

Department of Planning and Budget

2020 Fiscal Impact Statement

1. Bill Number: SB94

House of Origin	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Favola

3. Committee: Appropriations

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

5. Summary: Provides that the Commonwealth Energy Policy shall (i) 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; (ii) establish greenhouse gas emissions reduction standards across all sectors of Virginia's economy that target net zero carbon emissions by 2045; (iii) enact mandatory clean energy standards and overall strategies for reaching net-zero carbon in the electric power sector by 2040; (iv) 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 (v) minimize the negative impacts of climate change and the energy transition on disadvantaged communities and prioritizing investment in these areas. The measure requires the Virginia Energy Plan to be prepared in consultation with the Clean Energy Advisory Board, solar, wind, and energy efficiency sectors, and a stakeholder group that includes representatives of consumer, environmental, manufacturing, and agricultural organizations and electric utilities. The measure also requires that the Virginia Energy Plan identify actions over a 10-year period consistent with the goal of the Commonwealth Energy Policy to achieve, no later than 2045, a net-zero carbon energy economy for all sectors, including electricity, transportation, building, agricultural, and industrial sectors. In addition, the Plan shall include other forms of non-greenhouse-gas-generating energy resources, such as nuclear power used in the Commonwealth; an analysis of siting requirements for electric generation resources and natural gas and electric transmission and distribution resources, including an assessment of state and local impediments to expanded use of distributed resources and recommendation to reduce or eliminate these impediments; and, an inventory of greenhouse gas emissions using a method determined by the Department of Environmental Quality (DEQ) for the four years prior to the issuance of the Plan, and projections for the greenhouse gas emissions that would result from the implementation of the Plan's recommendations.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary. 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 any expenditure impact as a result of this bill to the Department of Mines, Minerals and Energy can be absorbed within 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.

The impact of this bill to the State Corporation Commission is unknown at this time.

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

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** HB 714 also revises the Virginia Energy Plan.