

REJOINING THE REGIONAL GREENHOUSE GAS INITIATIVE

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WHY IT MATTERS

Climate change represents a major threat to the health, safety, and economy of Virginia. Climate change has already hit Virginia in numerous ways—increasingly frequent extreme precipitation events, coastal and inland flooding, and dangerous heat waves and drought conditions that put workers, livestock, and crop yields at risk.

Greenhouse gas emissions from power plants are a significant contributor to this problem. Thankfully, Virginia has a proven solution to tackle this source of air pollution. The Regional Greenhouse Gas Initiative (RGGI) is a program that requires power plant owners to begin to account for their pollution and the harm it imposes on Virginians by purchasing an allowance for every ton of carbon dioxide their plant emits. The supply of these allowances reduces over time, which is how RGGI has successfully driven down emissions while providing billions in economic and health benefits in participating states since its start about 15 years ago.¹

In addition to driving down greenhouse gas emissions, RGGI is also an important customer protection tool, requiring power plant owners to steadily reduce their reliance on fossil fuels, costs of which have increased dramatically in recent years resulting in significant customer bill increases.²

Moreover, RGGI produces consistent funding for participating states for critical programs like improving community resilience to flood impacts and increasing energy efficiency in low-income households.

CURRENT LANDSCAPE

The General Assembly passed a law in 2020 requiring Virginia to participate in RGGI.³ Despite multiple repeal attempts at the General Assembly, the 2020 law that brought Virginia into RGGI remains on the books. Unfortunately, the Virginia Air Pollution Control Board removed Virginia from the cooperative effort through a regulatory action at the behest of the administration.⁴ This administrative action is the subject of an ongoing lawsuit, but as of January 1, 2024, Virginia is no longer participating in RGGI.

When Virginia joined RGGI, it quickly experienced the same success that other states have seen: from 2021 to 2023, Virginia saw its carbon pollution drop by 22%.⁵ Without RGGI in place, emissions have already jumped back up—a troubling but predictable result. Comparing the first quarter of 2024 (not in RGGI) to the first quarter of 2023 (in RGGI), for example, Virginia's emissions have leaped 27.6%.⁶

Moreover, without RGGI in place, Virginia is losing out on the steady funding source that the program has been providing. Under the 2020 law, Virginia was using its funds to help constituents both reduce their energy burden and adapt to the climate risk created by carbon pollution across the state. 45% of revenues generated from RGGI, or over \$372 million, was directed to the Community Flood Preparedness Fund and to support state flood planning efforts. 50% of the revenues had been helping low-income families slash their energy bills and their climate impact, by upgrading existing homes and creating highly-efficient new affordable housing (see page 111).

Localities that had begun to develop the expertise needed to address flooding issues in their communities now face tremendous difficulties with uncertain funding sources. The RGGI-funded programs that were helping low-income households reduce electric bills have also seen their steady funding disappear.

OPPORTUNITIES

Participation in RGGI is a critical opportunity to put Virginia on track to meet its climate goals, while also improving air quality and improving public health. With emissions already jumping back up following Virginia's withdrawal, it is more important than ever that Virginia find a way to get back into RGGI as quickly as possible. While Virginia is continuing its transition to clean energy in line with other policies, like the Virginia Clean Economy Act, RGGI is a necessary piece of this transition. RGGI is the tool that ensures utilities across Virginia steadily reduce their reliance on fossil fuels while tackling the impacts of climate change. Without our reentry to RGGI, Virginia faces mounting costs in flood mitigation and energy efficiency improvement efforts and risks falling behind in our efforts to build a more resilient Commonwealth.

Virginia agencies have received inconsistent guidance regarding the fate of December 2023 RGGI auction proceeds and they are currently not being allocated to the DCHD and DCR grant funding pots. This revenue (over \$97M) should be allocated by the appropriate agencies according to the 2020 Clean Energy and Community Flood Preparedness Act.

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TOP TAKEAWAYS

RGGI was working well in Virginia for three years, steadily and cost-effectively reducing carbon pollution from power plants.

Virginia should rejoin RGGI as soon as possible to come into compliance with existing law.

RGGI is the best source of revenue for the Community Flood Preparedness Fund and Low-Income Energy Efficiency programs, which must otherwise be funded via general funds or another dedicated source of revenue.

Fisherman at Rudee Inlet - Virginia Beach

Photo by Michale Schimmel



ENDNOTES

1. Stuart, D, and P Hibbard. "The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States." Analysis Group, (May 2023). <https://www.analysisgroup.com/Insights/publishing/the-economic-impacts-of-the-regional-greenhouse-gas-initiative-on-ten-northeast-and-mid-atlantic-states2/>.
2. "SCC Seeks Public Comments on Application of Appalachian Power Company to Decrease Its Fuel Factor," State Corporation Commission, (October 5, 2023). <https://www.scc.virginia.gov/newsreleases/release/Comments-Sought-on-APCo-Fuel-Factor-Reduction>.
3. Va. Code §§ 10.1-1329 to 1331 (Clean Energy and Community Flood Preparedness Act).
4. Charlie Paulin, "Virginia air board approves withdrawal from regional carbon market," *Virginia Mercury*, (June 7, 2023). <https://virginiamercury.com/2023/06/07/virginia-air-board-approves-withdrawal-from-regional-carbon-market/>.
5. Clean Air Markets Program Data: Virginia 2020-2023, U.S. Environmental Protection Agency, (May 23, 2024). <https://campd.epa.gov/data/custom-data-download?bookmarkId=1281>.
6. Clean Air Markets Program Data: Virginia 2024 Q1 vs 2023 Q1, U.S. Environmental Protection Agency, (May 23, 2024). <https://campd.epa.gov/data/custom-data-download?bookmarkId=1366>.