

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 625

(Senator Feldman)

Education, Energy, and the Environment

Environment and Transportation

Carbon Dioxide Capture, Removal, and Sequestration Projects - Regulations and Standards

This bill requires the Maryland Department of the Environment (MDE), by January 1, 2028, to adopt regulations and standards that govern the permitting of “carbon dioxide (CO₂) capture, removal, or sequestration projects” (defined by the bill as projects that provide or seek to provide for the long-term isolation of CO₂ through storage in a geologic formation). **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. State revenues are not directly affected.

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

Small Business Effect: Potential meaningful.

Analysis

Current Law: 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 regulations or standards that specifically govern the permitting of CO₂ capture, removal, or sequestration projects. However, some such projects may fall under other MDE regulatory programs – such as those governing natural wood waste recycling facilities. Under the State’s natural wood waste regulations, in general, a person may not operate a natural wood waste recycling facility in the State without a permit issued

by MDE. There is no permit fee, but the regulations establish various permit application requirements as well as general requirements and operating procedures for permitted facilities. Under the regulations, “natural wood waste” is defined as tree and other natural vegetative refuse; the term includes tree stumps, brush and limbs, root mats, logs, leaves, grass clippings, unadulterated wood wastes, and other natural vegetative materials.

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 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). 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.

State Expenditures: General fund expenditures for MDE increase beginning in fiscal 2027 to conduct research, adopt regulations, and establish standards governing the permitting of CO₂ capture, removal, or sequestration projects. Although a precise estimate of the increase in expenditures cannot be reliably estimated without actual experience under the bill, MDE’s administrative costs could be significant. MDE advises that it lacks the necessary expertise in projects affected by the bill 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 projects subject to regulation under the bill. According to MDE, programs that govern carbon capture, removal, or sequestration projects in other states typically require a large staff with technical subject matter experts.

Small Business Effect: Under current law, there is no regulatory framework specific to CO₂ capture, removal, or sequestration projects in Maryland. As a result, small business landowners, such as farmers, who wish to engage in this emerging industry need to navigate existing MDE regulations that may apply (such as the natural wood waste regulations described above) to obtain the permits necessary to move forward with their projects. To the extent establishing a regulatory framework specific to these projects helps provide greater regulatory clarity, the bill may support the growth of the industry in Maryland. Farmers in particular stand to benefit from participating in CO₂ capture, removal, or sequestration projects (such as wood vaulting – which involves burying wood waste in engineered, underground, oxygen-free vaults to sequester carbon); these projects enable farmers to earn income by generating carbon credits that they can sell in the carbon

market. Likewise, to the extent the bill's changes encourage the growth of the industry in the State, any small businesses that install or support the installation or maintenance of CO₂ capture, removal, or sequestration projects may benefit from an increase in the demand for their services. Overall, however, the effect on small businesses depends largely on the regulations and standards adopted by MDE, which cannot be predicted in advance.

Additional Comments: The extent to which any State agencies or local governments might undertake such projects on public land – and be subject to the regulations and standards adopted by MDE under the bill – is unknown and has not been addressed in this analysis.

Additional Information

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

Designated Cross File: HB 817 (Delegate Foley, *et al.*) - Environment and Transportation.

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

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