

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 817 (Delegate Foley, *et al.*)
Environment and Transportation

Carbon Removal Technology and Practices - Regulations and Use of Funding

This bill requires the Maryland Department of the Environment (MDE), by January 1, 2028, to adopt regulations that govern the permitting of carbon removal technology and practices that are certified by an internationally recognized third-party certification body. Each State agency must use available funding sources to fund carbon removal projects that utilize certified carbon removal technology and practices. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures for MDE increase, potentially significantly, beginning in FY 2027 to establish the regulatory program. Other State expenditures (multiple funds) may increase significantly beginning in FY 2028 for State agencies to fund carbon removal projects, as discussed below. State revenues are not affected.

Local Effect: The bill does not directly affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The bill does not define carbon removal technology, but in general, the term is used to describe technologies that physically remove carbon dioxide (CO₂) from the atmosphere and/or water as opposed to point source carbon capture for the fossil fuel or industrial sector. According to the U.S. Department of Energy, CO₂ removal encompasses a wide array of approaches, including direct air capture coupled with durable

storage, soil carbon sequestration, biomass carbon removal and storage, enhanced mineralization, ocean-based CO₂ removal, and afforestation/reforestation.

Although the State has numerous initiatives, regulations, and permitting restrictions in place to reduce greenhouse gas (GHG), emissions, including CO₂ emissions, the State does not have a regulatory program that permits technologies and practices specifically as carbon removal technologies and practices.

MDE's Climate Change Program leads the State's efforts to reduce 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 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. Proceeds from the auction of allowances under RGGI are a significant source of funding for SEIF.

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 Expenditures:

Maryland Department of the Environment – Administrative Costs

General fund expenditures for MDE increase beginning in fiscal 2027 to conduct research, adopt regulations, and establish permitting requirements governing carbon removal technologies and practices. Although a precise estimate of the increase in expenditures cannot be reliably estimated without actual experience under the bill, MDE’s administrative costs may be significant. MDE advises that it lacks the necessary expertise in carbon removal technology and practices and likely needs to hire staff in fiscal 2027 to develop the required regulations. Once the regulations are in place, MDE may need to hire additional staff to implement the regulatory program. Actual costs will depend on the information gathered during the regulatory development process, the content of the regulations, and the number/scope of carbon removal technologies and practices permitted and funded as a result of the bill. According to MDE, programs that govern direct air or carbon capture sequestration technologies in other states typically require a large staff with technical subject matter experts.

Other State Agencies – Funding Carbon Removal Projects

The bill requires each State agency to *use available funding sources* to fund carbon removal projects that utilize carbon removal technology and practices that are certified by an internationally recognized third-party certification body. The Department of Legislative Services does not have sufficient information to provide a reliable estimate of the impact of this provision on State agencies. Although it is anticipated that costs to implement such projects are significant, it is unclear if the language in the bill that directs State agencies to “use available funding sources” to fund such projects means that overall State expenditures (multiple funds) increase beginning in fiscal 2028 (if, for example, fund balance is used) or if funds that would otherwise be used for other purposes must be redirected to fund such projects.

Small Business Effect: For any small business that installs or supports the installation or maintenance of carbon removal projects, the bill may result in a meaningful increase in the demand for their services. To the extent the bill redirects State funding from other activities/projects, however, small businesses that would otherwise benefit from those activities/projects may be negatively affected.

Additional Information

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

Designated Cross File: SB 625 (Senator Feldman) - Education, Energy, and the Environment.

Information Source(s): Department of Budget and Management; Maryland Department of the Environment; Maryland Department of Transportation; Maryland Energy Administration; Public Service Commission; U.S. Department of Energy; Department of Legislative Services

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