



National Policy Call: Maryland

February 25, 2025

Summary:

- BDC's national policy call featuring Maryland was hosted by BDC's Brian Jenkins and featured panelists Lauren Urbanek of Baltimore Gas & Electric, Mark Stewart of the Maryland Department of the Environment, and Ashita Gona of RMI. The panelists offered insights and lessons learned from Maryland's efforts to decarbonize its buildings.

Resources:

- [Slides](#)
- [Youtube Recording](#)

Presentation Summaries

Clean Heat Rules (Mark Stewart, Climate Change Program Manager, Maryland Department of the Environment)

- Maryland's Emissions profile
 - Reducing fuel use in buildings is critical for meeting Maryland's climate goals and reducing negative health effects
 - 16% of statewide greenhouse gas (GHG) emissions come from direct fuel use in buildings. There is also a significant focus on electric sector policies to encourage more clean energy (e.g. the [Regional Greenhouse Gas Initiative](#) and Maryland's renewable portfolio standard)
 - Fossil fuel equipment in buildings produced over three times more nitrogen oxide (NOx) emissions than power plants, which negatively impacts people's health (see [slide 12](#) for specific impacts)
- Recent Decarbonization Policies
 - In 2024, Governor Moore issued [Executive Order 01.01.2024.19](#), requiring the Maryland Department of the Environment (MDE) to propose a zero-emission heating equipment standard (ZEHES) and a clean heat standard (CHS)
 - **ZEHES:** Establishes NOx and CO2 emission standards for new residential space and water heating equipment (see [slide 18](#) for covered equipment and compliance dates)
 - Instigates a gradual replacement of heating equipment over the next decade
 - In Maryland, the [savings come from switching to heat pumps](#) (on average \$1000 annually) and heat pump water heaters (on average \$300 annually).
 - Though zero-emission equipment like electric water heaters and heat pumps are already the best-selling heating systems in Maryland, establishing ZEHES can help accelerate the transition to clean heat
 - Ultra-low NOx standards begin in 2027 and zero-emission standards in 2029 (see [slide 28](#) for a more detailed timeline)

- **CHS:** Heating fuel providers must gradually increase the share of clean heat services they deliver. Those who supply clean heat earn clean heat credits, which can be used to meet requirements or traded with other providers. The details of Maryland's CHS are still being developed.
 - Potential actions that can earn Clean Heat Credits
 - Weatherizing a home: insulation, sealing air leaks
 - Installing zero-emission heating equipment: electric heat pumps, heat pump water heaters
 - Introducing alternative fuels: biofuels, hydrogen
 - Expected to be implemented as early as 2026 (see [slide 28](#) for a more detailed timeline)

Building Decarbonization in Maryland (Ashita Gona, Senior Associate, RMI)

- Outside of ZEHES and CHS, Maryland is also implementing Building Emissions Performance Standards (BEPS), establishing all-electric new construction codes on the local level, and awaiting the start of a Future of Gas (FOG) Proceeding
- **BEPS:** Mandated under the [Climate Solutions Now Act of 2022](#), BEPS regulates large building (buildings larger than thirty-five thousand square feet) energy use and requires improved performance over time
 - Approximately nine thousand buildings would need to meet Maryland's BEPS
- **Codes:** Regulates new construction and sets building standards for construction and major renovations
 - Maryland currently adheres to the 2021 International Energy Conservation Code (IECC)
 - In 2025, the legislature introduced the [Better Buildings Act](#), which would require that space and water heating is not met by fossil fuels in new construction
 - In 2023, the [Qualified Allocation Plan](#) recently added a requirement that projects must use high-performance electric equipment and appliances
 - In part due to grassroots advocacy, such as the [Cooking up Danger](#) report, several counties in Maryland are beginning to consider or pass all-electric and major renovation policies
 - In 2022, Montgomery County passed an all-electric new construction ordinance that would be implemented in 2026 (also passed [BEPS in February 2025](#))
 - Howard County recently required a study on electrification codes as a first step to adopting an all-electric code
 - Positive Code Impacts
 - An RMI report found that on the operational cost side in Maryland, an all-electric new building would save about \$500 annually compared to a mixed-fuel building on energy bills (see [slide 36](#))
- **FOG Proceeding:** A regulatory proceeding to understand the role of gas in the state's future
 - Usually, the proceeding has two scopes
 - A long-term assessment of gas use decline, including rate impacts and how to avoid consumer risk
 - Near-term actions to wind down gas use, including gas line extension allowances, gas marketing, and non-pipe alternatives

- Maryland's FOG proceeding is currently awaiting a final order to initiate the proceeding

Building Decarbonization Initiatives at Baltimore Gas and Electric (BGE)/ EmPOWER (Lauren Urbanek, Senior Manager, BGE)

- BGE is the largest utility in Maryland and serves half of the population of the state
 - About a third of BGE's GHG emissions come from electricity generation
- BGE's "Path to Clean" (overarching emission reduction program) has three pillars: Operations, Customers, and Communities. Most of BGE's building decarbonization initiatives fall under customers and communities (see more details on [slide 45](#)).
- [EmPOWER](#) (established in 2009) is Maryland's energy efficiency program administered by utilities and the Department of Housing and Community Development.
 - In 2024, EmPOWER transitioned from an energy consumption reduction goal to a greenhouse gas reduction goal, better aligning with the state's broader goals (see timeline on [slide 46](#)).
 - Building electrification incentives will be launched in the coming weeks, including incentives for heat pump water heaters, air source water heaters, and panel upgrades (see [slide 48](#) for incentive details)
 - There are also specific incentives for small businesses to help them meet other climate policies, such as BEPs and all-electric codes
- Targeted Electrification Study
 - BGE is the oldest gas company in the country and has some of the oldest pipes
 - They are currently working with E3 to look at the entire service area and identify where electrification may make the most sense based on the electric and gas system conditions, technology feasibility, and cost-effectiveness.
 - Numerous policy questions arise from this ongoing study, including how the [obligation to serve](#) works with gas customers, how BGE encourages electrification (through targeting EmPOWER incentives or marketing them differently), and what guidance will come from the FOG proceeding.
- Policies to Watch in Maryland
 - The budget is top of mind for legislators, and the legislature has seen over a hundred thirty bills, a lot of which focus on resource adequacy:
 - Maryland imports a high percentage of its power, and there has been more pressure to ensure that energy goes where it needs to be
 - Utility integrated resource planning: consideration into what it would look like, how it could happen, and who would be in charge of it
 - Battery storage: BGE filed a fairly comprehensive battery storage framework that would include transmission-level batteries and behind-the-meter batteries on commercial or industrial customer sites

Q & A

1. What can other states learn from Maryland's approaches to building decarbonization?

- **Ashita:** There is a very cohesive effort to move various building sectors, incentives, and initiatives in the same direction, with all the agencies aligned in a way that not all states are. For example, MDE and the Department of Housing and Community Development have created a sustainability plan, and the Maryland Energy Administration (MEA) is handling IRA funds.
- **Mark:** Maryland is working hard to roll out these new policies because they're needed, but they're needed across the board. We all have to implement these things in order to achieve our state, national, and global goals of having a habitable planet by the end of the century.

2. How are MDE and others thinking about the relationship between Clean Heat Standards and existing incentive programs?

- **Mark:** The high-level idea of a clean heat standard is that it's a big umbrella policy for the building sector that intends to assign a credit to almost everything that happens that reduces emissions from the building sector where appropriate. So, measures like the EmPOWER program would earn clean heat credits and help obligated parties achieve their credit holding obligations. Right now, we're still seeking input on these conceptual approaches. But if it reduces lifecycle emissions in some way, there would be credit available. However, there is at least one clear exception to that we don't intend to be creditable: fossil to fossil fuel switching. For example, a credit would not be available if someone switches from an oil boiler to a gas boiler.
- **Lauren:** We certainly support EmPOWER as an enabler for some of these policies. We are working to determine how the CHS will work, how these savings are counted, and who gets credit for the savings. Those pieces are important from a utility perspective once you get into the details of how these programs are cost recovered and where those savings flow while balancing that with ensuring that we're meeting the statutorily obligated goals of these programs.

3. How did you calculate or model the Benefits-Cost for segments of the network?

- **Lauren:** The short answer is that we're still in the midst of doing that for the targeted electrification study. E3 primarily is the one completing the work, but we've completed a screening-level analysis that looks at essentially the cost of replacing the gas pipeline as compared to an assumed cost of electrification per home. We will be digging a bit deeper into some of those scenarios or case studies to get a better look at the societal benefits, the costs, and the electric system upgrades if needed.

4. Can you talk more about the exemptions you mentioned in relation to the BEPS?

- **Mark:** This is a regulation for buildings that are 35,000 square feet or larger, which represent approximately 10% of the building sector emissions. For the last three years, we've heard concerns from the building community about the cost of achieving the BEPS requirements, which include net-zero direct emissions by 2040. The bill tries to address those concerns in a few ways without significantly eroding the emissions reduction potential of the program in the long run. One flexibility within the proposed bill is a timeline extension. For example, if a building comes to MDE and submits a plan for how it will achieve the final standards before 2040, but the life of the boiler is scheduled for replacement in 2035. It does not make sense for them to upgrade their equipment at the beginning of

2030. In exchange for a plan and the commitment to meet the final standards early, building owners won't have to pay alternative compliance fees in the years where they are over their emission standards.

5. How has Maryland been navigating the uncertainty resulting from the federal funding freeze, especially with regard to IRA and home energy rebate funding? What sort of optimistic outlook or momentum is helping your organizations continue working on your state-based clean energy policies in this context?

- **Mark:** I have to dig deep for optimism. I'm optimistic because some days, the accounts magically open up, and we can draw down funds. And that is sometimes dashed by the next day when the accounts are closed.
- **Ashita:** At least in Maryland, there are solutions being evaluated. The CHS is one potential source of revenue generation, and the EmPOWER reform moves more of those funds toward beneficial electrification. So the optimism is in knowing that the creative solutions are being sought out.
- **Lauren:** From the utility side, we know that for every dollar we spend on EmPOWER, there's a seven or eight-dollar benefit created from that. So we have these programs that do create this value, and moving them in the direction of GHG reduction is something that the state and utilities are very committed to. The more that we can show that these initiatives have multiple benefits, the more that it becomes a business case that the utilities can then help to push forward.

6. 5 years from now, what do you hope the state will have accomplished in terms of its climate, equity, and building decarbonization goals?

- **Mark:** My objective is to have a long-term pathway for all sectors to reduce emissions, to achieve our statutory requirements, and to achieve net-zero emissions by 2045. We have some major sources in the state, like industrial sources, that do not have decarbonization policies attached to them yet. We need to clarify for everyone, for the sake of business planning mostly, what those long-term requirements are. The earlier that the marketplace has regulatory certainty, the earlier that everyone can make informed business decisions and accomplish our goals.
- **Lauren:** I'd love to see the state have some clear policy guidance on some of the Future of Gas pieces. I'm hoping that within the next five years, we will have a robust suite of building electrification programs that can help customers on this electrification journey.
- **Ashita:** In five years, I hope that we have a more comprehensive plan about how to ensure access and affordability for heat pumps to low-income households, and not just to electrification technologies, but to whole home retrofits so we can really get those homes healthy and also very energy efficient, and also plan to pay for that. That would be great.