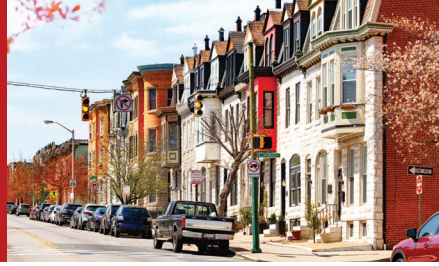
Maryland's Equitable Pathway to Clean Heat

How Maryland Can Use Existing Funding to Upgrade Low-Income Households to Heat Pumps



The Zero-Emission Heating Equipment Standard (ZEHES), under development by the Maryland Department of the Environment (MDE), will deliver healthier air and lower bills for Maryland households for decades while moving the state closer to its climate goals. For low-income families especially, replacing outdated, inefficient heating equipment with efficient heat pumps can provide **$145 million in health benefits, $350 million in energy savings, and $311 million in climate benefits each year** once fully deployed, creating a massive return on investment.

Maryland already has the tools to make this transition affordable. Dedicated funding sources are in place that can cover the costs of these upgrades under a ZEHES while spurring a market transformation to lower the cost of heat pumps for residents across the state.

HERE'S HOW

Strategic Energy Investment Fund (SEIF)

The Strategic Energy Investment Fund (SEIF), supported by the Regional Greenhouse Gas Initiative (RGGI) and utility compliance payments can provide up to **$100-$200 million annually** to support heat pump installations in low-income homes. In Fiscal Year 2024, SEIF funds reached a record $561 million,[1] demonstrating its capacity as one of Maryland's most powerful tools to lower energy costs for residents.

Instead of being fully directed to energy programs, large portions have been diverted to the state budget and one-time rebates, undermining long-term investments in efficient electric equipment.

The General Assembly must instead **pass legislation to enable Maryland's agencies to use SEIF dollars** to help upgrade low-income households with efficient electric equipment and pursue pilots that can lower the cost of heat pumps.

EmPOWER Maryland

EmPOWER Maryland has helped residents save $4 billion on their energy bills since 2008. Low-income households received only 22%[3] of EmPOWER residential funds in 2024. That same year, EmPOWER Maryland underspent its budget by $214 million,[2] leaving resources on the table that could have helped low-income households upgrade to modern, state-of-the-art electric equipment.

Maryland can redirect underspent funds to allocate 40% of total EmPOWER funding toward low-income households, unlocking **more than $70 million each year** to cover electrification costs and deliver long-term bill savings. Achieving equitable allocations will take legislation.

To maximize its impact, **EmPOWER must be fully resourced, expand its focus on fuel switching, and scale up agency capacity** to deliver heat pump upgrades for low-income households.

[1] Maryland Energy Administration, Strategic Energy Investment Fund, Activities for Fiscal Year 2024, Volume, I, page 58.

[2] The Maryland Public Service Commission, The EmPOWER Maryland Energy Efficiency Act REPORT OF 2025, With Data for Compliance Year 2024, June 2025, Page 18.

[3] 2024 EmPOWER reports filed with the Maryland Public Service Commission in February 2025.

Clean Heat Standard (CHS)

The Clean Heat Standard (CHS), also being developed by the Maryland Department of the Environment, will require gas and fuel providers to cut emissions either by directly funding electrification and efficiency projects or by purchasing clean heat credits.

By steadily increasing the cost of polluting fuels, CHS will make heat pumps more cost-effective while generating a dedicated revenue stream to support household electrification. If designed well, CHS could become **one of the largest long-term funding sources for ZEHES** while also driving broader market transformation toward clean heating.

Ensuring that CHS investments are **directed equitably, with a strong focus on low-income households and renters**, will be essential for the program's success.

Zero- or Low-Interest Financing & Green Banks

In 2024, the Montgomery County Green Bank invested $63 million in low-income communities, while the Maryland Clean Energy Center lent $2 million for home energy upgrades, showing the potential of these institutions to leverage public dollars to attract private investment.[4]

With additional capitalization or state-backed bond financing, Maryland's green banks and other financial institutions could cover **more than $70 million per year** to install heat pumps in low-income households.

Other states have shown the power of this model: Connecticut's Green Bank turned $51 million in state funds into $393 million in private investment in just one year, demonstrating how financing can multiply the impact of public funds.

Expanding Maryland's green banks and other sources of financing and ensuring financing tools are designed to protect low-income households is critical to equitably upgrading low-income homes with zero-emissions technology.

[4] Montgomery County Green Bank, 2024 Annual Report, page 3.

Maryland has a clear path to make its Zero-Emission Heating Equipment Standard a success.

By aligning SEIF, EmPOWER, CHS and green banks, Maryland can unlock hundreds of millions in resources already at its disposal to ensure households who stand to benefit the most from efficient electric equipment are first in line. With these tools working together, Maryland can cut energy bills, create healthier, more resilient homes, and reduce climate pollution, ensuring that every family shares in the benefits of clean, efficient heating.

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