OPPOSE SB398/HB892

Topic: Significantly Discounted RGGI Allowances to Private Company

Bill Patron: Senator Ryan McDougle / House Maj. Leader Terry Kilgore

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Reasons to Oppose SB398/HB892:

- SB398/HB892 would give more than 7 million severely discounted allowances to a private sophisticated company—LS Power—which has raised over $47 billion in financing since 1990. The proposal calls for a set price of $2, as compared to the most recent auction price of $13.
- In 2020, the General Assembly already considered this issue and rejected multiple attempts by LS Power to obtain free or heavily discounted allowances. Nothing has changed and the General Assembly should reject this request too.
- Instead of letting the market cost of allowances drive power plant decisions to reduce emissions over time, these bills would do the opposite—rigging the market price of an allowance for a single company.
- This proposal would take away tens of millions of dollars from low-wealth families trying to reduce their electricity bills and localities trying to address recurrent flooding, for the benefit of a private sophisticated company.
- These bills could actually let LS Power ***profit***—it could sell already-acquired allowances at market rates and then turn around and purchase $2 allowances for compliance purposes in 2021 and 2022.

Overview:

- Between July 2016 and May 2017, LS Power rushed into four power purchase contracts without protecting itself contractually from the possibility that Virginia could join the Regional Greenhouse Gas Initiative or some other carbon pricing mechanism.
- At the time it entered into the contracts, RGGI had been in operation since 2008, the Clean Power Plan had been proposed in 2014, and in 2015 and early 2016 Virginia had already convened multiple stakeholder meetings about how to comply with the Clean Power Plan. The general consensus from those meetings was that Virginia would need a "trading ready" plan such as RGGI.
- LS Power gambled in these contracts and now regrets their decision. Virginia should not intervene to fix a sophisticated company's imprudent contracting, and certainly not in a way that rigs the market and takes millions of dollars away from Virginians in need.

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