

USA - Virginia

General Information

Summary

Status: ETS under development

Jurisdictions: USA - Virginia

Virginia has been working on establishing an ETS since 2017. This is based on Executive Directive (ED) 11, which was issued by then-Governor McAuliffe. ED 11 directed the Department of Environmental Quality (DEQ) and the Secretary of Natural Resources to develop a proposed regulation for the State Air Pollution Control Board's consideration to control CO₂ from electric power facilities that (a) includes provisions to ensure that Virginia's regulation is "trading-ready" to allow for the use of market-based mechanisms and the trading of CO₂ allowances through a multi-state trading program; and (b) establishes abatement mechanisms providing for a corresponding level of stringency to limits on CO₂ emissions imposed in other states with such limits. As a result, the DEQ proposed and the board approved a proposed 'CO₂ Budget Trading Program' regulation for public comment that would be in line with many of RGGI's major design features, with the aim to link with RGGI by 2020.

In September 2018, the DEQ released a revised proposed regulation taking into account comments from the general public as well as from the RGGI states concerning the consistency of its proposed regulation with the RGGI states' '2017 Model Rule.' The updated proposal sets a cap of 28 million short tons CO₂e (25.4 MtCO₂e) in 2020, which would decline 3% per year to 19.6 million short tons CO₂e (17.6 MtCO₂e) in 2030. CO₂ offset allowances generated by other RGGI states will be recognized by Virginia. This revised proposal, which is consistent with the '2017 RGGI Model Rule,' was approved by the board to be released for additional public comments.

Following the second public comment period, on 19 April 2019, the board approved the final regulation for the ETS. The regulation is based on the September 2018 revised proposed regulation from the DEQ and in addition includes a minimum reserve price, a cost containment reserve (CCR) and an emissions containment reserve (ECR). In contrast to RGGI, Virginia intends to distribute its allowances through consignment auctions.

On 26 June 2019, Virginia's 'ETS Regulation' became effective. However, on 2 May 2019, Virginia's Democratic Governor Northam approved a '2019 Budget Act' adopted by the Republican legislative majority, which contained provisions that would prevent Virginia's ETS from joining RGGI in 2020. Nonetheless, Democrats won a majority in the state's House of Representatives and Senate during the November 2019 general election.

As a consequence, on 11 December 2019, Northam announced that the ETS-preventing budget provisions will be removed from the upcoming budget bill, and additional cap-and-trade legislation will be introduced in 2020.

Hence, in February 2020, the Virginia legislature adopted two bills paving the way for a power sector ETS and participation in RGGI by 2021. The Virginia Clean Economy Act implements a cap-and-trade program that largely aligns with the 2019 regulation but differs from it in that it distributes all allowances through RGGI auctions, instead of using consignment allowances. The Clean Energy and Community Flood Preparedness Act determines how revenue from ETS will be used. The different Virginia House and Senate

| | versions of both bills now have to be reconciled before they go for a final vote and can be signed by Northam. Proposed Regulation for Emissions Trading (2017) Executive Directive 11 (2017) Report and Final Recommendations to the Governor (2017) | | | | | | | | | | | | | | | | |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------|--------------------------------------|------|----------------|------|------------|------|-------------|-----|------------|-----|------------------|------|-------------|-----|
| Year in Review | No information available yet. | | | | | | | | | | | | | | | | |
| Overall GHG emissions (excluding LULUCF) | Emissions: 136 MtCO ₂ e (2017) | | | | | | | | | | | | | | | | |
| Overall GHG emissions by sector | <table border="1"> <thead> <tr> <th>Sector Name</th> <th>MtCO₂e</th> </tr> </thead> <tbody> <tr> <td>Electric Power and Energy Production</td> <td>40.4</td> </tr> <tr> <td>Transportation</td> <td>48.0</td> </tr> <tr> <td>Industrial</td> <td>20.6</td> </tr> <tr> <td>Residential</td> <td>5.3</td> </tr> <tr> <td>Commercial</td> <td>5.9</td> </tr> <tr> <td>Waste Management</td> <td>12.6</td> </tr> <tr> <td>Agriculture</td> <td>3.2</td> </tr> </tbody> </table> | Sector Name | MtCO ₂ e | Electric Power and Energy Production | 40.4 | Transportation | 48.0 | Industrial | 20.6 | Residential | 5.3 | Commercial | 5.9 | Waste Management | 12.6 | Agriculture | 3.2 |
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| Waste Management | 12.6 | | | | | | | | | | | | | | | | |
| Agriculture | 3.2 | | | | | | | | | | | | | | | | |
| Overall GHG reduction target | BY 2025: 23.80% reduction below BAU projection of GHG emissions | | | | | | | | | | | | | | | | |
| Carbon Price | <i>Current Allowance Price (per t/CO₂e):</i> No information available yet. | | | | | | | | | | | | | | | | |

ETS Size

| | |
|--------------------------------|-------------------------------|
| Emissions covered by the ETS | No information available yet. |
| GHG covered | No information available yet. |
| Sectors covered and thresholds | No information available yet. |
| Point of regulation | No information available yet. |
| Number of liable entities | No information available yet. |
| Cap | No information available yet. |

Phases & Allocation

| | |
|----------------|-------------------------------|
| Trading period | No information available yet. |
| Allocation | No information available yet. |

Flexibility

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|-----------------------------|-------------------------------|
| Banking and borrowing | No information available yet. |
| Offsets and credits | No information available yet. |
| Market Stability Provisions | No information available yet. |

Compliance

| | |
|-------------------------------------------|-------------------------------|
| Compliance Period | No information available yet. |
| Monitoring, Reporting, Verification (MRV) | No information available yet. |
| Enforcement | No information available yet. |

Linking

| | |
|--------------------------|--------------------------------------------------------------------------|
| Links with other Systems | Virginia is planning to join the RGGI cap-and-trade program (see above). |
|--------------------------|--------------------------------------------------------------------------|

Other Information

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|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Institutions involved | Virginia Department of Environmental Quality (DEQ) |
| Evaluation / ETS review | No information available yet. |
| Revenue | No information available yet. |
| Implementing Legislation | Regulation for Emissions Trading Programs Virginia Clean Economy Act Clean Energy and Community Flood Preparedness Act |

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