



Comments by Virginia Advanced Energy Economy regarding the Carbon Mitigation Rules Proposed by Va. DEQ - Regulation for Emissions Trading [9 VAC 5- 140]

March 6, 2019

About Virginia Advanced Energy Economy

Virginia Advanced Energy Economy (Virginia AEE) is a coalition of businesses that seek to make the Commonwealth's energy more secure, clean, and affordable, bolstering Virginia's economy. Virginia AEE aims to drive the development of advanced energy by identifying growth opportunities, removing policy barriers, encouraging market-based policies, establishing partnerships, and serving as the voice of companies in the advanced energy sector.

Comments

Virginia AEE supports the revised draft regulation, published in the Virginia Register on February 4, 2019, to establish a CO₂ budget-trading program in the Commonwealth. The proposed regulation will help to make our energy economy more secure, clean, and affordable – central aims of our business coalition – further bolstering the Commonwealth's economy while reducing emissions. We also support the structure of the proposed regulation, which will allow Virginia to integrate its' carbon market with other state and regional markets. Such integration will help the Commonwealth reduce emissions through more efficient and cost-effective approaches.

In April of 2018, Virginia AEE submitted public comments expressing our support for the Administration's original draft regulation. Those detailed comments, which contain extensive analysis of the economic dynamics around carbon regulation in the Commonwealth, accompany this submission. The revised regulation, as published on February 4, largely maintains the original structure of this carbon-trading regime. As such our support for the regulation is unchanged and the analysis conducted in 2018 remains applicable.

The chief difference between the revised rule and that originally proposed is the starting cap. In 2018, the Administration proposed a starting cap of 33 or 34 million tons of CO₂ per year. At the time our analysis indicated that, using advanced energy resources, the Commonwealth would not only meet, but in fact exceed its carbon reduction target, reducing emissions from the generation sector to approximately 19.7 million tons per year in 2030.

The revised rule proposes a starting cap of 28 million tons, with an annual reduction of three percent. Virginia AEE supports this revised cap. Per our analysis, using advanced energy resources such as efficiency and renewable generation, Virginia should be able to meet cap reductions each year through 2030 with little to no adverse impact upon rates, even with a lower starting cap. In fact, depending upon the mix of energy resources utilized in compliance, Virginia consumers may see their rates decrease as a result of this rule.

By reducing the quantity of carbon credits in the marketplace, this cap reduction should raise the value of zero carbon resources, such as renewable generation and energy efficiency. This may, in turn, prompt the deployment of such resources above and beyond what we projected in our analysis last year.

Added deployment of advanced energy is good news for Virginians. As our prior analysis indicates, investment in renewables and efficiency is a source of net job creation for the Commonwealth. Additional investment should, therefore, help to create still more jobs – in construction, operations, maintenance and other positions – in Virginia. Such projects, be they wind and solar farms or efficiency investments, are likewise shown to generate new in-state investment and tax revenue for the state and locality in which such projects are located. Additional investment should, therefore, produce more in-state investment and revenues.

Virginia has the opportunity to adopt a regulatory system that allows the state to meet its environmental goals while creating new jobs, investment, and tax revenues and leaving rates largely unchanged. As our analysis demonstrates, we have at our disposal the advanced energy resources necessary to accomplish this balancing act. Therefore we encourage the Air Pollution Control Board to approve the revised draft rule, and for policymakers throughout Virginia to advance rules and regulations that allow Virginians to fully access the advanced energy economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Harrison Godfrey". The signature is fluid and cursive, with a large, stylized initial "H" and "G".

Harrison Godfrey
Executive Director
Virginia Advanced Energy Economy