

SENATE BILL 373

M3, M5

6lr2859
CF HB 66

By: **Senators Hershey and West**

Introduced and read first time: January 27, 2026

Assigned to: Education, Energy, and the Environment

A BILL ENTITLED

1 AN ACT concerning

2 **Environment – Regional Greenhouse Gas Initiative – Withdrawal**
3 **(Restoring Energy Freedom Act)**

4 FOR the purpose of requiring the Governor to withdraw the State from participation in the
5 Regional Greenhouse Gas Initiative; and generally relating to withdrawal from
6 participation in the Regional Greenhouse Gas Initiative.

7 BY repealing and reenacting, with amendments,
8 Article – Economic Development
9 Section 10–802(a)(2)
10 Annotated Code of Maryland
11 (2024 Replacement Volume and 2025 Supplement)

12 BY repealing
13 Article – Environment
14 Section 2–1002(g)
15 Annotated Code of Maryland
16 (2013 Replacement Volume and 2025 Supplement)

17 BY repealing and reenacting, with amendments,
18 Article – Environment
19 Section 2–1205(g)(2)
20 Annotated Code of Maryland
21 (2013 Replacement Volume and 2025 Supplement)

22 BY repealing and reenacting, without amendments,
23 Article – Natural Resources
24 Section 5–307(a)
25 Annotated Code of Maryland
26 (2023 Replacement Volume and 2025 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



BY repealing and reenacting, with amendments,
Article – Natural Resources
Section 5–307(g)(7)
Annotated Code of Maryland
(2023 Replacement Volume and 2025 Supplement)

BY repealing and reenacting, with amendments,
Article – State Government
Section 9–20B–05
Annotated Code of Maryland
(2021 Replacement Volume and 2025 Supplement)

BY renumbering
Article – Environment
Section 2–1002(h) through (j)
to be Section 2–1002(g) through (i), respectively
Annotated Code of Maryland
(2013 Replacement Volume and 2025 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Economic Development

10–802.

(a) The General Assembly finds that:

(2) continued exclusive reliance on traditional forms of electricity supply
entrenches the State’s dependence on fossil fuels, working against the State’s policy of
decreasing greenhouse gas production[, as evidenced by the State’s accession to the
Regional Greenhouse Gas Initiative];

Article – Environment

2–1002.

[(g) (1) In this subsection, “allowance” means one ton of carbon dioxide that
may be bought, sold, traded, or banked for use under the Regional Greenhouse Gas
Initiative.

(2) Not later than June 30, 2007, the Governor shall include the State as a
full participant in the Regional Greenhouse Gas Initiative among Mid–Atlantic and
Northeast states.

(3) The State may withdraw from the Initiative, as provided in the December 20, 2005 memorandum of understanding of the Initiative, at any time after January 1, 2009, if the General Assembly enacts a law to approve the withdrawal.

(4) If the Regional Greenhouse Gas Initiative expires and there is a successor organization with the same purposes and goals, the Governor is encouraged to join the State in the successor organization.

(5) Notwithstanding § 2–107 of this title, all of the proceeds from the sale of Maryland allowances under the Regional Greenhouse Gas Initiative shall be deposited in the Maryland Strategic Energy Investment Fund under § 9–20B–05 of the State Government Article.

(6) If the State’s participation in the Regional Greenhouse Gas Initiative ceases for any reason, the Governor shall report to the General Assembly, in accordance with § 2–1257 of the State Government Article, regarding:

(i) Why participation ceased; and

(ii) A plan to reduce carbon dioxide emissions from power plants in the State that considers the use of Maryland grown, native, warm season grasses as a possible method of reducing carbon emissions.]

2–1205.

(g) (2) (i) Unless required by federal law or regulations or existing State law, regulations adopted by State agencies to implement a final plan may not:

1. Require any manufacturer to reduce greenhouse gas emissions below the emissions levels for that manufacturer in 2023;

2. Cause an increase in costs to a manufacturer that are significantly beyond the costs that were incurred by that manufacturer in 2023; or

3. Require any manufacturer that is engaged in the creation of renewable energy components or technology aimed at greenhouse gas emissions reductions to reduce greenhouse gas emissions.

(ii) Subparagraph (i) of this paragraph may not be construed to exempt greenhouse gas emissions sources in the State’s manufacturing sector from the obligation to comply with[:

1. Greenhouse] **GREENHOUSE** gas emissions monitoring, recordkeeping, and reporting requirements for which the Department had existing authority under § 2–301(a) of this title on or before October 1, 2009[; or

2. Greenhouse gas emissions reductions required of the manufacturing sector as a result of the State's implementation of the Regional Greenhouse Gas Initiative].

Article – Natural Resources

5–307.

(a) In this section, “Fund” means the Mel Noland Woodland Incentives and Fellowship Fund.

(g) The Department shall use the Fund:

(7) To provide financial assistance, as provided in the State budget, for the administration of an urban and community forestry program established under § 5–426 of this title, including:

(i) Increasing the number of communities with tree canopy goals;

(ii) Facilitating compliance with the Chesapeake Bay Program's forestry targets; AND

(iii) Supporting the use of urban tree canopy expansion for air quality improvement purposes; [and

(iv) Helping achieve implementation of Regional Greenhouse Gas Initiative offset opportunities in urban areas;]

Article – State Government

9–20B–05.

(a) There is a Maryland Strategic Energy Investment Fund.

(b) The purpose of the Fund is to implement the Strategic Energy Investment Program.

(c) The Administration shall administer the Fund.

(d) (1) The Fund is a special, nonlapsing fund that is not subject to § 7–302 of the State Finance and Procurement Article.

(2) The Treasurer shall hold the Fund separately and the Comptroller shall account for the Fund.

(e) The Fund consists of:

(1) [all of the proceeds from the sale of allowances under § 2–1002(g) of the Environment Article;

(2)] money appropriated in the State budget to the Program;

[(3)] (2) repayments and prepayments of principal and interest on loans made from the Fund;

[(4)] (3) compliance fees paid under § 7–705 of the Public Utilities Article;

[(5)] (4) money received from any public or private source for the benefit of the Fund;

[(6)] (5) money transferred from the Public Service Commission under § 7–207.2(d)(3) of the Public Utilities Article; and

[(7)] (6) money distributed under § 2–614.1 of the Tax – General Article.

(f) The Administration shall use the Fund:

(1) to invest in the promotion, development, and implementation of:

(i) cost-effective energy efficiency and conservation programs, projects, or activities, including measurement and verification of energy savings;

(ii) renewable and clean energy resources;

(iii) climate change programs directly related to reducing or mitigating the effects of climate change; and

(iv) demand response programs that are designed to promote changes in electric usage by customers in response to:

1. changes in the price of electricity over time; or

2. incentives designed to induce lower electricity use at times of high wholesale market prices or when system reliability is jeopardized;

(2) to provide targeted programs, projects, activities, and investments to reduce electricity consumption by customers in the low-income and moderate-income residential sectors;

(3) to provide supplemental funds for low-income energy assistance through the Electric Universal Service Program established under § 7–512.1 of the Public Utilities Article and other electric assistance programs in the Department of Human Services;

(4) to provide rate relief by offsetting electricity rates of residential customers, including an offset of surcharges imposed on ratepayers under Title 7, Subtitle 2, Part II of the Public Utilities Article;

(5) to provide grants, loans, and other assistance and investment as necessary and appropriate to implement the purposes of the Program as set forth in § 9–20B–03 of this subtitle;

(6) to implement energy–related public education and outreach initiatives regarding reducing energy consumption and greenhouse gas emissions;

(7) to provide rebates under the Electric Vehicle Recharging Equipment Rebate Program established under § 9–2009 of this title;

(8) to provide grants to encourage combined heat and power projects at industrial facilities;

(9) to provide at least \$1,200,000 in each fiscal year for fiscal year 2025 through fiscal year 2028 to the Climate Technology Founder’s Fund established under § 10–858 of the Economic Development Article;

(10) subject to subsection (f–2) of this section, to provide at least \$2,100,000 in funding each fiscal year to the Maryland Energy Innovation Fund established under § 10–835 of the Economic Development Article;

(11) to provide at least \$500,000 each year to the Resiliency Hub Grant Program Fund under § 9–2011 of this title;

(12) to provide grants through the Customer–Sited Solar Program under § 9–2016 of this title;

(13) [notwithstanding subsection (g) of this section,] to pay costs associated with the Air and Radiation Administration within the Department of the Environment; and

(14) to pay the expenses of the Program.

(f–1) (1) Any funding provided under subsection (f)(9) of this section that is not spent in a given fiscal year shall revert to the Fund in the following fiscal year.

(2) The Administration may provide additional funding for the purposes stated in subsection (f)(9) of this section.

(f–2) Of the funds transferred to the Maryland Energy Innovation Fund under subsection (f)(10) of this section:

(1) at least \$1,200,000 may be used to fund the Maryland Clean Energy Center established under § 10–806 of the Economic Development Article; and

(2) at least \$900,000 may be used to fund the Maryland Energy Innovation Institute established under § 10–829 of the Economic Development Article.

[(g) Proceeds received by the Fund from the sale of allowances under § 2–1002(g) of the Environment Article shall be allocated as follows:

(1) at least 50% shall be credited to an energy assistance account to be used for the Electric Universal Service Program and other electricity assistance programs in the Department of Human Services;

(2) at least 20% shall be credited to a low and moderate income efficiency and conservation programs account and to a general efficiency and conservation programs account for energy efficiency and conservation programs, projects, or activities and demand response programs, of which at least one-half shall be targeted to the low and moderate income efficiency and conservation programs account for:

(i) the low-income residential sector at no cost to the participants of the programs, projects, or activities; and

(ii) the moderate-income residential sector;

(3) at least 20% shall be credited to a renewable and clean energy programs account for:

(i) renewable and clean energy programs and initiatives;

(ii) energy-related public education and outreach; and

(iii) climate change and resiliency programs; and

(4) up to 10%, but not more than \$7,500,000, shall be credited to an administrative expense account for costs related to the administration of the Fund, including the review of electric company plans for achieving electricity savings and demand reductions that the electric companies are required under law to submit to the Administration.]

[(g–1)] (G) Proceeds received by the Fund from compliance fees under § 7–705(b)(2)(i)2 of the Public Utilities Article shall be allocated as follows:

(1) beginning in fiscal year 2025, at least 20% of the proceeds shall be used to provide grants to support the installation of new solar energy generating systems under the Customer-Sited Solar Program;

(2) up to 10% of the proceeds shall be credited to an administrative expense account for costs related to the administration of the Fund;

(3) proceeds collected but unused from a previous year shall be used before proceeds allocated for the current year; and

(4) the Administration shall reallocate to other authorized uses any proceeds that are not used within 3 fiscal years after collection.

[(h) (1)] Energy efficiency and conservation programs under subsection (g)(2) of this section include:

(i) low-income energy efficiency programs;

(ii) residential and small business energy efficiency programs;

(iii) commercial and industrial energy efficiency programs;

(iv) State and local energy efficiency programs;

(v) demand response programs;

(vi) loan programs and alternative financing mechanisms; and

(vii) grants to training funds and other organizations supporting job training for deployment of energy efficiency and energy conservation technology and equipment.

(2) Energy-related public education and outreach and renewable and clean energy programs and initiatives under subsection (g)(3)(i) and (ii) of this section include:

(i) production incentives for specified renewable energy sources;

(ii) expansion of existing grant programs for solar, geothermal, and wind programs;

(iii) loan programs and alternative financing mechanisms; and

(iv) consumer education and outreach programs that are designed to reach low-income communities.]

[(i)] (H) (1) Except as provided in paragraphs (2), (3), and (4) of this subsection, compliance fees paid under § 7-705(b) of the Public Utilities Article may be used only to make loans and grants to support the creation of new Tier 1 renewable energy sources in the State that are owned by or directly benefit:

(i) low- to moderate-income communities located in a census tract with an average median income at or below 80% of the average median income for the State; or

(ii) overburdened or underserved communities, as defined in § 1-701 of the Environment Article.

(2) Compliance fees paid under § 7-705(b)(2)(i)2 of the Public Utilities Article shall be accounted for separately within the Fund and may be used only to make loans and grants to support the creation of new solar energy sources in the State that are owned by or directly benefit:

(i) low- to moderate-income communities located in a census tract with an average median income at or below 80% of the average median income for the State;

(ii) overburdened or underserved communities, as defined in § 1-701 of the Environment Article; or

(iii) households with low to moderate income, as defined in § 9-2016 of this title.

(3) For fiscal year 2026 only, up to \$100,000,000 of compliance fees paid under §§ 7-705(b) and 7-705(b)(2)(i)2 of the Public Utilities Article shall be accounted for separately within the Fund and may be used for solar development on State government property and local government clean energy projects.

(4) (i) Subject to subparagraphs (ii), (iii), and (iv) of this paragraph, compliance fees paid under § 7-705 of the Public Utilities Article may be used to provide grants to electric companies to be refunded or credited to each residential distribution customer based on the customer's consumption of electricity supply that is subject to the renewable energy portfolio standard.

(ii) The refunding or crediting of amounts to residential distribution customers shall be identified on the customer's bill as a line item identified as a "legislative energy relief refund".

(iii) An electric company awarded a grant under this paragraph:

1. may not retain any of the grant funds to cover overhead expenses; and

2. shall provide all of the grant funds to residential distribution customers.

(iv) The process under subparagraphs (i) and (ii) of this paragraph related to the refunding or crediting of amounts to residential distribution customers shall be directed and overseen by the Commission.

1 [(i-1)] (I) (1) (i) In this subsection the following words have the meanings
2 indicated.

3 (ii) “Area median income” has the meaning stated in § 4-1801 of the
4 Housing and Community Development Article.

5 (iii) “Low and moderate income” means having an annual household
6 income that is at or below 120% of the area median income.

7 (2) Compliance fees paid under § 7-705(b-1) of the Public Utilities Article
8 shall be accounted for separately within the Fund and may be used only to make loans and
9 grants to promote increased opportunities for the growth and development of small,
10 minority, women-owned, and veteran-owned businesses in the State that install
11 geothermal systems in the State.

12 (j) (1) The Treasurer shall invest the money of the Fund in the same manner
13 as other State money may be invested.

14 (2) Any investment earnings of the Fund shall be paid into the Fund.

15 (3) Any repayment of principal and interest on loans made from the Fund
16 shall be paid into the Fund.

17 (4) Balances in the Fund shall be held for the benefit of the Program, shall
18 be expended solely for the purposes of the Program, and may not be used for the general
19 obligations of government.

20 (k) Expenditures from the Fund shall be made by:

21 (1) an appropriation in the annual State budget; or

22 (2) a budget amendment in accordance with § 7-209 of the State Finance
23 and Procurement Article.

24 (l) An expenditure by budget amendment may be made under subsection (k) of
25 this section only after:

26 (1) the Administration has submitted the proposed budget amendment and
27 supporting documentation to the Senate Budget and Taxation Committee, Senate
28 Education, Energy, and the Environment Committee, House Appropriations Committee,
29 and House Economic Matters Committee; and

30 (2) the committees have had 45 days for review and comment.

(m) (1) A loan or grant made available from the Fund to a unit of State or local government shall comply with §§ 14–416 and 17–303 of the State Finance and Procurement Article.

(2) At least 80% of workers participating in a project or program that receives money from the Fund must reside within 50 miles of the project or program, or another distance defined by the local jurisdiction where the project or program is located.

SECTION 2. AND BE IT FURTHER ENACTED, That Section(s) 2–1002(h) through (j) of Article – Environment of the Annotated Code of Maryland be renumbered to be Section(s) 2–1002(g) through (i), respectively.

SECTION 3. AND BE IT FURTHER ENACTED, That:

(a) The Governor shall immediately begin the process of withdrawing the State from participation in the Regional Greenhouse Gas Initiative.

(b) Within 30 days after receiving notice that the State is withdrawn from participation in the Regional Greenhouse Gas Initiative, the Governor shall report to the General Assembly in accordance with § 2–1002(g)(6) of the Environment Article.

SECTION 4. AND BE IT FURTHER ENACTED, That:

(a) Sections 1, 2, and 5 of this Act shall take effect contingent on:

(1) the State’s withdrawal from participation in the Regional Greenhouse Gas Initiative; and

(2) the receipt by the General Assembly of the report required under § 2–1002(g)(6) of the Environment Article.

(b) Within 5 days after the report required under § 2–1002(g)(6) of the Environment Article is received, the General Assembly shall notify the Department of Legislative Services.

(c) If notice of the receipt of the report is received by the Department of Legislative Services on or before June 1, 2031, Sections 1, 2, and 5 of this Act shall take effect on the date the notice is received by the Department of Legislative Services in accordance with subsection (b) of this section.

(d) If notice of the receipt of the report is not received by the Department of Legislative Services on or before June 1, 2031, Sections 1, 2, and 5 of this Act, with no further action required by the General Assembly, shall be null and void.

SECTION 5. AND BE IT FURTHER ENACTED, That the publisher of the Annotated Code of Maryland, in consultation with and subject to the approval of the Department of Legislative Services, shall correct, with no further action required by the

1 General Assembly, cross–references and terminology rendered incorrect by this Act. The
2 publisher shall adequately describe any correction that is made in an editor’s note following
3 the section affected.

4 SECTION 6. AND BE IT FURTHER ENACTED, That, subject to Section 4 of this
5 Act, this Act shall take effect June 1, 2026.