



Clean Heat Standard

Credit Retirements
July 15, 2026

Maryland
Department of
the Environment

Agenda

- Clean Heat Standard Review
- Credit Retirement Requirements
- Low- and Moderate-Income Credit Retirement Requirements
- Program Flexibilities

Clean Heat Standard Review

What is a Clean Heat Standard (CHS)?



A **clean heat standard**
is a market-based program to bring more clean heating solutions to Marylanders through a credit-based system.

Clean Heat Measures and Credits



Installed Measures



Delivered Measures

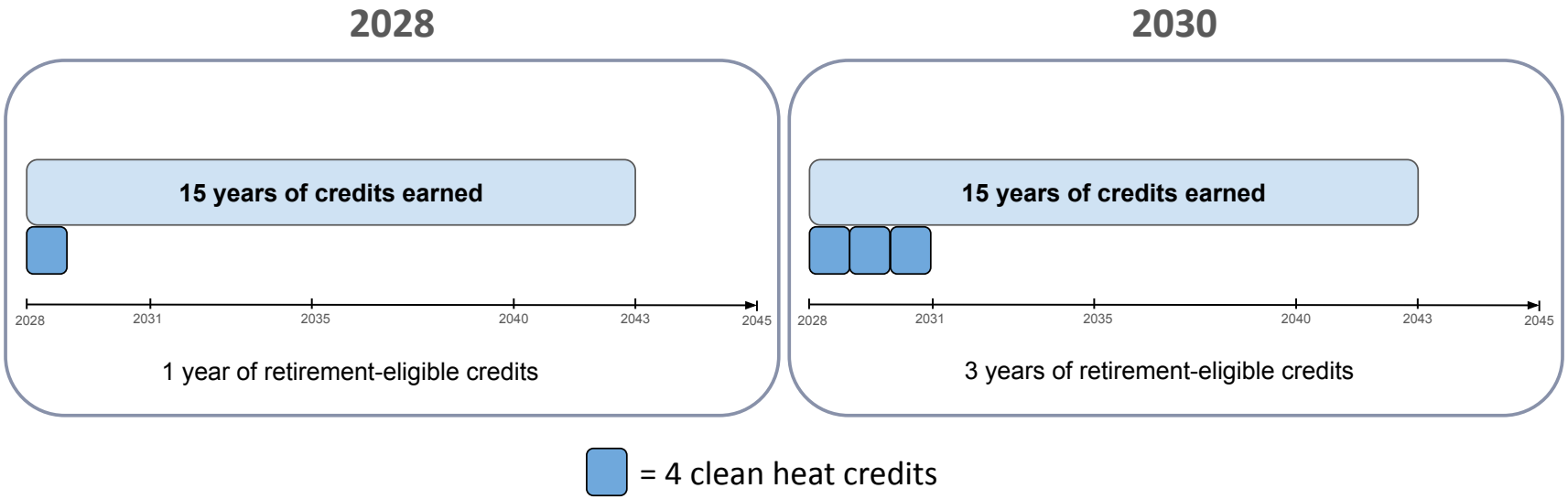
A **clean heat credit** represents one metric ton of avoided climate pollution.

Pollution Reductions and Credit Retirements

- The Clean Heat Standard will require heating fuel providers to retire clean heat credits each program year.
- Heating fuel providers can obtain credits when they:
    - **Directly install or deliver** eligible clean heat measures,
    - **Contract with a separate clean heat provider** (e.g. HVAC technician) who installs the clean heat measures on their behalf,
    - **Trade credits on the Clean Heat Marketplace**, or
    - **Establish an agreement with a Clean Heat Agency** to satisfy all or a portion of their credit retirement requirement.

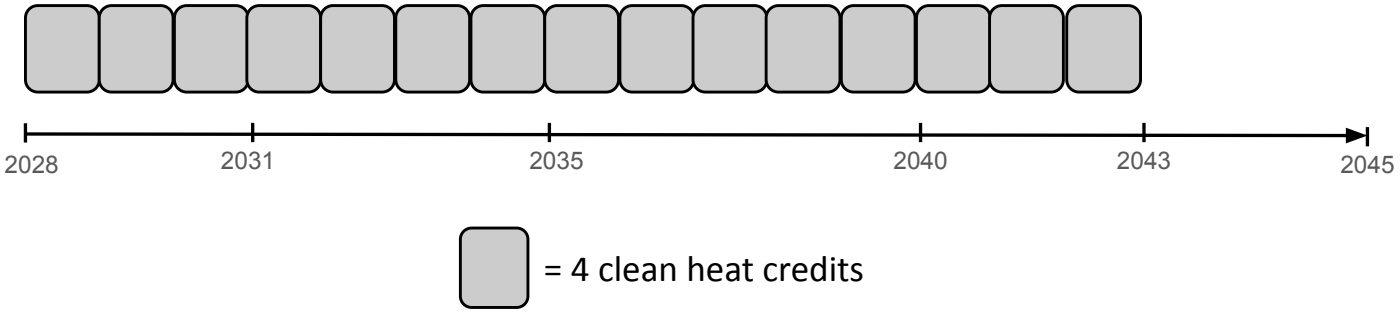
Installed Measures: Credit Earning Scenario

A cold-climate heat pump is installed in 2028, which will generate 4 clean heat credits each year.



Delivered Alternative Fuels: Credit Earning Scenario

A heating fuel provider delivers 500 gallons of biofuels in 2028 – earning 4 credits. The provider will also earn 4 credits in each following year if they continue to deliver the same amount of biofuel.

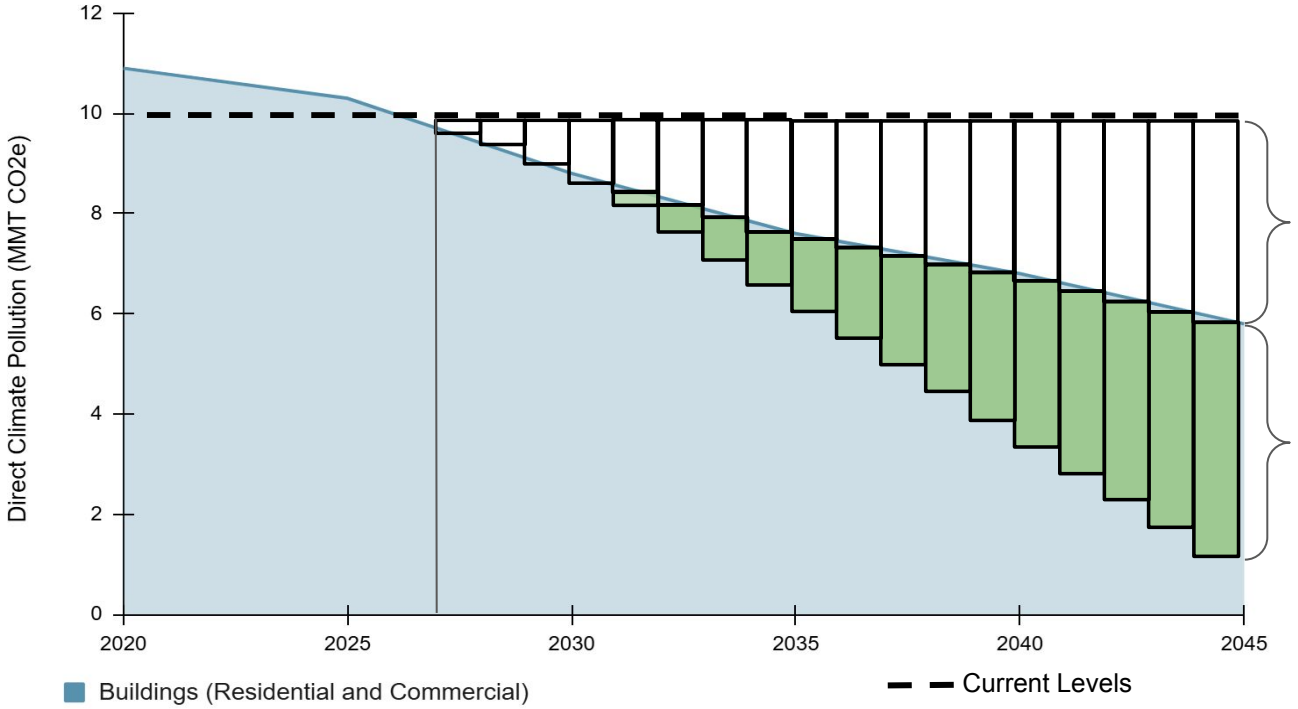


Based on GREET lifecycle emissions framework developed for Maryland in the Alternative Fuels and Technologies Working Group.

Preliminary Results

Credit Retirement Requirements

Clean Heat Standard Boosts the Climate Pollution Reductions of Existing Programs

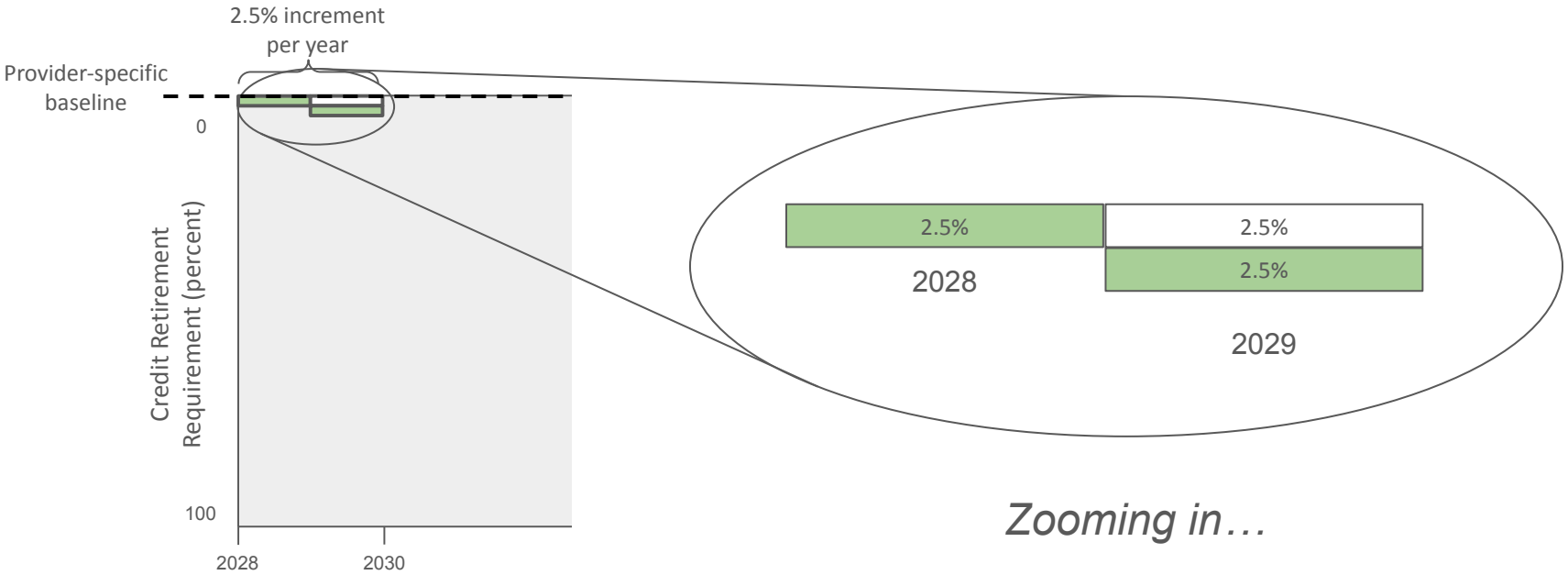


Credit Retirement Requirements

Credit retirement requirements will be set with the following schedule:

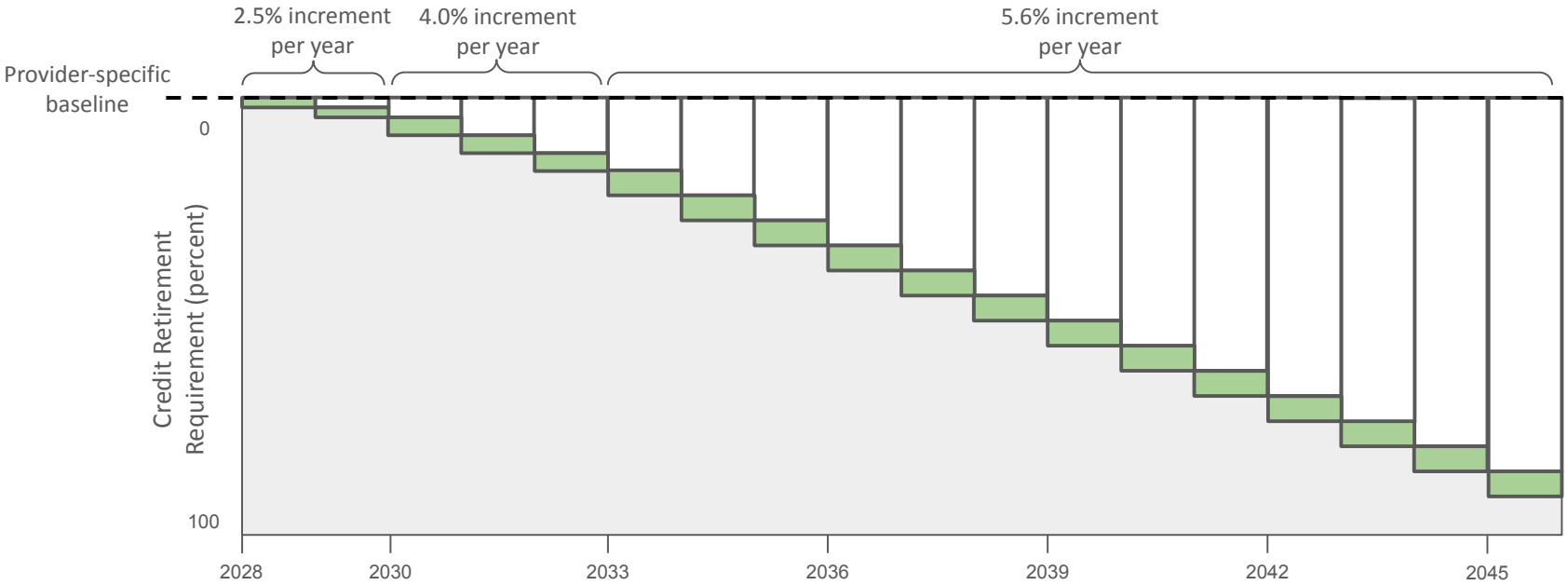
- 2028, 2029: 2.5% incremental climate pollution reduction per year
- 2030-2032: 4.0% incremental climate pollution reduction per year
- 2033-2045: 5.6% incremental climate pollution reduction per year

Credit Retirement Requirements Ramp Up Incrementally



Providers can calculate their retirement requirement by multiplying their baseline by the retirement requirement percentage for each year.

Credit Retirement Requirements Ramp Up Incrementally



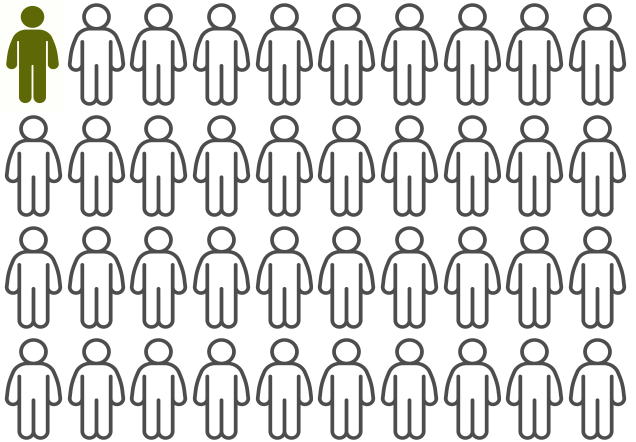
Providers can calculate their retirement requirement by multiplying their baseline by the retirement requirement percentage for each year.

What do credit retirements mean in practice?

2028: heating fuel providers must retire credits equal to 2.5% of their baseline

For a residential heating fuel provider, this is equivalent to providing a clean heat service to **one of every forty customers**.

One customer installs a heat pump or receives a biofuel delivery.



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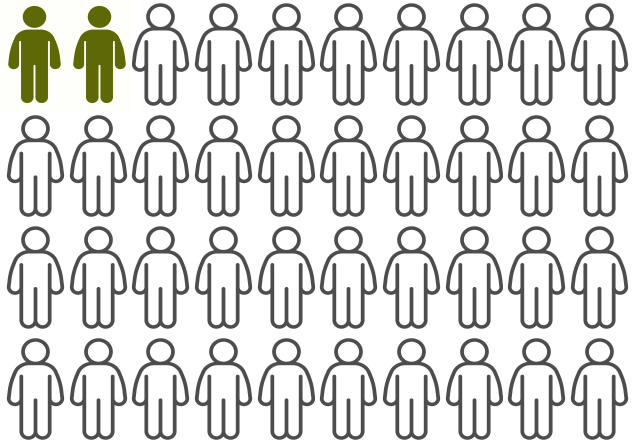
Note: based on preliminary results for lifecycle impacts of heat pumps and biofuels

What do credit retirements mean in practice?

2029: heating fuel providers must retire an additional credit increment equal to 2.5% of their baseline

For a residential heating fuel provider, this is equivalent to providing a clean heat service to **two of every forty customers**.

A second customer installs a heat pump or receives a biofuel delivery.



Note: based on preliminary results for lifecycle impacts of heat pumps and biofuels

Feedback Questions: Credit Retirement Requirements

- The program is designed to align climate pollution reductions in the buildings sector with the state's statutory requirement. Given the endpoint, do you have any feedback on the credit retirement pathway to achieve it?
- The program is designed around calendar years. MDE is considering setting the credit retirement deadline as July 1 following a calendar year. Do you have any feedback on this deadline?

Low- and Moderate-Income Credit Retirement Requirements

Types of Clean Heat Credits

The three types of clean heat credits:

- A **low-income credit** – a residential building where at least 51% of households are below 80% of the statewide median income;
- A **moderate-income credit** – a residential building where at least 51% of households are below 120% of the statewide median income; and
- A **general credit** – for all other buildings, including commercial, industrial, and other residential buildings.

Low-Income and Moderate-Income Credit Retirement Requirements

MDE is considering requiring a minimum of:

- 18% of credit retirements be low-income credits; and
- 16% of credit retirements be moderate-income credits.

Feedback Questions: Low- and Moderate-Income Credit Retirement Requirements

- Do you have any feedback on the low-income and moderate-income credit retirement requirements?
- MDE is currently thinking of tying these credits to a household through an income-verification approach. Do you have suggestions on additional or alternative approaches?

Program Flexibilities

Industrial Clean Heat Credits



Credit retirement requirements are based on climate pollution from heating fuel use in the residential and commercial sectors.

The Department plans to award clean heat credits to eligible installed or delivered measures in the industrial sector.

Feedback Questions: Industrial Measures

- Should MDE place any limits on the share of clean heat credits that can come from industrial measures?

Credit Retirement Support: Clean Heat Agencies

- Provides heating fuel providers with a flexible alternative to meet their credit retirement requirements.
- Enables heating fuel providers to directly reduce all or a portion of their low-income, moderate-income, or regular credit retirement requirements.
- Leverages established and trusted state-run programs that can continue to support building upgrades and workforce development in Maryland.

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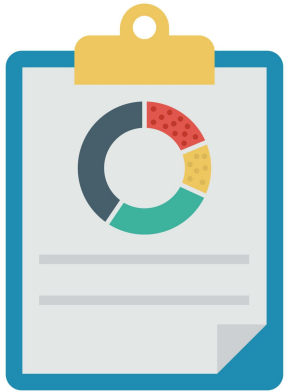
Maryland
Energy Administration

Alternative Compliance Plans and Waivers: Small Business Credit Retirement Delay

- Small businesses that have made a “good faith effort” to meet their credit retirement requirements may request a delay in meeting some of their annual requirements.
- Approved heating fuel providers must develop a timeline for meeting their outstanding credit retirement requirements in future program years.
- To qualify as a small business, a heating fuel provider must be:
  - Independently owned and operated,
  - Not dominant in its field,
  - Employing 50 or fewer full-time employees.

Alternative Compliance Plans and Waivers: Credit Retirement Reduction for Economic Hardship

- Heating fuel providers may request a credit retirement reduction for a program year if they can demonstrate economic hardship.
- As part of the request, providers must include a justification that demonstrates how the credit retirement requirement for the current program year would jeopardize their continued operation.



Feedback Questions: Alternative Compliance Plans

- What should constitute a “good faith effort” from a heating fuel provider to meet their credit retirement requirement for the alternative compliance plans?
- What other alternative compliance plan options would help your company meet Maryland’s climate pollution reduction goals?

Wrap Up

Clean Heat Standard Webinar Topics Review

- May 14: Program Design Overview
- May 28: Measures and Credits
- July 1: Credit Retirement Support
- July 15: Credit Retirement Requirements

Clean Heat Standard Review



The Maryland Department of Environment tracks climate pollution from the heating fuels used in residential and commercial buildings.



Clean heat providers – including heating fuel providers – install or deliver clean heat measures to generate clean heat credits.



Heating fuel providers retire credits to ensure all Marylanders benefit from healthier, cleaner air.

Clarifying Questions

Thank you for your joining!

Please provide additional feedback via the Google Form



cleanheat.mde@maryland.gov



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