

# Climate Assessment

Office of Legislative Oversight

## **BILL 2-26: TAXATION – FUEL – ENERGY TAX – GREEN BANK - AMENDMENTS**

### **SUMMARY**

The Office of Legislative Oversight (OLO) anticipates Bill 2-26 will have a positive impact on the County's contribution to addressing climate change, including community climate resilience, as it would allow the Green Bank more flexibility to fund resiliency projects. Planned resiliency projects would positively impact the County's climate resilience and some proposed projects have a co-benefit of reducing greenhouse gas (GHG) emissions.

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### **BACKGROUND AND PURPOSE OF BILL 2-26**

Montgomery County levies a fuel-energy tax on every person transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas in the County.<sup>1</sup> On February 1, 2022, the County Council enacted Bill 44-21, Montgomery County Green Bank – Funding – Fuel-energy tax revenue. This law specified that 10% of the annual revenue received from the fuel-energy tax would be given to the Montgomery County Green Bank.<sup>2</sup>

The Montgomery County Green Bank is a publicly chartered 501c3 nonprofit focused on accelerating energy efficiency, renewable energy, and clean energy investment in the County. They finance their projects with funding from the County, in addition to other public and private contributors.<sup>3</sup>

In 2023, the Council passed legislation that enabled the Green Bank to finance climate resiliency projects and activities, in addition to clean energy projects.<sup>4</sup> The Council subsequently passed legislation that restricted the Green Bank from funding resiliency projects with revenues from the fuel-energy tax. Instead, the Green Bank could only use fuel-energy tax revenues to “promote the investment in clean energy technologies and to provide financing for clean energy technologies, including renewable energy and energy efficiency projects.”<sup>5</sup>

If enacted, Bill 2-26 would eliminate this restriction. Instead, the Bill would allow the Green Bank to use funds from the fuel-energy tax to promote or provide financing for resiliency activities, in addition to projects related to clean energy.<sup>6</sup>

The County Council introduced Bill 2-26, Taxation – Fuel-energy tax – Green Bank – Amendments on January 20, 2026.

# METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

**Methodology.** OLO reviewed literature on climate resilience, reviewed Green Bank annual reports, and spoke to Green Bank staff to better understand the impacts of this Bill.

**Assumptions.** OLO assumes that by unrestricting funds from the fuel-energy tax revenue, the Green Bank will have more flexibility in funding resiliency projects, as the Green Bank does not currently have a dedicated funding stream for resilience projects unrelated to energy. OLO also assumes a significant amount of resiliency activities financed by the Green Bank would have co-benefits of GHG emissions reduction and/or carbon sequestration.

**Uncertainties.** OLO cannot determine the amount of resilience projects that would be funded by the fuel energy tax revenue, nor the amount of funds the Green Bank will receive annually from tax revenue.

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## RESILIENCY ACTIVITIES

Resilience is a broad spectrum and there are many different types of resilience activities local government can pursue. In the National Resilience Guidance published by FEMA, resilience is defined as “the ability to prepare for threats and hazards, adapt to changing conditions, and withstand and recover rapidly from adverse conditions and disruptions.”<sup>7</sup> Typically, resilience strategies are oriented at better response and recovery from events like natural disasters such as heat waves, extreme precipitation, hurricanes, tornadoes, and other extreme weather occurrences.<sup>8</sup> Common resiliency actions and activities include building and upgrading infrastructure to withstand future flooding events exacerbated by climate change, installing green infrastructure like shade trees to decrease local surface temperatures, and developing jurisdiction-wide plans to protect local resources such as public water systems and other critical infrastructure.<sup>9</sup>

National guidance from FEMA and the EPA also recommend local jurisdictions prioritize resiliency actions that target climate risks specific to their jurisdictions. In Montgomery County, the Climate Action Plan identifies extreme temperatures, extreme precipitation, drought, and high winds as the four largest climate risks the County faces. The Montgomery County Green Bank resilience strategy aligns with these climate risks.<sup>10</sup>

The Green Bank's resilience strategy is built on two key resilience pillars; physical and energy resilience. Within these, there are strategies broken down by focus area. The resilience strategies include planning and preparing for future climate hazards, recovering from extreme weather events while minimizing the cost and loss of resources, and adapting to future weather conditions.<sup>11</sup> Specifically, physical resilience strategies focus on:

- **Climate risk reduction** such as flood mitigation, extreme heat resilience, and preparation for extreme weather events
- **Water management** such as water conservation, water efficiency, and water damage mitigation; and
- **Community wellbeing** such as structural solutions like indoor air quality initiatives and community education and capacity building.

The other pillar, energy resilience, focuses on enhancing the County's grid resiliency while investing in reliability improvements during electric service disruptions exacerbated by climate change.<sup>12</sup>

Resiliency projects can have co-benefits, such as social, economic, environmental, and climate change related benefits.<sup>13</sup> For example, a microgrid is an example of an energy resilience project which allows facilities (i.e., hospitals, emergency communication centers, etc.) to maintain power during power disruptions in the main power grid. As a microgrid is usually powered by solar, wind, or another form of clean energy, it has the co-benefit of decreasing GHG emissions associated with the operations of a facility powered by a microgrid.<sup>14</sup>

The Green Bank shared with OLO a list of resiliency projects eligible for financing but have not yet been funded. This list serves as an example of what resilience actions undertaken by the Green Bank could look like in the future.<sup>1</sup> Some of the proposed resiliency projects that have the potential co-benefit of reducing greenhouse gas emissions include:

- **Installation of green roofs and walls** – Green roofs and walls are those with a vegetative layer grown on its surface and can reduce the amount of energy needed to cool and heat a building, which can decrease the amount of GHG emissions associated with building energy;<sup>15</sup>
- **Installation of reflective light-colored material in roofs** – Light-colored roofs are designed to reflect more sunlight compared to darker-colored roofs which lowers the temperature of the building and reduces the energy needed and amount of GHG emissions associated building energy;<sup>16</sup>
- **Installation of insulation against extreme cold** – Better insulation in buildings can decrease the amount of energy and GHG emissions needed to heat a building;<sup>17</sup>
- **Creation of urban green spaces** – Urban green spaces, which includes parks, trees, and community gardens, have many co-benefits such as improved stormwater management and drainage, improved air quality, improved public health, and carbon sequestration through trees and vegetation;<sup>18</sup>

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<sup>1</sup> A full list of resiliency projects eligible for funding is available in the appendix.

- **Installation of heat pumps** – Heat pumps are more energy efficient than gas furnaces which can decrease the amount energy needed to heat a building, also eliminating natural gas which emits carbon dioxide when burned and methane through leaks during production; and <sup>19</sup>
- **Implementation of energy storage** – Energy storage captures electricity, stores it, and then can be released for use when needed. This is beneficial as the stored energy can be used during periods of high demand on the electrical grid system, which if widely adopted, can decrease strain on the grid. Energy storage projects are often paired with solar energy, which can decrease the amount of GHG emissions associated with energy use.<sup>20</sup>

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## ANTICIPATED IMPACTS

Currently, the Montgomery County Green Bank does not have a dedicated funding stream for resilience projects. The Green Bank can only fund resilience projects through recycled and unrestricted balance sheet capital, which is limited to a few million dollars a year. However, the Green Bank has more than \$50 million in planned resilience activities in their pipeline. Allowing the Green Bank to use fuel-energy tax revenue would aid in the financing of these projects.<sup>21</sup>

In fiscal year 2024, the Green Bank received \$18,211,032.03 from fuel tax revenue and \$17,270,754.10 in FY25.<sup>22</sup> While the revenue would not finance all planned resilience activities in the Green Bank’s pipeline, it would allow for a significant amount of projects to be funded, compared to the few million dollars a year the Green Bank has current access to for resiliency projects. However, this Bill would not increase the amount of total funds available to the Green Bank for financing projects. Rather, it would provide them with more flexibility to direct funds to resilience projects other than those that directly impact energy resilience.

The Office of Legislative Oversight (OLO) anticipates Bill 2-26 to have a positive impact on the County’s contribution to climate change as it would allow the Green Bank to fund more resiliency projects. The specific impacts on the County’s GHG emissions and community resilience are as follows:

**Greenhouse Gas Emissions.** Some planned resiliency projects by the Green Bank have the potential to reduce GHG emissions and sequester carbon as a co-benefit. By allowing the Green Bank more flexibility for financing resiliency projects, it increases opportunities for resiliency projects in the County to be completed which could decrease GHG emissions and sequester carbon emissions as a co-benefit.

**Community Resilience.** The Green Bank is authorized to conduct resilience activities for the County and increasing its capacity to fund resilience activities would have a direct, positive impact on the County’s climate resilience. Resilience activities the Green Bank can fund ranges from:

- Physical upgrades to buildings and infrastructure, which increases its ability to withstand extreme temperatures and weather events due to climate change; and
- Energy resilience which can improve the County’s ability to withstand electrical service disruptions which is predicted to increase due to climate change.

Under the current law, the Green Bank cannot access fuel tax revenue funds for non-energy resilience projects. The Bill would allow for greater flexibility to fund resilience projects that could have multiple positive impacts on community resilience, such as improving a building’s ability to withstand floods, extreme temperatures, and droughts.

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## **RECOMMENDED AMENDMENTS**

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.<sup>23</sup> OLO does not offer recommendations or amendments as Bill 2-26 is likely to have a positive impact on the County’s contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

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## **CAVEATS**

OLO notes two caveats to this climate assessment. First, predicting the impacts of legislation upon climate change is a challenging analytical endeavor due to data limitations, uncertainty, and the broad, global nature of climate change. Second, the analysis performed here is intended to inform the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO’s endorsement of, or objection to, the bill under consideration.

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## **PURPOSE OF CLIMATE ASSESSMENTS**

The purpose of the Climate Assessments is to evaluate the anticipated impact of legislation on the County’s contribution to addressing climate change. These climate assessments will provide the Council with a more thorough understanding of the potential climate impacts and implications of proposed legislation, at the County level. The scope of the Climate Assessments is limited to the County’s contribution to addressing climate change, specifically upon the County’s contribution to greenhouse gas emissions and how actions suggested by legislation could help improve the County’s adaptative capacity to climate change, and therefore, increase community resilience.

While co-benefits such as health and cost savings may be discussed, the focus is on how proposed County bills may impact GHG emissions and community resilience.

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## **CONTRIBUTIONS**

OLO staffer Kaitlyn Simmons drafted this assessment.

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# APPENDIX

This chart summarizes resiliency projects that are eligible to be funded by the Green Bank but have not yet been financed. This helps illustrate what resiliency actions could be taken in the future by the Green Bank.

Resilience Investment Group	Resilience Investment
Group A – Physical Resilience	Installation of Electrical Protection
	Installation of Emergency Exit
	Installation of Emergency Water Supply
	Installation of Fire Resistant Materials
	Installation of Condensate Capture and Use Systems
	Installation of Water Efficiency Fittings and Fixings
	Aerodynamic Building Design
	Strengthening Building Structure
	Strengthening External Fitting
	Strengthening Roofs
	Strengthening Windows and Doors
	Installation of Adjusted Drainage Capacity
	Installation of Flood Barriers and Floodproofing
	Installation of Flood, Leak Detection and Warning System
	Installation of Green Roofs and Walls
	Implementation of Passive or Natural Ventilation
	Installation of Thermal Mass
	Installation of Reflective Light-Colored Material in Walls, Windows, Roofs
	Installation of Shading Devices
	Installation of Water-Based Cooling Including Water Walls
	Adjustment of Drainage Capacity
	Ensuring Emergency Water Supply
	Installation of No-Return Valves
	Improving Quality of Roofs
	Installation of Insulation Against Extreme Cold
	Conducting Assessment of Transportation Routes Based on Extreme Heat Risks
	Development of Heat-Resistant Packaging and Handling Protocols
	Design of Building Shape for Shedding Snow/Ice
	Development of Flood Emergency Response Plans and Protocols
	Construction of Flood Barriers, Drainage, and Floodproofing Measures
	Installing Flood Defenses in Substations
	Early warning system and disaster preparedness measures
	Education Awareness – Vocational training on heat-related disaster skills
	Education Awareness – Development of programs on physical climate impacts
Education Awareness – Campaigns on public awareness (flood, heat, extreme weather events)	
Constructing / renovating / managing urban developments	
Installation of sheltered walkways and building connections	

	Creation of urban green spaces
	Installation of permeable paving and other external surfaces
	Landscaping to manage surface run-off
	Installation of bioswales and rain gardens
	Relocation of vulnerable assets
	Managing passive landslides
	Managing urban vegetation
	Creation of firebreaks
	Installation of urban rainwater collection and storage systems
	Expansion of waste collection and processing services
	Constructing / renovating / managing solid waste management infrastructure
	Implementation of stormwater separation
	Constructing / expanding / operating / upgrading wastewater treatment systems
	Expansion of wastewater recycling for non-potable uses
	Constructing / upgrading / managing wastewater infrastructure
	Storm shutters
	Provide adequate insulation and ventilation (natural ventilation, ceiling fans)
	Repair leaking plumbing
	Replace plumbing fixtures and upgrade to WaterSense approved items (toilet, showerhead, faucets)
	Switch to more efficient water systems (Heat pump water heater, indirect water heater, natural gas storage or condensing water heater, on-demand tankless water heater)
	Repoint deteriorated mortar in basement walls and around windows
	Seal wall penetrations
	Lead abatement and remediation
	Mold abatement and remediation
	New construction - exclusively for the design and implementation of resilience-related investments
Group B – Energy Resilience	Installing flood defenses in substations
	Mechanically strengthening transmission & distribution lines
	Installation of Backup Power Supplies and Storage
	Installation of Heat Pumps
	Installation of Thermal Insulation of Walls, Windows, or Roofs
	Improving Quality of Windows and Doors
	Installation of Lightning Rods
	Installing Underground Transmission/Distribution Lines
	Electric service upgrade or alternative system installation
	ENERGY STAR appliances
	Construction/expanding/operating/upgrading power transmission and distribution system
	Implementation of energy storage
	Implementation of weather/energy use monitoring, forecasting, and modeling system
	Installing automatic grid controls
	Installing mini/micro grids
	Installing safety and emergency system

Managing vegetation around transmission/distribution lines
Relocating substation
Strengthening grid configuration
Structurally strengthening substation roofs and walls
Installation of Reduced Heat Emitting Electrical Fittings
Installation of raised equipment
Installation of wall insulation
Implementation of passive or natural ventilation
Installation of conventional cooling
Installation of cool lighting
Installation of Green Roofs and Walls

Source: Montgomery County Green Bank

- <sup>1</sup> ["Fuel Energy Tax Information", Montgomery County Government, Accessed 1/20/2026.](#)
- <sup>2</sup> [Bill 44-21, Montgomery County Green Bank - Funding - Fuel - energy Tax Revenue, Montgomery County Council, Effective date May 13, 2022.](#)
- <sup>3</sup> ["About Us", Montgomery County Green Bank, Accessed 1/20/2026.](#)
- <sup>4</sup> [Bill 3-23, Environmental Sustainability - Montgomery County Green Bank, Montgomery County Council, Effective date July 3, 2023.](#)
- <sup>5</sup> [Bill 28-23: Taxation - Fuel Energy Tax - Green Bank, Montgomery County Council, Effective Date November 6, 2023.](#)
- <sup>6</sup> [Introduction Staff Report for Bill 2-26, Taxation - Fuel-energy tax - Green Bank - Amendments, Montgomery County Council, Introduced January 20, 2026.](#)
- <sup>7</sup> [FEMA, "National Resilience Guidance: A Collaborative Approach to Building Resilience", August 2024.](#)
- <sup>8</sup> [Maryland Department of Natural Resources, "Supporting Climate Adaptation in our Communities", Accessed 2/10/2026.](#)
- <sup>9</sup> [National Institute of Science and Technology, "Guide Brief 3: Existing Community Resilience Activities Identifying Solutions to Address Resilience Gaps", September 2016.](#)
- <sup>10</sup> [Montgomery County Green Bank, Climate Resilience and Adaptation Implementation Strategy, Accessed 2/07/2026.](#)
- <sup>11</sup> [Ibid.](#)
- <sup>12</sup> [Ibid.](#)
- <sup>13</sup> [Mayrhofer, J. P. and Gupta, J., "The Science and Politics of Co-benefits in Climate Policy", Environmental Science and Policy, November 7, 2015; Karlsson, M., Alfredsson, E., and Westling N., "Climate policy co-benefits: A Review", Climate Policy, February 10, 2020.; Seidu, S., Chan, D. W. M., and Debrah, C., "A novel climate resilience implementation model for the construction industry: An international perspective", Building and Environment, April 15, 2025.](#)
- <sup>14</sup> [Center for Climate and Energy Solutions, "Microgrids", Accessed 2/07/2026.](#)
- <sup>15</sup> [EPA, "Using Green Roofs to Reduce Heat Islands". Accessed 2/07/2026](#)
- <sup>16</sup> [Department of Energy, "Cool Roofs", Accessed 2/7/2026.](#)
- <sup>17</sup> [Department of Energy, "Insulation", Accessed 2/7/2026.](#)
- <sup>18</sup> [EPA, "Benefits of Trees and Vegetation", Accessed 2/7/2026.](#)
- <sup>19</sup> [Department of Energy, Heat Pump Systems, Accessed 2/7/2026.; U.S. Energy Information Administration, Natural gas and the environment, Accessed 2/7/2026.](#)
- <sup>20</sup> [Department of Energy, Solar Integration: Solar Energy and Storage Basics, Accessed 2/7/2026.](#)
- <sup>21</sup> Feedback from Green Bank Staff
- <sup>22</sup> Ibid.
- <sup>23</sup> Bill 3-22, Legislative Branch – Climate Assessments – Required, Montgomery County Council, Effective date October 24, 2022