effects on local operations and finances that cannot be estimated at this time, as discussed below.

Small Business Effect: Meaningful.

Analysis

Bill Summary: A “consumer good” means a good that is intended primarily for personal, household, family, or agricultural use and includes a motor vehicle, an appliance, and any other tangible product.

Current Law:

Federally Mandated Air Quality Standards and State Implementation Plans

CAA regulates air emissions from stationary and mobile sources and authorizes the U.S. Environmental Protection Agency (EPA) to establish National Ambient Air Quality Standards to limit levels of “criteria pollutants” to protect public health and public welfare and to regulate emissions of hazardous pollutants. A geographic area that meets or exceeds the primary standard is an “attainment area”; those that do not are “nonattainment areas.” A single geographic area may have acceptable levels of one criteria air pollutant but unacceptable levels of one or more other criteria air pollutants.

Under § 110 of CAA, each state must develop applicable SIPs for primary and secondary ambient air quality standards adopted by EPA for various air pollutants. A SIP must identify sources of air pollution and determine what emissions reductions are needed to meet federal air quality standards for a particular air pollutant. Within three years (or as otherwise specified by EPA) after the promulgation of a national primary ambient air quality standard for any air pollutant, each state must submit a plan, which provides for implementation, maintenance, and enforcement of that standard, as specified.

MDE’s Air and Radiation Management Administration operates the State’s air pollution control programs. Among other things, the administration monitors ambient air pollution levels, develops plans to maintain air quality standards, develops and enforces regulations to control air emissions, and provides technical assistance to businesses attempting to comply with CAA requirements. Pursuant to COMAR 26.11.04, MDE sets ambient air quality standards for specified pollutants, including particulate matter, sulfur oxides, nitrogen dioxide, and lead.

Advanced Clean Cars II Program, the Advanced Clean Trucks Program, and the Adoption of California Regulations

Vehicle Certification under the Federal Clean Air Act: Pursuant to CAA, vehicles sold in the United States must be certified under one of two certification programs: (1) the

federal program (Tier 2); or (2) the California program (the Clean Car Program). Section 177 of the CAA Amendments of 1990 provides states the ability to adopt the California program in lieu of the federal program as long as the adopted state program is identical to the California program and the state allows two model years lead time from adoption to implementation.

Maryland Clean Cars Act of 2007: The Maryland Clean Cars Act of 2007 (Chapters 111 and 112) requires MDE to adopt regulations implementing the California Clean Car Program (also referred to as the California Low Emissions Vehicle Program, or CAL LEV) in Maryland. Maryland's implementing regulations adopted, through incorporation by reference in COMAR 26.11.34.02, the applicable California regulations. The CAL LEV Program is a dynamic, changing program in which many of the relevant California regulations are continuously updated. To retain California's standards, Maryland must remain consistent with its regulations, which means when California updates its regulations, Maryland must reflect those changes by amending State regulations.

Advanced Clean Cars II Regulations: On August 25, 2022, the California Air Resources Board (CARB) adopted the Advanced Clean Cars II regulations requiring that (1) all new cars and light trucks sold in California be zero-emission vehicles (ZEV) by model year 2035 and (2) internal combustion engine vehicles meet increasingly stringent pollution standards during the period in which they continue to be sold. CARB's regulation affects vehicles beginning with the 2026 model year.

Pursuant to the requirements of the Maryland Clean Cars Act of 2007, MDE adopted California's Advanced Clean Cars II regulations effective September 18, 2023. Maryland's implementation of the Advanced Clean Cars II Program will begin with the 2027 model year.

Related Motor Vehicle Administration Title and Registration Restrictions: MVA must refuse to issue a certificate of title or to register or transfer the registration of any vehicle if MVA has reasonable grounds to believe that the with the provisions of the State's LEV program.

Advanced Clean Truck Regulations: CARB adopted its Advanced Clean Truck (ACT) regulations in June 2020 and updated the rule in March 2021. Broadly, the rule requires manufacturers of medium- and heavy-duty trucks to sell an increasing number of ZEV trucks in California (as opposed to diesel or gasoline vehicles). The emissions reductions requirements begin in 2024 and increase through 2035. ACT includes ZEV sales requirements for any manufacturer that certifies on-road vehicles over 8,500 pounds for sale in California. Chapters 96 and 97 of 2023 required MDE, by December 1, 2023, to adopt regulations establishing requirements for the sale of new medium-duty and

heavy-duty ZEVs in the State. MDE adopted the required regulations, which went into effect in September 2023. (See DLS Control No. 23-090.)

The Maryland Department of the Environment's Climate Change Program and the Climate Solutions Now Act

MDE's Climate Change Program leads the State's efforts to reduce greenhouse gas (GHG) emissions, as required by the Greenhouse Gas Emissions Reduction Act (GGRA) and participation and oversight in other initiatives, including the Regional Greenhouse Gas Initiative (RGGI) and the U.S. Climate Alliance. The program also ensures State compliance with climate-related State and federal laws, such as the Climate Solutions Now Act (CSNA), discussed below.

The U.S. Climate Alliance is a bipartisan coalition of governors, including the Governor of Maryland, committed to reducing GHG emissions consistent with the goals of the Paris Agreement. Maryland participates in the multi-state RGGI in order to reduce carbon dioxide (CO₂) emissions from the power sector. Each participating state limits CO₂ emissions from electric power plants, issues CO₂ allowances, and establishes participation in CO₂ allowance auctions. A single CO₂ allowance represents a limited authorization to emit one ton of CO₂.

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing Strategic Energy Investment Fund (SEIF) within the Maryland Energy Administration to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances under RGGI.

CSNA made broad changes to the State's approach to reducing statewide GHG emissions and addressing climate change. Among other things, CSNA accelerated previous statewide GHG emissions reductions targets originally established under GGRA by requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045.

To accomplish these goals, among other things, CSNA requires MDE to develop building energy performance standards (BEPS) for covered buildings that achieve (1) a 20% reduction in net direct GHG emissions by January 1, 2030, as compared with 2025 levels for average buildings of similar construction and (2) net-zero direct GHG emissions by January 1, 2040. To facilitate the development of these BEPS, MDE must require "covered building" owners to measure and report direct emissions data to the department each year beginning in 2025. The provision requiring MDE to set a standard

that achieves net-zero direct GHG emissions for covered buildings terminates December 31, 2029.

State Fiscal Effect: While the overall effect of the bill cannot be predicted in advance, the bill likely has significant and far-reaching impacts on State efforts to implement CAA and CSNA requirements, address climate change, and achieve GHG emissions reduction goals. Most of these impacts cannot be reliably estimated at this time but are likely meaningful and may result in significant impacts on State finances depending on how the bill is interpreted.

At a minimum, because implementation of the Maryland Clean Cars Act of 2007 is a major component of Maryland's SIP, the repeal of those provisions means that MDE must develop and promulgate new, alternate emissions reduction regulations to achieve reductions that would have otherwise come from the LEV program. Once those regulations are adopted, MDE must then develop an updated SIP to maintain compliance with CAA standards. MDE's general fund expenditures likely increase (potentially significantly) beginning in fiscal 2026 to conduct these activities. MDE notes that if the State is unable to develop a plan to achieve sufficient air quality emissions reductions to meet CAA standards, the State could face federal sanctions, which could include the imposition of a Federal Implementation Plan and the potential loss of hundreds of millions of dollars in federal transportation funding.

MDE anticipates that the bill may also affect a broad array of current and future efforts of its Climate Change Program. Depending on the interpretation of the bill's prohibition against the restriction on the sale, purchase, or use of any consumer good solely on the basis of the energy source used to power the consumer good, there could be profound impacts on the State's framework to address climate change, reduce GHG emissions, and meet air quality standards. This likely results in significant cascading effects on various State agencies. However, a reliable estimate of any such impacts cannot be made at this time.

Local Fiscal Effect: The bill prohibits local governments from restricting the sale, purchase, or use of consumer goods solely on the basis of the energy source used to power the consumer good. Several local jurisdictions, including the cities of Annapolis and Hyattsville, ban the use of gas-powered leaf blowers. To the extent that a local jurisdiction has incorporated affected local restrictions into any air quality, climate change, or public health efforts, there could be costs to change local laws and update plans. The bill could also restrict the ability of local governments to meet local goals regarding air quality, climate change, and/or public health.

Local governments – as both government entities and regulated entities (*e.g.*, building owners and consumers of affected products) – may also be significantly affected by the

changes that occur at the State level as a result of the bill, but any such impacts cannot be predicted in advance.

Small Business Effect: The bill has a meaningful impact on small businesses. For businesses that sell, service, or use consumer products that would otherwise be restricted in the absence of the bill, there is a meaningful benefit. On the other hand, for small businesses that provide electric alternatives that would have otherwise benefited from those restrictions in the absence of the bill, there is a negative impact. The bill's repeal of the State's LEV program may also affect small businesses. Overall, there are likely a large number of affected small businesses that span multiple industries, including home appliance sales and maintenance companies, car dealerships and mechanics, companies that install electric vehicle infrastructure and charging stations, companies that install and maintain home and community solar panels or geothermal heating and cooling systems, and landscaping businesses.

Any changes to the implementation of the State's Climate Change Program and to the State's SIP that result from the bill may also have significant effects on small businesses, but any such impacts cannot be predicted in advance.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Anne Arundel, Baltimore, Charles, Dorchester, and Montgomery counties; cities of Annapolis, Hyattsville, and Laurel; Town of La Plata; Maryland State Commission on Criminal Sentencing Policy; Judiciary (Administrative Office of the Courts); Office of the Public Defender; Maryland Department of the Environment; Department of General Services; Maryland Department of Transportation; Public Service Commission; U.S. Environmental Protection Agency; California Air Resources Board; Department of Legislative Services

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