

Department of Legislative Services  
Maryland General Assembly  
2026 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 970 (Delegate T. Morgan, *et al.*)  
Environment and Transportation

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Renewable Energy Portfolio Standard - Nuclear Energy and Renaming

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This bill renames the State Renewable Energy Portfolio Standard (RPS) as the Clean Energy Portfolio Standard (CEPS); replaces the definition of RPS with a definition of CEPS; replaces references to “renewable energy credits” (RECs) with “clean energy credits”; and makes various conforming changes to affected statutes to incorporate “clean” as opposed to “renewable” energy. Additionally, the bill makes nuclear energy eligible for inclusion in CEPS as a Tier 2 renewable source. The bill must be construed to apply retroactively and must be applied to and interpreted to affect all CEPS compliance years that begin on or after January 1, 2026. A presently existing obligation or contract right may not be impaired in any way by the bill. **The bill takes effect July 1, 2026.**

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Fiscal Summary

**State Effect:** Special fund revenues for the Strategic Energy Investment Fund (SEIF) from alternative compliance payments (ACPs) decrease beginning in FY 2027, as discussed below. SEIF expenditures are not affected. The Public Service Commission (PSC) and other affected State agencies can implement the bill with existing budgeted resources.

**Local Effect:** The bill is not anticipated to materially affect local government finances or operations.

**Small Business Effect:** Minimal or none.

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Analysis

**Bill Summary:** CEPS means the percentage of electricity sales at retail in the State that is to be derived from clean energy sources in accordance with § 7-703(b) of the Public

Utilities Article. “Clean energy source” means a Tier 1 renewable source, as defined under existing law, or a Tier 2 renewable source.

A “Tier 2 renewable source” means (1) hydroelectric power other than pump storage generation (the same as under existing law) and (2) power generated by a nuclear energy generating station, including a small modular reactor, connected with the electric distribution system serving the State. The bill does not otherwise alter eligible energy sources or the applicability of CEPS.

The bill also declares related findings of the General Assembly.

### **Current Law:**

#### *Renewable Energy Portfolio Standard*

PSC administers the State RPS, which requires that renewable sources generate specified percentages of Maryland’s electricity supply each year. Utilities and other electricity suppliers must submit renewable energy credits equal to these percentages in each year or else pay an ACP equivalent to the shortfall.

For 2026, the requirements are 38.0% from Tier 1 sources, including at least 8.0% from solar and 0.5% from post-2022 geothermal systems, plus 2.5% from Tier 2 sources. The Tier 2 requirement is presently set at 2.5% through 2030 and beyond. For more information on Maryland’s RPS, see the **Appendix – Renewable Energy Portfolio Standard**.

#### *Other Related Climate and Renewable Energy Initiatives*

The Maryland Department of the Environment’s (MDE) Climate Change Program leads the State’s efforts to reduce greenhouse gas (GHG) emissions 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) of 2022.

CSNA made broad changes to the State’s approach to reducing statewide GHG emissions and addressing climate change. Among other things, the Act accelerated previous statewide GHG emissions reductions targets originally established under the Greenhouse Gas Emissions Reduction Act 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. In December 2023, MDE published [\*Maryland’s Climate Pollution Reduction Plan\*](#), which was developed to implement CSNA.

Maryland participates in the multi-state RGGI in order to reduce carbon dioxide (CO<sub>2</sub>) emissions from the power sector. Each participating state limits CO<sub>2</sub> emissions from electric power plants, issues CO<sub>2</sub> allowances, and establishes participation in CO<sub>2</sub> allowance auctions. A single CO<sub>2</sub> allowance represents a limited authorization to emit one ton of CO<sub>2</sub>.

Maryland is also part of the U.S. Climate Alliance, which is a group of states committed to reducing GHG emissions consistent with the goals of the Paris Agreement. These goals include reducing collective net GHG emissions by at least 26% to 28% by 2025, by 50% to 52% by 2030, and by 61% to 66% by 2035 (all below 2005 levels) and collectively achieving overall net-zero GHG emissions as soon as practicable, but no later than 2050.

Among other actions, Executive Order 01.01.2024.19 directed the Maryland Energy Administration (MEA) to establish a framework for a clean energy standard to achieve 100% clean electricity in Maryland by 2035 and determine if all or part of the proposed clean energy standard can be implemented through existing authority. MEA published the resulting [report](#) in January 2025.

#### *Strategic Energy Investment Fund*

MEA administers SEIF, which, among other revenue sources, receives funds from the sale of CO<sub>2</sub> emissions allowances under RGGI and ACP revenues through the State's RPS. Additionally, SEIF will receive a portion of corporate income tax revenues from qualified data centers that are operational on or after January 1, 2026.

RGGI proceeds are allocated according to a statutory formula for energy assistance, low-income energy efficiency and conservation programs, renewable and clean energy programs, and administrative expenses. ACP revenues primarily must be used to support the creation of new renewable energy sources in the State that are owned by or directly benefit low- to moderate-income, overburdened, or underserved communities.

**State Revenues:** MEA advises that as a result of the bill including nuclear energy as a Tier 2 source within the State's CEPS, it is likely that compliance with the 2.5% requirement for Tier 2 sources can be satisfied entirely through the purchase and retirement of RECs. Thus, under the bill, it is anticipated that SEIF no longer receives any ACPs from Tier 2 sources beginning in fiscal 2027. Accordingly, special fund revenues to SEIF from ACPs decrease beginning in fiscal 2027.

According to PSC's annual reports on the State's RPS (renamed CEPS by the bill), electricity suppliers were required to make ACPs for Tier 2 sources totaling \$412,215 in calendar 2023 and \$1,289,745 in calendar 2024 (the two most recent calendar years for

which data is available), or an average of approximately \$850,000 over the two-year period.

The Department of Legislative Services advises that a precise estimate of the decrease in special fund revenues cannot be made, as the amount of ACPs from Tier 2 sources varies from year to year. *For illustrative purposes only*, using the average ACPs from calendar 2023 and 2024, special fund revenues to SEIF could decrease by approximately \$850,000 annually beginning in fiscal 2027. The actual impact on SEIF revenues may vary, potentially significantly, from this illustrative example.

For context, total ACPs (from all sources) deposited into SEIF totaled \$320.4 million in calendar 2023 and \$362.3 million in calendar 2024.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years; however, legislation with similar provisions has been proposed. For example, see HB 505 (third reader) of 2025.

**Designated Cross File:** None.

**Information Source(s):** Department of Social and Economic Mobility; Maryland Environmental Service; Department of Commerce; Office of the Attorney General; Department of Budget and Management; Maryland Department of the Environment; Department of General Services; Maryland Department of Labor; Department of Natural Resources; Maryland Energy Administration; Office of People’s Counsel; Public Service Commission; Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2026  
caw/lgc

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# Appendix – Renewable Energy Portfolio Standard

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## *General Overview*

Maryland’s Renewable Energy Portfolio Standard (RPS) was enacted in 2004 to facilitate a gradual transition to renewable sources of energy. There are specified eligible (“Tier 1” or “Tier 2”) sources as well as carve-outs for solar, offshore wind, and geothermal. Electric companies (utilities) and other electricity suppliers must submit renewable energy credits (RECs) equal to a percentage of their retail electricity sales specified in statute each year or else pay an alternative compliance payment (ACP) equivalent to their shortfall. Historically, RPS requirements have been met almost entirely through RECs, with negligible reliance on ACPs; however, as discussed further below, that has not been the case more recently. Generally, the Maryland Energy Administration must use ACPs for purposes related to renewable energy, as specified.

In 2026, the requirements are 38.0% from Tier 1 sources, including at least 8.0% from solar and 0.50% from post-2022 geothermal systems, plus 2.5% from Tier 2 sources.

## *Recent Significant Changes to Overall Percentage Requirements*

- Chapter 757 of 2019 significantly increased the percentage requirements, which now escalate over time to a minimum of 50% from Tier 1 sources, including 14.5% from solar, by 2030.
- Chapter 673 of 2021 reduced the amount of solar energy required under the RPS each year from 2022 through 2029, while leaving the nonsolar requirement generally unchanged, before realigning with the previous requirements beginning in 2030. The Act also extended Tier 2 in perpetuity at 2.5%.
- Chapter 164 of 2021 created a carve-out for post-2022 geothermal systems in Tier 1 beginning in 2023.

## *Limited Applicability to Municipal Electric Utilities and Electric Cooperatives*

As RPS percentage requirements have grown over time, legislation has been enacted to limit the effect on municipal electric utilities and electric cooperatives. Tier 1 percentage requirements for municipal electric utilities are limited to 20.4% in total beginning in 2021, including at least 1.95% from solar energy and up to 2.5% from offshore wind. Municipal electric utilities are also exempt from Tier 2 after 2021. Electric cooperatives are exempt from future increases to the solar carve-out beyond 2.5%, and the RPS does not apply to Choptank Electric Cooperative.

## *Renewable Energy Credits*

Generally, a REC is a tradable commodity equal to one megawatt-hour of electricity generated or obtained from a renewable energy generation resource. In other words, a REC represents the “generation attributes” of renewable energy – the lack of carbon emissions, its renewable nature, etc. A REC has a five-year life during which it may be transferred, sold, or redeemed. REC generators and electricity suppliers are allowed to trade RECs using a Public Service Commission (PSC) approved system known as the Generation Attributes Tracking System, a trading platform designed and operated by PJM Environmental Information Services, Inc., that tracks the ownership and trading of RECs.

## *Eligible Sources*

Tier 1 sources include wind (onshore and offshore); solar (photovoltaic and certain water-heating systems); qualifying biomass; methane from anaerobic decomposition of organic materials in a landfill or wastewater treatment plant; geothermal; ocean, including energy from waves, tides, currents, and thermal differences; a fuel cell that produces electricity from specified sources; a small hydroelectric plant of less than 30 megawatts; poultry litter-to-energy; thermal energy from a thermal biomass system; and raw or treated wastewater used as a heat source or sink for heating or cooling. Tier 2 includes only large hydroelectric power plants.

Chapter 673 excluded black liquor, or any product derived from black liquor, from Tier 1 beginning in 2022, although some black liquor RECs remain eligible through the duration of certain contracts. Chapters 625 and 626 of 2025 removed waste-to-energy and refuse-derived fuel from RPS eligibility. The exclusion generally applies to all RPS compliance years starting on or after January 1, 2025, except for a facility owned by a public instrumentality of the State (*i.e.*, Montgomery County), which applies beginning July 1, 2026.

## *Trends in Compliance Costs, Renewable Energy Credit Prices, and Resources Used*

Compliance costs for electricity suppliers totaled \$616.9 million in 2024: \$254.7 million for 7.0 million RECs and \$362.3 million in ACPs. This continues a multi-year trend of increasing overall compliance costs, reliance on ACPs, and REC prices. Of note, 2024 continues the trend of 2023 that ACPs have been used in a significant way for general Tier 1 compliance. In fact, 2024 had the fewest RECs retired since 2014. ACP prices were in many instances less expensive than REC prices and, as a result, suppliers chose to pay the ACP rather than retire RECs. Compliance costs and REC prices for the most recent five-year period are shown in **Exhibit 1**.

**Exhibit 1**  
**RPS Compliance Costs and REC Prices**  
**2020-2024**

<b>Compliance Costs (\$ Millions)</b>	<u><b>2020</b></u>	<u><b>2021</b></u>	<u><b>2022</b></u>	<u><b>2023</b></u>	<u><b>2024</b></u>
<b>RECs</b>					
Tier 1	\$99.8	\$187.3	\$246.5	\$124.9	\$90.1
Tier 1 Solar	122.9	144.4	101.4	109.6	150.4
Tier 1 Geothermal	n/a	n/a	n/a	0.1	2.2
Tier 2	<u>0.4</u>	<u>1.0</u>	<u>4.4</u>	<u>9.3</u>	<u>12.0</u>
<b>RECs Subtotal</b>	<b>\$223.1</b>	<b>\$332.7</b>	<b>\$352.3</b>	<b>\$243.8</b>	<b>\$254.7</b>
<b>ACPs</b>					
Tier 1	\$0.0	\$0.2	\$0.7	\$262.4	\$319.4
Tier 1 Solar	0.0	76.9	85.9	56.0	37.2
Tier 1 Geothermal	n/a	n/a	n/a	1.6	4.4
Tier 2	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.4</u>	<u>1.3</u>
<b>ACPs Subtotal</b>	<b>\$0.1</b>	<b>\$77.1</b>	<b>\$86.6</b>	<b>\$320.4</b>	<b>\$362.3</b>
<b>Total</b>	<b>\$223.2</b>	<b>\$409.8</b>	<b>\$438.9</b>	<b>\$564.2</b>	<b>\$616.9</b>
<b>Average REC Price (\$)</b>					
Tier 1	\$8.24	\$14.36	\$17.80	\$24.61	\$27.09
Tier 1 Solar	\$66.10	\$72.59	\$57.80	\$56.67	\$58.56
Tier 1 Geothermal	n/a	n/a	n/a	\$94.47	\$94.04
Tier 2	\$1.06	\$6.45	\$7.42	\$10.50	\$11.16

ACP: alternative compliance payment  
n/a: not applicable  
REC: renewable energy credit  
RPS: Renewable Energy Portfolio Standard

Note: Numbers may not sum to total due to rounding. The post-2022 geothermal system carve-out became effective in 2023.

Source: Public Service Commission

Approximately 45% of RECs used for compliance in 2024 came from in-state resources, up from 35% in 2023. RECs derived from three fuel types, solar (43.4%), black liquor (16.2%), and wind (15.1%), were the predominant sources of Tier 1 compliance in 2024. Maryland facilities generated approximately 5.7 million RECs in 2024: 1.5 million Tier 1

nonsolar RECs, 2.4 million Tier 1 SRECs, and 1.8 million Tier 2 RECs. Many RECs can be used for compliance in both Maryland and other surrounding states, although there are geographic and energy source restrictions.

### *Related Studies and Reports*

PSC must submit an RPS compliance report to the General Assembly each year. The most recent report, which contains historical data through 2024, can be found [here](#).

The Power Plant Research Program (PPRP) in the Department of Natural Resources has frequently been required to conduct RPS studies. PPRP submitted a final report on a comprehensive RPS study in December 2019, which can be found [here](#). PPRP also submitted a related required study on nuclear energy at that time, which can be found [here](#). PPRP's supplemental study on the overall costs and benefits of increasing the RPS to a goal of 100% by 2040 can be found [here](#).

The Department of Legislative Services also issued an RPS report in 2025, which can be found [here](#). The report contains additional detail on the program, significant statutory changes, and visualizations of planned and actual RPS percentage requirements over time.