VIRGINIANS WIN WITH THE REGIONAL GREENHOUSE GAS INITIATIVE

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WHY IT MATTERS

Virginians are increasingly impacted by fossil-fuel-driven climate change. Virginia experiences increasingly frequent extreme precipitation, leading to floods that devastate communities. Virginians struggle through dangerous heat and drought conditions that put workers, livestock, and crop yields at risk.

Burning fossil fuels is also bad for Virginians' health and creates harmful local air pollution, contributing to increased cases of asthma, heart problems, and premature deaths. Experts found that **Dominion Energy**'s plan for large-scale buildout of gas plants in Virginia would burden nearby communities with $7.4 to $13.9 billion in health harms.[1]

Fossil fuels are one of the biggest drivers of bill increases. Unlike clean energy resources such as solar and wind, power plants need fuel to run. Utilities are allowed to pass along these fossil fuel costs to customers. In 2022 and 2023, when gas prices rose during Russia's attack on Ukraine, Dominion customers paid an extra $1 billion annually to cover those increases.[2] Dominion is now asking customers for another $1 billion, largely to cover January's Winter Storm Fern[3]–while customers are still paying off the 2023 fuel debt. The Iran conflict continues to drive up gas costs, and customers can expect another large bill in the future.

Fortunately, Virginia has a proven solution to help tackle these issues: the **Regional Greenhouse Gas Initiative (RGGI)**. RGGI has a long track record of success, incentivizing electric utilities to steadily reduce their reliance on fossil fuels, improving Virginia's air quality and the health of its citizens, while protecting customers from the high bills of increased investment in fossil fuels. Furthermore, RGGI brings in critical funding to help Virginia communities combat flooding and low-income households slash their energy bills. Every $1 invested in preventing flooding before it happens prevents up to $33 in lost economic activity. RGGI-funded energy efficiency projects save an average household $676 per year.[4]

CURRENT LANDSCAPE

Virginia participated in RGGI from 2021-2023. During this time, power plant carbon pollution dropped by 22%[5] and Virginia received $827 million from the sale of RGGI carbon allowances.[6] These funds were helping communities and struggling households across the Commonwealth by reducing the risk of flood damage and lowering energy bills.

Former Governor Youngkin illegally pulled the state out of the program for two and a half years. Virginia's emissions went up by 31% in these two years and the state lost out on hundreds of millions of dollars that should have been helping Virginians on the frontlines of climate change.

Virginia rejoined RGGI as of July 1, 2026, because of action by the General Assembly and Governor Spanberger. Virginians can expect to see lower air pollution thanks to less fossil fuel being burned in our state. The flood prevention and energy efficiency programs will once again have their funding restored. However, the 2026 budget included language to allocate 45% of RGGI revenue as credits to utility and electric-cooperative customers. While bill relief is an important consideration, fossil fuel prices and data center growth are the primary drivers of rising electricity bills, not RGGI. The rebate will drastically reduce the percent funding for flood resiliency and low-income energy efficiency, though the demand for both programs outpaces their funds.

OPPORTUNITIES

Now that Virginia has re-entered RGGI, there are opportunities to make the program work even better for Virginians.

For example, two of the biggest reasons electricity bills have increased are fossil fuel prices and data centers *(see Addressing Data Center Energy Demand, page 99)*. Bills did not go down from 2024 to 2026 when Virginia left RGGI. In fact, a typical Dominion customer saw their bill rise by 24% from May 2024 through May 2026.[7]

To help provide better transparency, improvements could be made to how utilities account for RGGI on customer bills. Virginia allows utilities to pass on the costs of complying with RGGI to consumers.[8] However, the current process lacks transparency and creates the misleading impression that RGGI costs are higher and fuel costs are lower than they actually are. Moreover, improvements to the underlying cost recovery structures could better incentivize the utilities to more proactively reduce reliance on fossil fuels and lower costs for customers.

Virginia can now count on the funds being replenished each year to support both climate resiliency as flooding intensifies and equitable access to energy efficiency as part of the just transition to a carbon-free future.

Virginia code directs 45% of RGGI revenues to flood resilience, to support plans, studies, and projects incentivizing localities to plan now for the future *(see Reducing Flood Risk, page 19)*.

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So far, $300 million in RGGI revenue has been invested in communities across the state struggling to adapt to climate change – this is still only a fraction of Virginia's long-term need.

By code, 50% of RGGI revenue is directed to the **Department of Housing and Community Development** for low-income energy efficiency programs. This is aligned with other RGGI states, which have used 54% of RGGI funds for energy efficiency, with $4 in bill savings for every $1 invested.[9] DHCD needs sufficient staff to swiftly distribute RGGI funds to effective statewide efficiency programs *(see Energy Efficiency is Energy Affordability, page 103)*.

TOP TAKEAWAYS

RGGI is a successful program proven to reduce carbon pollution while generating revenue for flood resiliency and low-income energy efficiency programs that would otherwise go unfunded.

Electricity prices are rising mainly because of fuel prices and data centers, not RGGI. RGGI helps protect customers from these effects by reducing reliance on fossil fuels.

Further opportunities exist to provide more transparency to customers about the accurate cost of RGGI and better incentivize utilities to lower compliance costs.

ENDNOTES

1. Ex. 26, Direct Testimony of Nick Laws, Attachment NDL-3, *In re: Virginia Electric and Power Company's 2024 Integrated Resource Plan filing pursuant to Va. Code § 56-597 et seq.*, Case No. PUR-2024-00184, Virginia State Corporation Commission, pp. 36-38 https://www.scc.virginia.gov/docketsearch/DOCS/85nm01!.PDF
2. Application of Virginia Electric and Power Company to revise its fuel factor pursuant to Va. Code § 56-249.6, Case No. PUR-2022-00064 (May 5, 2022), Va. State Corp. Comm'n; Application of Virginia Electric and Power Company, To revise its fuel factor pursuant to Va. Code § 56-249.6, Case No. PUR-2023-00067 (May 1, 2023), Va. State Corp. Comm'n. https://www.scc.virginia.gov/docketsearch/DOCS/84ql01!.PDF
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5. *Clean Air Markets Program Data: custom data download*. (2026, June 28). U.S. Energy Information Administration (EIA). https://campd.epa.gov/data/custom-data-download
6. Regional Greenhouse Gas Initiative. (n.d.). *Auction results*. https://www.rggi.org/auctions/auction-results
7. *Electricity Price Hub*. (n.d.). Heat Map. https://electricity.heatmap.news
8. Generation, distribution, and transmission rates after capped rates terminate or expireVa. Code § 56-585.1 A 5 e. (2026). https://law.lis.virginia.gov/vacode/title56/chapter23/section56-585.1/
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Home energy audit blower door test
Photo by Jorden McLean