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**HOUSE BILL NO. 20**

Offered January 8, 2020

Prefiled November 19, 2019

*A BILL to establish a carbon dioxide cap and trade program; authorization to establish an auction allowance program consistent with the Regional Greenhouse Gas Initiative model rule; deposit and distribution of proceeds of allowance auctions; Virginia Alternative Energy and Coastal Protection Act.*

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Patron—Lindsey

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Referred to Committee on Agriculture, Chesapeake and Natural Resources

**Be it enacted by the General Assembly of Virginia:**

**1. § 1. Virginia Alternative Energy and Coastal Protection Act.**

*A. As used in this act:*

*"Allowance" means an authorization to emit a fixed amount of carbon dioxide.*

*"Allowance auction" means an auction in which the Department or its agent offers allowances for sale.*

*"Board" means the State Air Pollution Control Board.*

*"Department" means the Department of Environmental Quality.*

*"Director" means the Director of the Department of Environmental Quality.*

*"Distributed Renewable Generation Program" means any small-scale renewable energy generation technology that provides electric power at a site closer to customers than central station generation.*

*"DMME" means the Department of Mines, Minerals and Energy.*

*"Energy efficiency program" has the same meaning as provided in § 56-576 of the Code of Virginia.*  
*"Fund" means the Virginia Shoreline Resiliency Fund created pursuant to § 10.1-603.25 of the Code of Virginia.*

*"Regional Greenhouse Gas Initiative" or "RGGI" means the program to implement the memorandum of understanding between signatory states dated December 20, 2005, as it may be amended, and the corresponding model rule that established a regional carbon dioxide electric power sector cap and trade program.*

*"Secretary" means the Secretary of Natural Resources.*

*B. The Department shall implement the final carbon trading regulation as approved by the State Air Pollution Control Board on April 19, 2019, in order to establish a carbon dioxide cap and trade program that limits and reduces the total carbon dioxide emissions released by electric generation facilities and that complies with the RGGI model rule. Pursuant to such regulation, the Department shall seek to sell 100 percent of all allowances issued each year through the allowance auction, unless the Department finds that doing so will have a negative impact on the value of such allowances and result in a net loss of consumer benefit or that such allowance auction is otherwise inconsistent with the RGGI program.*

*C. The Director is hereby authorized to establish, implement, and manage an auction program to sell allowances into a market-based trading program consistent with the RGGI program and this act. To the extent permitted by Article X, Section 7 of the Constitution of Virginia, the Department shall (i) hold the proceeds recovered from the allowance auction in an interest-bearing account with all interest directed to the account to carry out the purposes of this act and (ii) use the proceeds without further appropriation for the following purposes only in a proportion to be determined by the Department with the approval of the Secretary:*

*1. Not more than 35 percent of the revenue shall be credited to the account established pursuant to the Fund for the purpose of assisting counties, cities, towns, residents, and businesses affected by recurrent flooding, sea-level rise, and flooding from severe weather events.*

*2. Not more than 30 percent of the revenue shall be credited to an account established through the VirginiaSAVES program administered by DMME to support energy efficiency programs, with at least 20 percent of the revenue directed to low-income energy efficiency programs. DMME shall review and approve all funding proposals for energy efficiency programs.*

*3. Not more than 17 percent of the revenue shall be credited to an account established through the VirginiaSAVES program administered by DMME to support renewable energy programs, with at least 50 percent of the revenue directed to distributed renewable generation programs in the Commonwealth. DMME shall review and approve all funding proposals for renewable energy programs.*

*4. Not more than 10 percent of the revenue shall be credited to an account to provide economic*

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HB20

59 development, education, and workforce training programs for families and businesses in Southwest  
60 Virginia for the purpose of revitalizing communities negatively affected by the decline of fossil fuel  
61 production, the guidelines of which shall be determined by DMME.

62 5. Not more than five percent of the revenue shall be credited to the account established pursuant to  
63 the Virginia Natural Resources Commitment Fund, as established in § 10.1-2128.1 of the Code of  
64 Virginia, to fund the Virginia Agricultural Best Management Practices Cost-Share Program.

65 6. Not more than three percent of the revenue shall be used to cover reasonable administrative  
66 expenses of the Department and DMME in the administration of this act.

67 D. The development of new utility-owned and utility-operated generating facilities utilizing energy  
68 derived from sunlight, or from onshore or offshore wind, to achieve the reduction in carbon dioxide  
69 emissions prescribed under the authority of this act is in the public interest. A Phase I or Phase II  
70 Utility, as defined in § 56-585.1:3 of the Code of Virginia, shall achieve a minimum of 50 percent of  
71 the reduction in carbon dioxide emissions prescribed under the authority of this act through the  
72 development of such utility-owned and utility-operated generating facilities utilizing energy derived from  
73 sunlight, or from onshore or offshore wind.

74 E. For any retail customer who purchases electric energy from a supplier other than the incumbent  
75 electric utility serving the exclusive service territory in which such retail customer is located pursuant to  
76 § 56-577 of the Code of Virginia, such retail customer shall pay a non-bypassable surcharge equal to  
77 the price established under the allowance auction to the incumbent electric utility for any purchase of  
78 electric energy that is not from a facility utilizing renewable energy, as defined in § 56-576 of the Code  
79 of Virginia, or a facility utilizing nuclear power.

80 F. The Department shall establish an allowance set-aside for any electric generation facility subject  
81 to a cap and trade program that operates according to a long-term contract as of January 1, 2020, that  
82 prohibits the recovery of allowance costs. Such facilities shall be allocated free allowances from the  
83 set-aside sufficient to cover their annual compliance obligation for the duration of the long-term  
84 contract.

85 G. Beginning in 2022, the Department shall prepare an annual written report describing the  
86 Commonwealth's participation in RGGI, the revenues collected and deposited in the interest-bearing  
87 account maintained by the Department, and how such funds were expended during the fiscal year. The  
88 report shall be submitted to the General Assembly by January 1 each year.