

Department of Planning and Budget 2020 Fiscal Impact Statement

1. **Bill Number:** HB714

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Reid

3. **Committee:** Passed Both Houses

4. **Title:** Virginia Energy Plan; Commonwealth Energy Policy.

5. **Summary:** Adopts findings that climate change is an urgent and pressing challenge for Virginia, that swift decarbonization and a transition to clean energy are required to meet the urgency of the challenge, and that the Commonwealth will benefit from being a leader in deploying a low-carbon energy economy. The measure states that the Commonwealth recognizes that the following objectives will advance the health, welfare, and safety of Virginians: (i) establishing sufficient supply and delivery infrastructure to enable widespread deployment of distributed energy resources; (ii) maximizing energy efficiency programs in order to produce electricity cost savings and to create jobs and revenue from the energy efficiency service sector; (iii) establishing greenhouse gas emissions reduction goals across Virginia's economy that reach net-zero emissions by 2045; (iv) requiring that pathways to net-zero greenhouse gas emissions be determined; (v) enabling widespread integration of storage technologies into the grid and pairing such storage technologies with renewable generation; (vi) mitigating the negative impacts of climate change and the energy transition on disadvantaged communities and prioritizing investment in these communities; (vii) developing the carbon-free energy resources required to fully decarbonize the electric power supply of the Commonwealth including deployment of 30 percent renewables by 2030 and realizing 100 percent carbon-free electric power by 2040; and (viii) ensuring that decision-making is transparent and includes opportunities for full participation by the public. The measure also states that it is the policy of the Commonwealth to (a) ensure the adequate supply of natural gas necessary to ensure the reliability of the electricity supply and the needs of businesses during the transition to renewable energy; (b) establish greenhouse gas emissions reduction standards across all sectors of Virginia's economy that target net-zero emissions carbon by 2045; (c) enact mandatory clean energy standards and overall strategies for reaching zero carbon in the electric power sector by 2040; (d) equitably incorporate requirements for technical, policy, and economic analyses and assessments that recognize the unique attributes of different energy resources and delivery systems to identify pathways to net-zero carbon that maximize Virginia's energy reliability and resilience, economic development, and jobs; and, (e) minimize the negative impacts of climate change and the energy transition on economically disadvantaged communities and prioritize investment in these areas. The measure also requires that the Virginia Energy Plan identify actions consistent with the goals of achieving a net-zero carbon economy by 2045 and include an inventory of all greenhouse gas emissions for the four years preceding the issuance of the Plan.

6. **Budget Amendment Necessary:** No.

7. **Fiscal Impact Estimates:** Final. See Item 8.

Expenditure Impact: Department of Environmental Quality

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2020	0	0	n/a
2021	\$315,500	0	GF
2022	\$315,500	0	GF
2023	\$115,500	0	GF
2024	\$115,500	0	GF
2025	\$315,500	0	GF
2026	\$315,500	0	GF

8. **Fiscal Implications:** It is anticipated that the Department of Mines, Minerals and Energy (DMME) can absorb the impact of the amended bill with existing resources.

It is anticipated that the Department of Environmental Quality (DEQ) can absorb the impact of the amended bill within the resources provided in the introduced budget. HB30/SB30, as introduced, includes \$31 million in general fund support over the biennium to restore and enhance DEQ's capacity in several programs, \$2.32 million of which is to support the agency's regulatory activities, including the provisions of this bill. In the event funds are removed, the agency may require additional resources. Budget amendments to HB30/SB30 adopted by the House and the Senate, respectively, reduce funding proposed for DEQ in the introduced budget bill, but it is unclear whether these reductions affect the funding DEQ would use toward the implementation of this bill.

DEQ currently develops and updates a basic greenhouse gas emissions inventory that does not rise to the quality of a comprehensive greenhouse gas emission inventory including projections. DEQ indicates that a more rigorous comprehensive inventory would be needed to set mass greenhouse gas emissions reduction targets and goals and to track the progress toward these goals that may be established by the Commonwealth, and that this higher level of emissions inventory would also be needed to test policies and programs to achieve any goals that are set. DEQ estimates that in order to create an inventory and keep it updated, one Environmental Specialist II position at an annual cost of \$115,500 would be needed to gather and maintain the data. In addition, contractual support would be needed to create, maintain and update the inventory. The contractual support is estimated to cost \$300,000 for every four-year cycle. This would be split \$150,000 in FY2021, FY2022, and then again in FY2025 and FY2026. Additionally, the projections for the greenhouse gas emissions are expected to require more modeling support every four-year cycle, so \$50,000 was added in FY2021, FY2022, FY2025 and FY2026.

It is anticipated that this bill will not result in a fiscal impact to the State Corporation Commission.

9. **Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals and Energy; Department of Environmental Quality; State Corporation Commission.

10. Technical Amendment Necessary: None.

11. Other Comments: This bill is the companion to SB94.