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SENATE BILL NO. 696

Offered January 10, 2018

Prefiled January 10, 2018

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 Memorandum of Understanding; deposit and distribution of proceeds of allowance auctions; Virginia Alternative Energy and Coastal Protection Act.

Patrons—Lewis and McClellan

Referred to Committee on Agriculture, Conservation and Natural Resources

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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, and as may be amended, and 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 Board shall adopt regulations establishing a carbon dioxide cap and trade program to limit and reduce the total carbon dioxide emissions released by electric generation facilities. The regulations shall comply with the RGGI model rule and shall specify that 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 allowances and result in a net loss of consumer benefit.

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 Memorandum of Understanding (MOU) 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 20 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 development, education, and workforce training programs for families and businesses in Southwest Virginia for the purpose of revitalizing communities negatively affected by the decline of fossil fuel *production, the guidelines of which shall be determined by DMME.*

5. Not more than five percent of the revenue shall be used to cover reasonable administrative expenses of the Department and DMME in the administration of this act.

D. Beginning in 2020, the Department shall prepare an annual written report describing the Commonwealth's participation in RGGI, the revenues collected and deposited in the interest-bearing account maintained by the Department, and how such funds were expended during the fiscal year. The report shall be submitted to the General Assembly by January 1 each year.