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Maryland Department of the Environment

Maryland

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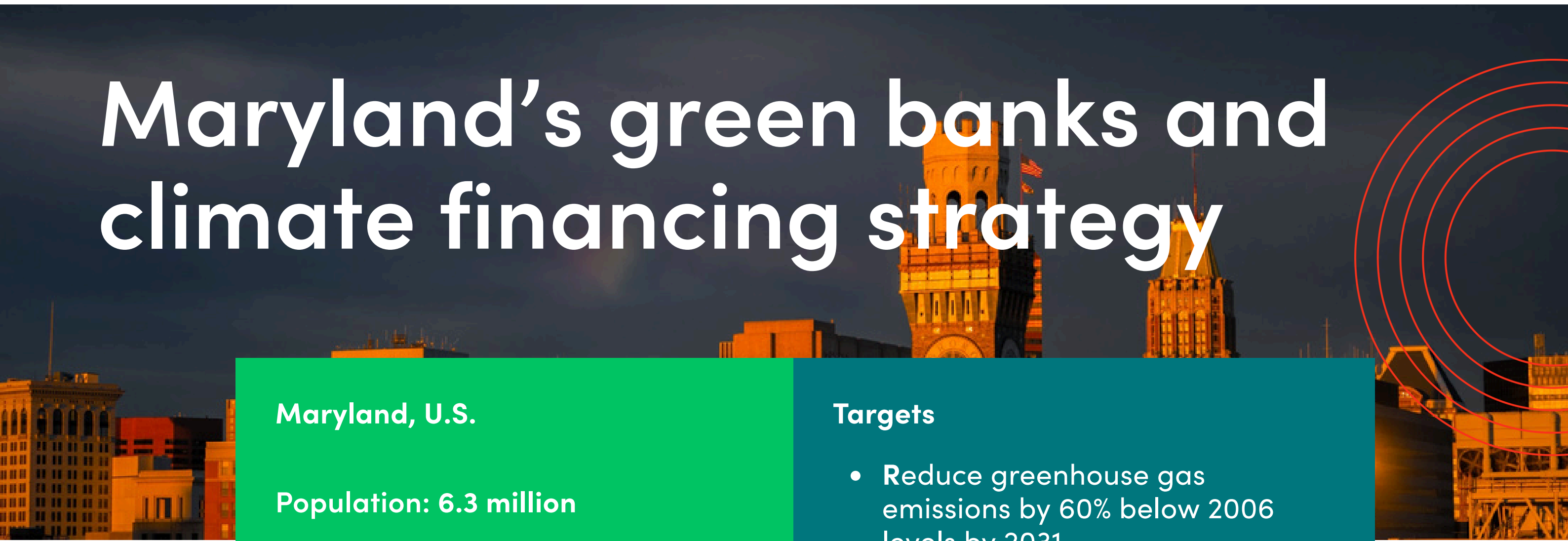
Maryland’s green banks and climate financing strategy



Maryland, U.S.

Population: 6.3 million

Nominal GDP: 546 billion USD (2024)

Targets

- Reduce greenhouse gas emissions by 60% below 2006 levels by 2031
- Achieve net zero by 2045

The challenge of securing finance for subnational climate action

Financing climate-friendly projects, such as energy efficiency upgrades or building retrofits, remains one of the most persistent barriers to accelerating the clean energy transition. Traditional lenders often view these projects as niche, risky, or too small to justify the underwriting effort. And even if loans are available, interest rates can be too high or repayment terms too short to make projects financially viable.

Maryland has successfully leveraged sources like the Strategic Energy Investment Fund (SEIF) and the Resilient Maryland Revolving Loan Fund to support climate initiatives. However, the funding needed to meet Maryland’s ambitious climate goals is substantial. The state needed to mobilise significantly more investment into clean energy and climate resilience projects, beyond what market conditions alone could deliver at scale.

What is a green bank?

A green bank is a public or publicly backed institution that has financial tools to de-risk projects and draw private capital into underserved sectors. As a mission-driven intermediary, green banks can make clean energy projects more attractive, affordable, and investable. They can combine public funds with private capital to fill financing gaps for small- to medium-scale clean energy or efficiency projects that commercial banks might find too risky.

The solution: accelerate investment into climate-related projects with innovative financing

To help secure sufficient funding for climate action, Maryland has strengthened its green bank model and started mapping its existing private and public climate investments to identify opportunities for additional private-public partnerships.

Maryland is home to three key green-finance institutions, each playing a crucial role in advancing the state's climate goals. The official statewide green bank is the Maryland Clean Energy Center (MCEC): a quasi-public institution that offers technical and procurement support for energy projects. It administers four finance programs that provide funding and support for commercial, residential, and innovation-driven energy projects across the state.

Initial capital came from state funds, with federal grants and private-sector partnerships added later. A board of directors and independent oversight mechanisms ensure transparency, strategic direction, and alignment with the state's climate goals. Maryland's Green Bank ecosystem:

- Offers credit enhancements such as loan-loss reserves and guarantees, that reduce perceived risks for commercial lenders, and encourage them to extend credit to new customer segments or technologies.
- Provides co-lending and direct loans for energy efficiency, solar installations, and electrification upgrades. These loans often come with more flexible terms and lower interest rates than the commercial market.
- Supports on-bill and property-assessed clean energy (PACE) financing, which allows repayment through utility bills or property taxes, improving affordability and customer uptake.
- Invests in aggregation—bundling smaller projects into larger portfolios that attract institutional investors—helping scale markets that would otherwise remain fragmented.

Maryland state agencies are also collaborating to map the State's broader climate-finance landscape to find opportunities hat further leverage green banks, and develop new funds that can speed up climate and clean energy solutions.

Impacts

Maryland's Climate Pollution Reduction Plan makes clear that achieving the State's ambitious greenhouse gas reduction targets will require billions of dollars in additional climate investment over the coming decades.

Green banks are already demonstrating how public capital can be used to unlock that scale. The MCEC has leveraged $15 million in public funding to trigger nearly $240 million in private investment—a more than 15-to-1 return on the State's initial investment. Other green banks in Maryland, such as the Montgomery County Green Bank and Climate Access Fund, have delivered similar results. They've provided direct financial support to thousands of Maryland households, including many facing disproportionate energy burdens, while accelerating the deployment of clean energy and energy efficiency solutions.

Together, these institutions play a critical role in Maryland's broader climate financing ecosystem— It included more than $3.5 billion in state investments advancing greenhouse gas reductions in fiscal year 2025, and over $437 million in federal climate funding. Green banks help ensure these public dollars are deployed strategically, efficiently, and equitably to catalyze far greater private investment and accelerate on-the-ground climate action across the State.

> Meeting Maryland's climate goals will require more than public dollars alone — it will require innovative public-private partnerships that unlock private capital, reduce risk, and accelerate real-world solutions. Our green banks show what's possible when the State plays a catalytic role: modest public investments can drive billions in private financing, lower energy costs for families, and create jobs across Maryland. This is how we deliver climate progress that strengthens our economy and ensures every Marylander can share in the benefits of a clean energy future.

Serena McIlwain, Secretary of the Environment

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