Maryland
Department of
the Environment

Amendments to COMAR 26.09

Maryland CO_2 Budget Trading Program

Purpose of These Amendments

The purpose of this action is to revise the Maryland CO_2 Budget Trading Program to incorporate amendments to the Regional Greenhouse Gas Initiative (RGGI) Model Rule.

The Secretary of the Environment proposes to:

(1) Amend Regulations .02 - .04 under COMAR 26.09.01 General Administrative Provisions;

(2) Amend Regulations .03, .06 - .07, and .10 - .11 under COMAR 26.09.02 Applicability, Determining Compliance, and Allowance Distribution;

(3) Repeal Regulations .01 - .09 under COMAR 26.09.03 Offsets Projects; and

(4) Amend Regulations .03 and .06 under COMAR 26.09.04 Auctions.

Submission to EPA as Revision to Maryland's SIP

This action will not be submitted to the U.S. Environmental Protection Agency (EPA) for approval as part of Maryland's State Implementation Plan (SIP).

Background

RGGI is comprised of ten states in the Northeast and Mid-Atlantic regions and is composed of individual CO_2 Budget Trading Programs in each RGGI participating state. These states adopted market-based carbon dioxide (CO_2) cap-and-invest programs designed to reduce emissions of CO_2, a greenhouse gas, from fossil fuel-fired electricity generators with a nameplate capacity of 25 megawatts or greater. Each participating state's CO_2 Budget Trading Program is based on the RGGI Model Rule, which was developed to provide guidance to states as they implemented the RGGI program. RGGI participating states have concluded a third Program Review, which is a comprehensive evaluation of program successes, program impacts, the potential for additional reductions, and imports and emissions leakage.

Amendments to the RGGI Model Rule were developed by the RGGI state staff as part of the third Program Review and a consensus agreement was reached in 2025. This effort was supported by an extensive regional stakeholder process that engaged the regulated community, environmental non-profits, and other organizations with technical expertise in the design of cap-and-invest programs.

Maryland's CO_2 Budget Trading Program is being amended to incorporate changes to the RGGI Model Rule. A summary of the amendments to the RGGI Program, as outlined in the RGGI Model Rule, are discussed below.

Sources Affected and Location

CO_2 budget sources subject to the requirements of the Maryland CO_2 Budget Trading Program will be affected.

Maryland Department of the Environment

Amendments to COMAR 26.09

Maryland CO_2 Budget Trading Program

Requirements

Compliance requirements for CO_2 budget sources subject to the Maryland CO_2 Budget Trading Program will remain the same.

Size and Structure of Regional Cap and Allowance Apportionment

The updated Model Rule reduces the regional emissions cap in 2027 to 69,806,919 tons of CO_2 from 75,717,784 tons under the previous Model Rule. Allowances decline by an average of 8,538,789 tons per year, which is approximately 10.5 percent of the 2025 budget, thereafter through 2033. Then, from 2034 through 2037 the cap will decline by 2,386,204 tons of CO_2 annually, which is approximately 3 percent of the 2025 budget. Subsequent years are set to match the 2037 emissions cap and no adjustments are made to banked allowances, which continue to be available for compliance. Maryland's base budget allocation (COMAR 26.09.02.03A) has been updated to reflect the new RGGI cap and decline.

Cost Containment Reserve

To ensure availability of RGGI allowances to meet grid reliability needs and to protect against cost volatility, the updated Model Rule contains language to revise the existing Cost Containment Reserve (CCR) (COMAR 26.09.02.03C). The CCR is a reserve of allowances made available at auction if the auction clearing price exceeds a predetermined trigger price. The update includes increasing the size of the CCR and implementing a second tier of CCR allowances available at auction at a higher trigger price.

If the entire first tier of CCR allowances is released and sold every year, the updated regional cap trajectory will provide a 74 percent cap reduction by the year 2037, relative to the 2025 cap. If both tiers of CCR allowances are released and sold every year, the updated regional cap trajectory will provide a 60 percent cap reduction by the year 2037, relative to the 2025 cap.

Emissions Containment Reserve

The updated Model Rule increases the minimum reserve price (COMAR 26.09.01.02B(68)), which is the lowest price at which RGGI allowances may be sold at auction. In the current RGGI design, in addition to a minimum reserve price, there is an Emissions Containment Reserve (ECR), which is a reserve of allowances that can be withheld from an auction if the auction clearing price falls below a predetermine trigger price. Beginning in 2027, the updated model Rule removes the ECR and replaces it with an increased minimum reserve price that matches the existing ECR trigger price trajectory. The new minimum reserve price is $9.00 in 2027, increasing 7 percent annually thereafter. As a result, rather than a fixed number of allowances being withheld under the ECR if the auction price falls below this price, all allowances will simply be withheld below this price.

Limited Industrial Exemption

Maryland's CO_2 Budget Trading Program has been updated to replace the Limited Industrial Exemption Set-aside Account with the Limited Industrial Exemption (COMAR 26.09.02.06). The revised language still provides the opportunity for CO_2 budget sources to apply for exemption from compliance requirements if the CO_2 budget source's annual electrical output to the electric grid in the PJM region is not more than 10 percent of its annual gross generation. The CO_2 budget source is also still required to submit a request for and receive the Department's approval of a climate action plan, which requires reduction of CO_2e emissions through reasonably available reduction practices. However, the Department will no longer allocate or retire CO_2 allowances on behalf of the exempt CO_2 budget source.

Offsets

The updated Model Rule eliminates language regarding RGGI offset allowances. Under past and current RGGI design, certain projects were eligible for the award of RGGI offset allowances, which could be held and traded in the same way as RGGI CO_2 allowances, and used for compliance up to a set limit (3.3 percent). Beginning in 2027, RGGI offset allowances will no longer be awarded for any project categories included in previous versions of the Model Rule. Any already awarded offset allowances could still be used for compliance, subject to the existing limits on their use.

Miscellaneous

The definitions for several terms have been edited for clarity and updated or removed to match corresponding updates throughout the Model Rule. Additionally, monitoring, reporting, and recordkeeping language have been streamlined, and certain references have been updated or corrected throughout for clarity and consistency with other changes.

Expected Emissions Reductions

The changes to the size and structure of the regional cap and allowance apportionments will result in emissions reductions. The regional emissions cap in 2027 will be equal to 69,806,919 tons and will decline by an average of 8,538,789 tons per year, which is approximately 10.5 percent of the 2025 budget, thereafter through 2033. Then, from 2034 through 2037 the cap will decline by 2,386,204 tons of CO_2 annually, which is approximately 3 percent of the 2025 budget. Subsequent years are set to match the 2037 emissions cap.

Economic Impact on Affected Sources, the Department, other State Agencies, Local Government, other Industries or Trade Groups, the Public

The participating RGGI states conduct economic analyses utilizing the REMI model to determine the overall impact on the RGGI region from these changes. The most recent analysis from August 2025 showed that the estimated economic impact across the 10-state RGGI region is an increase in gross state product between $20.4 billion and $21.1 billion from 2025 to 2040; an increase in disposable personal income between $8.9 billion and $13.2 billion from 2025 to 2040; and an increase in employment between 24,900 job-years and 176,500 job-years from 2025 to 2040.

Maryland Department of the Environment

Amendments to COMAR 26.09

Maryland CO_2 Budget Trading Program

Economic Impact on Small Businesses

The proposed action has minimal or no economic impact on small businesses. The regulated facilities are not small. Additionally, the participating RGGI states conducted an economic analysis utilizing the REMI model and Bill Impact analyses to determine the effect on electricity bills. These changes will have minimal effect on electricity bills.

Comparison to Federal Standards

There is no corresponding federal standard to this proposed action.

Questions

Please contact Luke Wisniewski, Market-Based Program Administrator, at 410-537-4231 or luke.wisniewski@maryland.gov with any questions.