Department of Planning and Budget
2022 Fiscal Impact Statement

1. **Bill Number:** HB892

   House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Kilgore

3. **Committee:** Commerce and Energy

4. **Title:** Regional Greenhouse Gas Initiative; preexisting contracts.

5. **Summary:** Establishes a reserve account for the purchase of Regional Green House Gas Initiative (RGGI) allowances by an entity that has a preexisting contractual arrangement related to a power purchase entered into on or before May 16, 2017, and continuing in effect on July 1, 2020, through December 31, 2025. Such entity is authorized under the bill to purchase RGGI credits at a discounted rate, subject to conditions set forth in the bill, if, because of the preexisting contractual arrangement, the entity is unable to pass through or recover its RGGI costs.

6. **Budget Amendment Necessary**: See Item 8, below.

7. **Fiscal Impact Estimates:** Indeterminate. See item 8.

8. **Fiscal Implications:** This fiscal impact statement is preliminary.

   DEQ anticipates the administrative workload of this bill can be absorbed within existing resources, and anticipates that this bill may result in a reduction in revenues as it sets aside a specific amount of emissions from the established auction process and makes them available to eligible sources at a set price.

   According to DEQ, the average allowance price in 2021 was $9.47. A discounted allowance price of $2 results in $7.47 in estimated revenue loss per allowance. The bill establishes a schedule in which up to 2.0 million allowances may be placed in the reserve account in the first two years, with an estimated revenue loss of approximately $14.94 million each year. The subsequent two years in the schedule restrict the set-aside at 1.25 million allowances, with an estimated revenue loss of approximately $9.34 million each year. The last year in the schedule is capped at 600,000 allowances to be sold at the discounted rate, with a potential revenue loss of approximately $4.48 million.

   The Clean Energy and Community Flood Preparedness Act establishes the parameters for the Commonwealth's participation in a carbon dioxide cap-and-trade program to reduce emissions from power plants, in compliance with RGGI, and the distribution of the resulting

RGGI proceeds. The Act provides for 45 percent of the revenue to support Virginia Community Flood Preparedness Fund (CFPF), which is administered by the Department of Conservation and Recreation (DCR). The Virginia Resources Authority (VRA) manages the CFPF in accordance with a memorandum of agreement between the two entities. The Department of Housing and Community Development (DHCD) receives 50 percent of the proceeds, and an additional two percent for administrative expenses. Funding allocated to DHCD supports the Housing Innovations in Energy Efficiency program, by focusing grants on weatherization, affordable and special needs housing, and other housing innovations. The latter portion of this distribution may be administered in collaboration with the Department of Energy (DEN). Additionally, DEQ is authorized to use three percent of the revenue to (i) cover reasonable administrative expenses in revenue allocation, carbon dioxide emissions cap-and-trade program, and auction, and (ii) carry out statewide climate change planning and mitigation activities.

The State Corporation Commission and DCR anticipate no fiscal impact as a result of this bill. However, the aforementioned revenue loss is anticipated to proportionally impact the amounts to be distributed to DCR, DEQ, DHCD, and potentially DEN. HB30/SB30, as introduced, includes nongeneral fund appropriation and positons for DHCD, DCR, and DEQ for the programs these agencies administer utilizing proceeds from the auctions. This appropriation is based on anticipated revenue in the upcoming biennium and based on the revenue generated from prior sales. In the event revenue is reduced and the portion of funding received by these agencies decreases, the appropriation in the budget bill may need to be adjusted.

9. **Specific Agency or Political Subdivisions Affected:** Departments of Environmental Quality; Energy; Conservation and Recreation; and Housing and Community Development; State Corporation Commission; Secretary of Natural and Historic Resources; localities

10. **Technical Amendment Necessary:** DEQ states that the bill requirement that this set-aside be in place beginning in 2021 cannot be done, as all of the vintage allowances have already been sold at auction. Therefore, this set aside account could not be established prior to calendar year 2022.

11. **Other Comments:** This bill is a companion to SB398, Introduced.