

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE
First Reader

House Bill 1572 (Delegate Ghrist)
Environment and Transportation

Renewable Energy Portfolio Standard – Eligible Sources – Waste-to-Energy

This bill includes “waste-to-energy” as a Tier 1 renewable source for purposes of the State’s Renewable Energy Portfolio Standard (RPS). “Waste-to-energy” means energy generated from a facility that (1) does not use combustion; (2) is capable of generating energy on a continuous basis to meet base load; (3) uses a carbon-recovery system; (4) does not produce byproducts that require land application or landfill disposal; (5) has a minimum waste-to-energy conversion ratio of 80%; and (6) meets specified interim guidance from the U.S. Environmental Protection Agency (EPA) relating to perfluoroalkyl and polyfluoroalkyl substances (PFAS) and materials containing PFAS. The bill applies to all RPS compliance years starting on or after January 1, 2026.

Fiscal Summary

State Effect: While the bill is not anticipated to materially affect State finances in the five-year period covered by this fiscal and policy note, special fund revenues for the Maryland Energy Administration (MEA) may decrease in future years due to a decrease in alternative compliance payments (ACPs) generated through the State’s RPS, as discussed below. The potential future effect on electric utility rates is discussed in the Additional Comments below.

Local Effect: While the bill is not anticipated to materially affect local expenditures in the short term, the potential future effect on electric utility rates is discussed in the Additional Comments below. No effect on revenues.

Small Business Effect: Minimal or none in the short term. Potential meaningful effect in future years, as discussed in the Additional Comments below.

Analysis

Current Law:

Renewable Energy Portfolio Standard

Maryland’s 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.

Eligible Sources

Tier 1 sources include wind (onshore and offshore); solar (including energy from photovoltaic technologies and solar water-heating systems); qualifying biomass; methane from the anaerobic decomposition of organic materials in a landfill or wastewater treatment plant; geothermal, including energy generated through geothermal exchange from or thermal energy avoided by, groundwater or a shallow grand source; ocean, including energy from waves, tides, currents, and thermal differences; a fuel cell that produces electricity from specified renewable 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 hydroelectric power (other than pump storage generation).

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. Waste-to-energy was not previously defined in statute or regulation, but annual RPS compliance reports categorized “waste-to-energy” in statute as “municipal solid waste.”

For additional information on the State’s RPS, see the **Appendix – Renewable Energy Portfolio Standard**.

Federal Interim Guidance on the Destruction and Disposal of Perfluoroalkyl and Polyfluoroalkyl Substances and Materials Containing Perfluoroalkyl and Polyfluoroalkyl Substances – Version 2 (2024)

As part of its comprehensive national strategy to combat PFAS pollution, called the “Strategic Roadmap,” EPA has taken actions to restrict, remediate, and research PFAS contamination and impacts. To that end, EPA has taken several steps under numerous federal laws designed to protect human health. As one of several provisions addressing PFAS pollution under the National Defense Authorization Act for Fiscal Year 2020,

Congress required EPA to publish interim guidance on the destruction and disposal of PFAS substances and PFAS-containing materials, including aqueous film-forming foam, soil and biosolids, textiles, landfill leachate, and solid, liquid, or gas waste streams.

In response, EPA published initial guidance information on the destruction of PFAS substances in 2020 and subsequently published *Interim Guidance on the Destruction and Disposal of Perfluoroalkyl and Polyfluoroalkyl Substances and Materials Containing Perfluoroalkyl and Polyfluoroalkyl Substances – Version 2 (2024)*, which is available on its [website](#). The interim guidance identifies currently available methods on the destruction and disposal of PFAS substances and PFAS-containing materials that are not consumer products. The guidance document includes information about thermal treatment of PFAS through permitted hazardous waste combustors, such as commercial incinerators, and the current state of science and associated uncertainties for thermal destruction.

Strategic Energy Investment Fund

The Strategic Energy Investment Fund's (SEIF) primary sources of revenue are the ACP revenues generated under Maryland's RPS and proceeds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative. Under the RPS, 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 ACP equivalent to their shortfall. The ACP revenues paid into SEIF are used for (1) several efforts that fund renewable and clean energy deployment; (2) administrative expenses of MEA, which administers SEIF; and (3) refunds or credits to residential distribution customers authorized under Chapters 625 and 626.

State Revenues: SEIF revenues from ACPs decrease by an indeterminate amount to the extent that waste-to-energy facilities that meet the bill's requirements to be considered a Tier 1 renewable source produce RECs that electricity suppliers use, instead of ACPs, to comply with the Tier 1 RPS requirement. The extent to which the bill results in a decrease in ACP revenues, or when any such decrease may occur, cannot be reliably estimated at this time. No existing waste-to-energy facilities in the PJM region meet all six of the criteria established by the bill, and, on average, it takes 8 to 12 years for a new generation plant with this type of generation to produce energy. Accordingly, the bill is not anticipated to materially affect SEIF revenues in the short term.

For illustrative purposes only, if the amount of electricity sales in the State when Tier 1 waste-to-energy RECs become available is similar to current electricity sales (approximately 56.2 million megawatt-hours in calendar 2024) and the applicable ACP is \$22.35 per megawatt-hour (the statutory ACP in 2030 and future years) at that time, assuming electricity suppliers use an amount of Tier 1 waste-to-energy RECs equivalent

to 1% of overall electricity sales to meet the Tier 1 RPS requirement, instead of ACPs, SEIF revenues decrease by approximately \$12.6 million annually.

Additional Comments: Electric utility rates may be affected as a result of the bill's inclusion of "waste-to-energy" as a Tier 1 renewable source for purposes of the RPS. The extent to which the bill results in a decrease or increase in rates cannot be reliably estimated at this time. In any event, electric utility customers, including the State, local governments, and small businesses, are affected by any changes in rates that may result from the bill. However, for the reasons discussed above, any impact is not anticipated to occur in the short term.

Additional Information

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

Designated Cross File: None.

Information Source(s): Maryland Energy Administration; Office of People's Counsel; Public Service Commission; Maryland Environmental Service; Northeast Maryland Waste Disposal Authority; Baltimore City; Department of Legislative Services

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Appendix – Renewable Energy Portfolio Standard

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

Compliance Costs (\$ Millions)	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
RECs					
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>
<i>RECs Subtotal</i>	<i>\$223.1</i>	<i>\$332.7</i>	<i>\$352.3</i>	<i>\$243.8</i>	<i>\$254.7</i>
ACPs					
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>
<i>ACPs Subtotal</i>	<i>\$0.1</i>	<i>\$77.1</i>	<i>\$86.6</i>	<i>\$320.4</i>	<i>\$362.3</i>
Total	\$223.2	\$409.8	\$438.9	\$564.2	\$616.9
Average REC Price (\$)					
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.