



# The Virginia Carbon Trading Rule & Participation in the Regional Greenhouse Gas Initiative

**What You Need to Know – 8/12/20**

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Air & Renewable Energy Division  
and RGGI, Inc.

# Presentation Overview

- Welcome & Introduction
- Virginia Carbon Trading Rule
  - Overview
  - Timeline
  - Changes to Final Rule
- RGGI Overview
- Things You Should Do
- Permitting
- Questions & Answers



# Introduction and Welcome

- The Final Virginia Carbon Trading Rule was signed by the DEQ Director on June 25, 2020 and became effective on July 10, 2020
- Authority provided by the “*Virginia Clean Energy and Community Flood Preparedness Act*” – Chapter 1219 of Virginia Acts of Assembly
- Previous rule (C17) subsequently revised to conform to statute
- Exempt from the Administrative Process Act (APA) with no further action by the State Air Pollution Control Board

# Introduction continued – 2020 Legislation

- **“Virginia Clean Energy and Flood Preparedness Act”**
  - DEQ is authorized to establish, implement, and manage an auction program to sell allowances into a market-based trading program consistent with RGGI to raise revenue
  - Revenue distribution:
    - 45% - Flood preparedness and coastal resilience
    - 50% - Low-income energy efficiency programs
    - 3% - DEQ administrative costs and climate planning activities
    - 2% - DHCD/DMME administrative costs
  - Provisions for energy conversion or tolling agreements – limited impact to one regulated source

# Virginia Carbon Trading Rule - Overview

- Covers electric generating units serving a generator  $\geq 25$  MW
  - ~90 units at 27 existing sources and two permitted sources
- Decreasing CO<sub>2</sub> emissions budgets out to 2030
  - 2021 starting budget of 27.16 million tons and reducing to 19.6 million tons in 2030
  - 30% reduction from 2020 projected emissions
- Allows for banking and trading of allowances
  - Purchase allowances for compliance
  - One allowance = one ton of CO<sub>2</sub>
  - Unused allowances can be banked for the future or traded

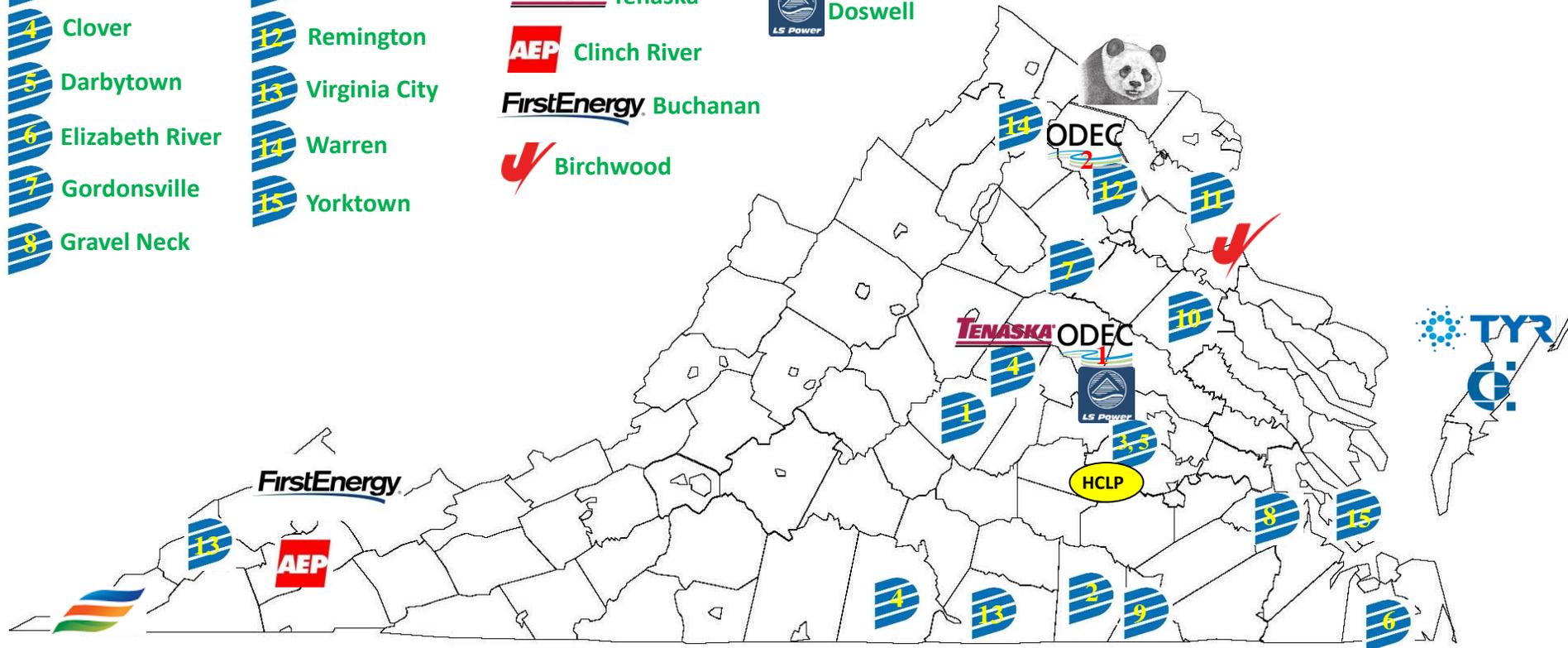
# Virginia Carbon Trading – Overview continued

- Includes cost and emissions containment reserves & triggers
  - CCR sets a price ceiling and adds allowances to address scarcity of allowances
  - ECR removes allowances to address excess banked allowances
  - Rule also includes a price floor when no allowances will be sold
- Includes provisions for budget adjustments
  - To address excess banked allowances
  - Next adjustment to be determined in 2021
- Includes exemption provisions for industrial facilities
  - Based on power mainly generated for internal purposes
- Permitting, compliance, and reporting requirements
  - Part 75 reporting to EPA Clean Air Markets Division (CAMD)

# Virginia Carbon Trading Rule – Regulated Sources

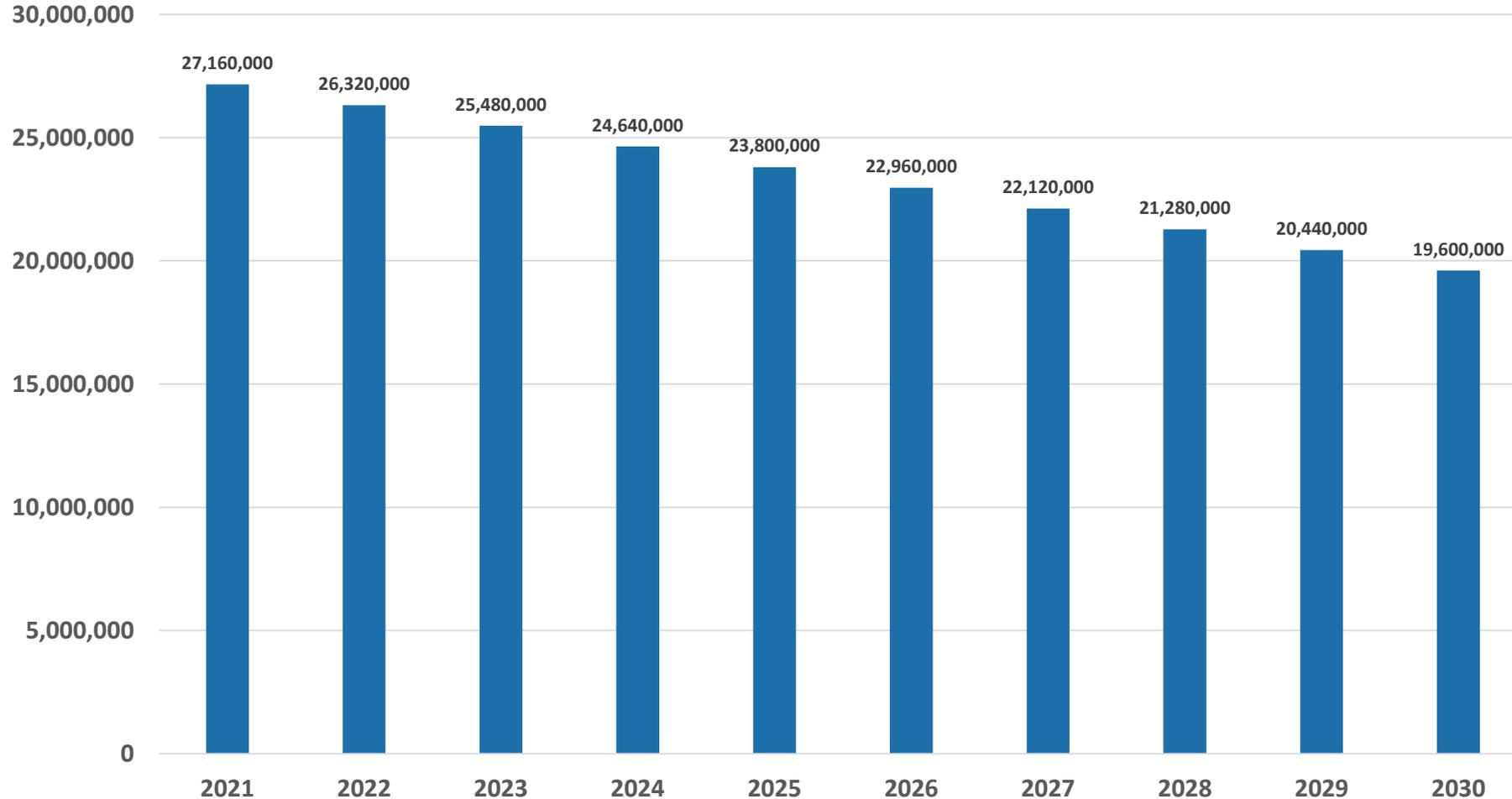
- 1 Bear Garden
- 2 Brunswick
- 3 Chesterfield
- 4 Clover
- 5 Darbytown
- 6 Elizabeth River
- 7 Gordonsville
- 8 Gravel Neck
- 9 Greenville
- 10 Ladysmith
- 11 Possum Point
- 12 Remington
- 13 Virginia City
- 14 Warren
- 15 Yorktown

 ODEC Louisa  
 ODEC Marsh Run  
 TENASKA Tenaska  
 AEP Clinch River  
 FirstEnergy Buchanan  
 Birchwood  
 Stonewall  
 Wolf Hills  
 LS Power Doswell  
 HCLP Hopewell Cogen Ltd Partnership  
 TYR Commonwealth Chesapeake  
 Tasley



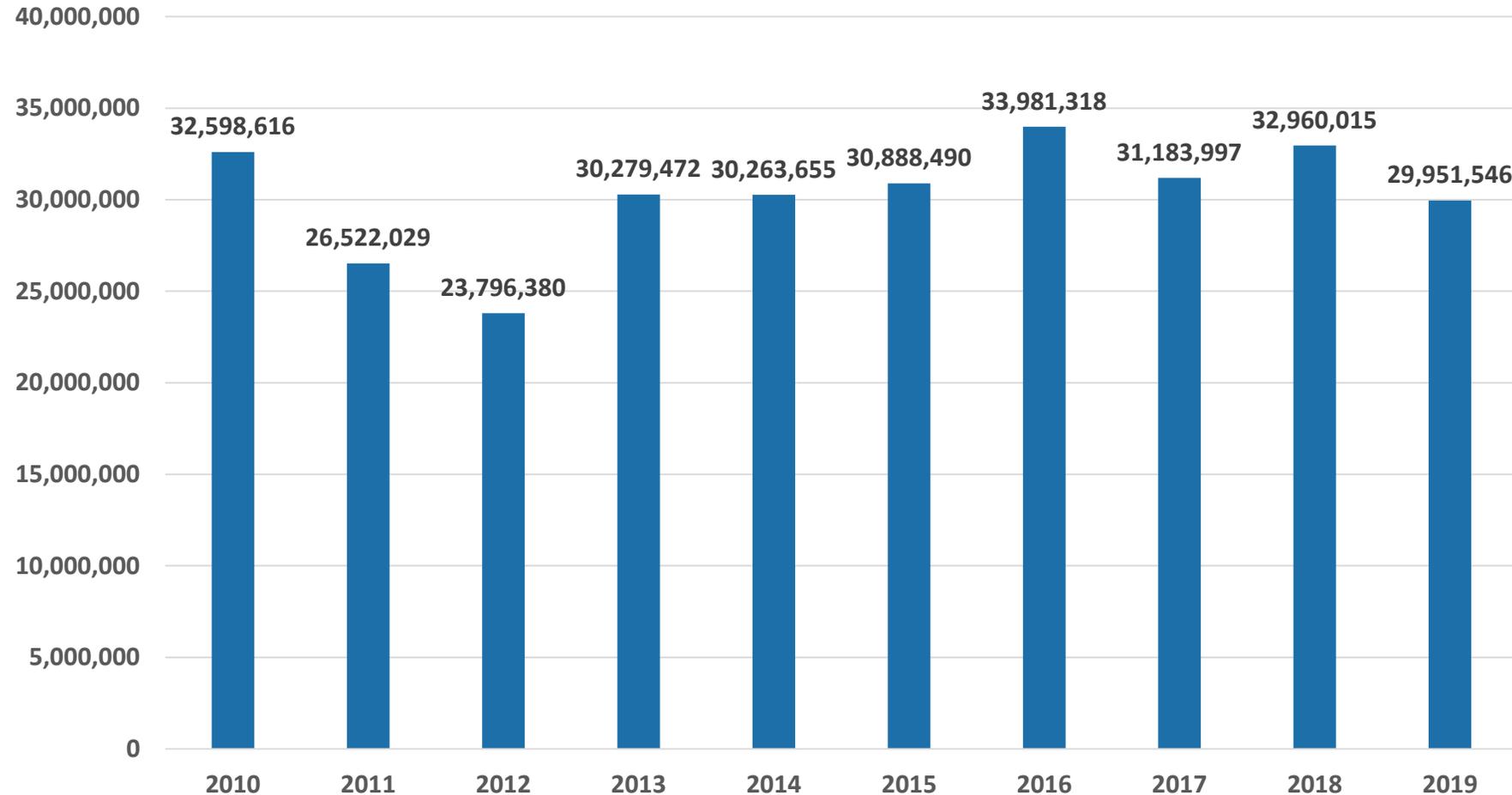
# Virginia Carbon Trading Rule – Yearly Emission Budgets

VIRGINIA TRADING RULE YEARLY EMISSION BUDGETS



# Virginia Carbon Trading Rule – CO<sub>2</sub> Emission Trends

VIRGINIA POWER SECTOR CO<sub>2</sub> TRENDS (short tons)



# Virginia Carbon Trading Rule – Regulatory Timeline

- May 2017 – Executive Order 11: DEQ to develop carbon trading rule using existing authorities
- August/September 2017 – Regulatory Advisory Panel convened and issue report
- January 2018 – Proposed trading regulation published for public comment (closed in April)
- October 2018 – Re-proposed rule approved for public comment
- April 19, 2019 – Final carbon trading rule approved by SAPCB and became effective on June 27, 2019

# Virginia Carbon Trading Rule – Regulatory Timeline

- April 2019 - Provision in state budget prohibits rule implementation
- April 2020 – Enabling legislation passed by the General Assembly and budget prohibition removed
- June 25, 2020 – Final trading rule signed by DEQ Director and became effective on July 10, 2020
- Virginia participation in RGGI to begin on January 1, 2021

# Virginia Carbon Trading Rule – Changes to Final Rule

- Removes the “consignment” auction approach and conditional allowances
  - Virginia will be a fully participating RGGI state
  - Will sell allowances at auction to raise revenue
  - Regulated sources must purchase at auction or on the secondary market
- Program begins in 2021 with a new initial baseline budget of 27.16 million tons of CO<sub>2</sub>
- Removes DMME 5% set-aside
- Removes program backstops and other transitional provisions such as the “initial control period”
- Includes energy conversion or tolling agreement provisions

# Virginia Carbon Trading Rule – What You Should Do

- Complete a Certificate of Representation identifying Authorized Account Representative and alternate (9VAC5-140-6110)
- Regulated sources submit a permit application by January 1, 2021 in accordance with 9VAC5-140-6150 and 6160
- DEQ will establish a compliance account for all regulated sources and general accounts as requested in COATS
- Become familiar with the use of RGGI COATS and auctions using the available materials
- Sources requesting exemption from the rule submit a permit application by January 1, 2022 (more information to come)

# Virginia Carbon Trading Rule – Permitting Requirements

- DEQ is developing a standard application form
  - To be posted on the DEQ website by 10/1/20
- If you submitted a form last year
  - Request your previous application be withdrawn
  - Submit the new standard application form
  - May submit both at the same time
- Applications are due by January 1, 2021
- Send the applications to the regional offices
- Final permits will be “state only enforceable”

# Virginia Carbon Trading Rule – DEQ Resources

## DEQ RESOURCES

- [DEQ Carbon Trading Webpage](#)
- [Final Carbon Trading Rule](#)
- [Final 2020 General Assembly Legislation](#)

## DEQ CONTACTS

Michael Dowd, ARED Director ([Michael.Dowd@deq.Virginia.gov](mailto:Michael.Dowd@deq.Virginia.gov))

Tom Ballou, Air Planning Manager ([Thomas.Ballou@deq.Virginia.gov](mailto:Thomas.Ballou@deq.Virginia.gov))

Tamera Thompson, Air Permit Manager ([Tamera.Thompson@deq.Virginia.gov](mailto:Tamera.Thompson@deq.Virginia.gov))

# Regional Greenhouse Gas Initiative Resources

## AUCTIONS

[About RGGI Auctions](#)

[Auction Materials and Tutorial](#)

[Upcoming Auction Information](#)

## COATS AND COMPLIANCE

[COATS User Guide](#)

[COATS FAQs](#)

[Compliance Materials](#)

# Virginia Carbon Trading Program

# QUESTIONS?