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SENATE JOINT RESOLUTION NO. 240
AMENDMENT IN THE NATURE OF A SUBSTITUTE
 (Proposed by the Senate Committee on Rules
 on February 3, 2023)

(Patron Prior to Substitute—Senator Petersen)

Requesting the Department of Energy to study impacts of data center development on Virginia's environment, economy, energy resources, and ability to meet carbon-reduction goals. Report.

WHEREAS, the data center industry provides essential services for information technology worldwide, with growth projected to accelerate globally at a rate of over 20 percent, and with 35 percent of growth coming from North America; and

WHEREAS, Northern Virginia has the largest concentration of data centers in the world, with an estimated total of 1,686 megawatts in 2021 and 200 megawatts more in development; and

WHEREAS, data centers are Virginia's largest category of commercial energy users, representing 12 percent of Dominion Energy Virginia's load in 2019 as well as a significant portion of Northern Virginia Electric Cooperative's total load, such that Virginia's overall load growth continues to increase even as energy efficiency has reduced demand from other sectors, requiring new electricity generation and transmission lines paid for by Virginia ratepayers and impacting Virginia's ability to reduce its overall CO2 emissions; and

WHEREAS, many data center operators have established sustainability goals including the use of renewable energy, which if realized would require far more renewable energy than is currently planned for development in Virginia; and

WHEREAS, Virginia's data center sales and use tax exemption is by far the Commonwealth's largest economic development incentive, costing Virginia \$138 million in 2020 and with a cumulative total estimated at over \$830 million from 2010 to 2020, while a 2019 report of the Joint Legislative Audit and Review Commission found that Virginia received back only 72 cents for every dollar of tax incentive, while data centers create few jobs and provide economic benefits primarily to the local governments where they are sited; and

WHEREAS, Northern Virginia localities have seen an increase in conflicts over the siting of new data centers and associated transmission lines, including concerns about impacts to air and water quality, wildlife, noise, loss of farmland, and negative impacts on parks and Civil War battlefields; and

WHEREAS, localities elsewhere in Virginia are actively seeking to host data centers, but some have been unable to attract them; and

WHEREAS, some data centers host cryptocurrency mining operations that consume vast amounts of electricity while returning no value to the public; and

WHEREAS, the concentrated siting of data centers in proximity to drinking water resources and drainage areas and near large population centers impacts water availability, quality, and costs; and

WHEREAS, total long-term costs to Virginia ratepayers and taxpayers are not fully known, including costs of transmission lines, water and sewer expansion and hookups, road construction, increases in carbon emissions, and long-term rate and tax burdens that might include higher utility bills and state taxes required to fund climate mitigation; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Department of Energy be requested to study the impacts of data center development on Virginia's environment, economy, energy resources, and ability to meet carbon-reduction goals.

In conducting its study, the Department of Energy (the Department) shall consult with representatives from environmental organizations, historic preservation organizations, labor organizations, the data center industry, the Virginia Economic Development Partnership, and the Virginia Municipal League or the Virginia Association of Counties, or both, and with the Secretaries of Natural and Historic Resources and Commerce and Trade, or their designees, and shall evaluate (i) the impacts of data center development in Virginia, including impacts on electricity supply and demand, ratepayer impacts, and Virginia's ability to meet its climate goals; (ii) the progress that data centers have made in sourcing their energy needs from renewable energy sources; (iii) the effects of cryptocurrency mining; (iv) the impacts of concentrated data center development on air quality, wildlife, and water resources; (v) employment and job creation during the construction and operational phases of data centers; and (vi) the role of Virginia's tax and economic development incentives in producing benefits for certain localities, the effectiveness of such incentives in recruiting businesses to areas in need of economic development, and the impacts of credits and incentives on local tax revenue. The executive summary and report of findings shall include recommendations on whether Virginia should continue to provide incentives for data centers, and if so, whether such incentives should be conditioned on meeting requirements such as the use of renewable energy or locating in areas in need of economic development, as well as any other

60 recommendations the Department considers necessary for the public good. The summary and report shall
61 also include a recommendation on whether cryptocurrency mining should be prohibited in Virginia.

62 Technical assistance shall be provided to the Department by the Department of Environmental
63 Quality. All agencies of the Commonwealth shall provide assistance to the Department for this study,
64 upon request.

65 The Department shall complete its meetings by November 1, 2023, and shall submit to the Governor
66 and the General Assembly an executive summary and a report of its findings and recommendations for
67 publication as a House or Senate document. The executive summary and report shall be submitted as
68 provided in the procedures of the Division of Legislative Automated Systems for the processing of
69 legislative documents and reports no later than December 1, 2023, and shall be posted on the General
70 Assembly's website.