

# HOUSE BILL 1199

M5

6lr2397  
CF SB 590

---

By: **Delegate Fraser–Hidalgo**

Introduced and read first time: February 11, 2026

Assigned to: Environment and Transportation

---

## A BILL ENTITLED

1 AN ACT concerning

2 **Study on Greenhouse Gas Emissions Economy–Wide Cap–and–Invest Program**  
3 **(Maryland Climate Crisis Equity Act)**

4 FOR the purpose of requiring the Department of the Environment, in collaboration with  
5 the Maryland Commission on Climate Change, the Department of Transportation,  
6 and the Maryland Energy Administration, and in coordination with the Commission  
7 on Environmental Justice and Sustainable Communities and other certain entities  
8 and persons, to complete a study and develop a report evaluating the potential design  
9 and implications of implementing an economy–wide cap–and–invest program that  
10 will help the State achieve certain greenhouse gas emissions reductions and provide  
11 a sustainable funding source for climate–related initiatives; and generally relating  
12 to a study on greenhouse gas emissions economy–wide cap–and–invest programs.

13 Preamble

14 WHEREAS, Greenhouse gases are air pollutants that endanger public health,  
15 welfare, and the prosperity of the people of Maryland; and

16 WHEREAS, Maryland law requires the State to achieve net–zero greenhouse gas  
17 emissions by 2045; and

18 WHEREAS, The Department of the Environment’s December 2023 Maryland’s  
19 Climate Pollution Reduction Plan identified an economy–wide cap–and–invest program as  
20 a critical strategy to close the State’s greenhouse gas emissions gap and provide a  
21 sustainable revenue source for State–funded investments; and

22 WHEREAS, In 2024, the Maryland Commission on Climate Change recommended  
23 that the General Assembly authorize a study to evaluate the design of the economy–wide  
24 cap–and–invest program identified in Maryland’s Climate Pollution Reduction Plan; and

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 WHEREAS, Other North American jurisdictions, including California, Quebec, and  
2 Washington, have successfully implemented cap-and-invest programs to reduce  
3 greenhouse gas emissions and support climate investments; and

4 WHEREAS, Maryland has extensive experience with cap-and-invest programs  
5 through its longstanding participation in the Regional Greenhouse Gas Initiative, which  
6 has generated more than \$1.6 billion since 2008 for investments in utility bill assistance,  
7 energy efficiency, clean energy, clean transportation, and other public needs; now,  
8 therefore,

9 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
10 That:

11 (a) (1) In this section the following words have the meanings indicated.

12 (2) "Department" means the Department of the Environment.

13 (3) "Program" means an economy-wide cap-and-invest program.

14 (b) (1) The Department shall, in collaboration with the Maryland Commission  
15 on Climate Change, the Maryland Department of Transportation, and the Maryland  
16 Energy Administration, and in coordination with the Commission on Environmental  
17 Justice and Sustainable Communities and any other agency or stakeholder identified by  
18 the Department, complete a study and develop a report evaluating the potential design and  
19 implications of implementing an economy-wide cap-and-invest program that:

20 (i) places the State on a pathway to achieve its greenhouse gas  
21 emissions reduction targets under § 2-1204.2 of the Environment Article; and

22 (ii) provides a sustainable funding source for climate-related  
23 initiatives.

24 (2) The Department shall engage with stakeholders during the study,  
25 including soliciting input and feedback on:

26 (i) program design;

27 (ii) revenue use;

28 (iii) equity considerations; and

29 (iv) other components of a program.

30 (c) The study shall:

31 (1) evaluate, at a minimum, program design elements regarding:

1 (i) covered sectors and entities, including evaluating and  
2 considering:

3 1. major sources of greenhouse gas emissions within the  
4 State;

5 2. minimizing administrative and compliance burdens,  
6 including establishing requirements for relevant agencies at the beginning of the  
7 administrative or compliance process;

8 3. the benefits and drawbacks of including electricity  
9 generation under a program in addition to its coverage under the Regional Greenhouse Gas  
10 Initiative; and

11 4. the benefits and drawbacks of including electricity  
12 generated in and imported from states that do not participate in the Regional Greenhouse  
13 Gas Initiative;

14 (ii) the use of facility-specific limits or other mechanisms to limit  
15 greenhouse gas emissions from facilities located in or near overburdened communities;

16 (iii) the treatment of emissions-intensive, trade-exposed industries,  
17 including identifying methods to protect against competitiveness impacts while accounting  
18 for facility proximity to overburdened communities;

19 (iv) the distribution of allowances, including potential no-cost  
20 allowance allocations to gas and electric utilities to mitigate the cost to customers;

21 (v) auction design, including mechanisms enabling allowance  
22 auctions to respond automatically to changes in market price and demand;

23 (vi) the use of offset credits, including whether to allow offsets for a  
24 portion of compliance and evaluating the assumption that annual allowance budgets would  
25 be reduced to account for the offsets; and

26 (vii) any other design elements the Department or any other entity  
27 identified in subsection (b)(1) of this section considers necessary to ensure an effective,  
28 equitable, and efficient program;

29 (2) consider:

30 (i) the potential uses of revenue generated through a program,  
31 including:

32 1. providing rebates, weatherization services, and other  
33 measures to reduce energy costs and protect low- and moderate-income households;



1 (iv) the potential impact of existing and anticipated changes to  
2 federal funding and regulatory programs.

3 (d) The Department may contract with a consultant with expertise in economics  
4 and environmental policy to conduct all or part of the study.

5 (e) (1) Funding for the study shall be provided from the Maryland Strategic  
6 Energy Investment Fund under § 9–20B–05 of the State Government Article.

7 (2) If a program is implemented on or before June 30, 2030, funding  
8 provided for the study under paragraph (1) of this subsection shall be reimbursed from  
9 revenue generated by the program.

10 (f) On or before December 31, 2027, the Department shall submit the report  
11 required under this section to the General Assembly, in accordance with § 2–1257 of the  
12 State Government Article.

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June  
14 1, 2026.