

Office of Regulatory Management  
Economic Review Form

<b>Agency name</b>	State Air Pollution Control Board
<b>Virginia Administrative Code (VAC) Chapter citation(s)</b>	Part VII of 9VAC5-140
<b>VAC Chapter title(s)</b>	Regulation for Emissions Trading
<b>Action title</b>	Repeal CO <sub>2</sub> Budget Trading Program as required by Executive Order 9 (Revision A22)
<b>Date this document prepared</b>	December 7, 2022

**Cost Benefit Analysis**

Table 1a must be completed for all actions. Tables 1b and 1c must be completed for actions (or portions thereof) where the agency is exercising discretion, including those where some of the changes are mandated by state or federal law or regulation. Tables 1b and 1c are not needed if **all** changes are mandated, and the agency is not exercising any discretion. In that case, enter a statement to that effect.

- (1) Direct Costs & Benefits: Identify all specific, direct economic impacts (costs and/or benefits), anticipated to result from the regulatory change. (A direct impact is one that affects entities regulated by the agency and which directly results from the regulatory change itself, without any intervening steps or effects. For example, the direct impact of a regulatory fee change is the change in costs for these regulated entities.) When describing a particular economic impact, specify which new requirement or change in requirement creates the anticipated economic impact. Keep in mind that this is the proposed change versus the status quo. One bullet has been provided, add additional bullets as needed.
- (2) Quantitative Factors:
  - (a) Enter estimated dollar value of total (overall) direct costs described above.
  - (b) Enter estimated dollar value of total (overall) direct benefits described above.
  - (c) Enter the present value of the direct costs based on the worksheet.
  - (d) Enter the present value of the direct benefits based on the worksheet.
- (3) Benefits-Costs Ratio: Calculate d divided by c OR enter it from the worksheet.
- (4) Net Benefit: Calculate d minus c OR enter it from the worksheet.
- (5) Indirect Costs & Benefits: Identify all specific, indirect economic impacts (costs and/or benefits), anticipated to result from the regulatory change. (An indirect impact is one that results from responses to the regulatory change, but which are not directly required by the regulation. Indirect impacts of a regulatory fee change on regulated entities could include a change in the prices they charge, changes in their operating procedures or employment levels, or decisions to enter or exit the regulated profession or market. Indirect impacts also include responses by other entities that have close economic ties to the regulated entities, such as suppliers or partners.) If there are no indirect costs or benefits, include a specific statement to that effect.

- (6) Information Sources: Describe the sources of information used to determine the benefits and costs, including the source of the Quantitative Factors. If dollar amounts are not available, indicate why they are not.
- (7) Optional: Use this space to add any further information regarding the data provided in this table, including calculations, qualitative assessments, etc.

**Table 1a: Costs and Benefits of the Proposed Changes (Primary Option)**

<p>(1) Direct Costs &amp; Benefits</p>	<ul style="list-style-type: none"> <li>• <b>Repeal the CO<sub>2</sub> Budget Trading Program.</b></li> </ul> <p>Direct Costs: No direct costs are being added as a result of this proposed change; rather, the current costs of the program will be rectified by means of the repeal.</p> <p>Direct Benefits: This is discussed in greater detail in the "Virginia Carbon Trading Rule and Regional Greenhouse Gas Initiative (RGGI) Participation Costs and Benefits" report provided to the Governor. Major issues are summarized below.</p> <ol style="list-style-type: none"> <li>1. Residential consumers will directly benefit from repeal of the program due to the removal of pass along costs from the regulated entities. Dominion Energy, the utility with the largest customer base in the state, had been passing down the costs of participation to consumers at a monthly "recovery rate" of \$2.39 per month, which equates to \$28.68 per year per household.</li> <li>2. Non-residential consumers will likewise benefit from a reduction in the cost of electricity--the typical industrial customer bill was raised by \$1,554 per month.</li> <li>3. In a filing before the State Corporation Commission, Dominion Energy stated that RGGI will cost ratepayers between \$1 billion and \$1.2 billion over the next four years; leaving the program will save those costs.</li> <li>3. The 27 facilities currently subject to this program (fossil fuel-fired electric generating facilities) will no longer be required to buy or sell allowances at auction. This means that the costs associated with participating in the program will no longer be passed down to consumers of all classes (local partners, families, small businesses, etc.; that is, every purchaser of electricity in the Commonwealth).</li> </ol> <ul style="list-style-type: none"> <li>• <b>Add transition section.</b></li> </ul> <p>Direct Costs: No direct costs are being added as a result of this proposed change.</p>
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	Direct Benefits: No direct benefits are being added as a result of this proposed change.		
(2) Quantitative Factors	Estimated Dollar Amount	Present Value	
Direct Costs	(a) None.	(c) None.	
Direct Benefits	(b) Will depend on multiple factors such as the overall cost of electricity, demand, the price of allowances, etc. This cannot be predicted, but it is reasonable to assume there will be tangible direct benefits.	(d)	
(3) Benefits-Costs Ratio		(4) Net Benefit	
(5) Indirect Costs & Benefits	An indirect benefit of enabling the state to make its own choices regarding the generation of electricity that is not subject to decisions made by a consensus organization of other states will likely be realized. The transition language being added at 9VAC5-140-6445 is needed in order that the repeal be implemented without disruption to affected facilities or the market. These effects cannot be quantified, but can be reasonably expected.		
(6) Information Sources	Virginia Carbon Trading Rule and Regional Greenhouse Gas Initiative (RGGI) Participation Costs and Benefits, a Report to the Honorable Glenn Youngkin, Governor, March 11, 2022; Report of the Virginia Secretary of Natural and Historic Resources and Virginia Secretary of Commerce and Trade, Modeling Decarbonization: Report Summary And Policy Brief for Virginia Governor’s Office Administration and Policymakers (Chapter 1194, 2020), to the General Assembly of Virginia, Virginia Department of Energy, December 14, 2021; Virginia 2022 State Energy Plan		
(7) Optional			

**Table 1b: Costs and Benefits under the Status Quo (No change to the regulation)**

*This table addresses current requirements and the implications of not making any changes. In other words, describe the costs and benefits of maintaining the current regulatory requirements as is.*

(1) Direct Costs & Benefits	<ul style="list-style-type: none"> <li>• <b>Repeal the CO<sub>2</sub> Budget Trading Program:</b> <u>All</u> changes are mandated, and the agency is not exercising any discretion.</li> </ul>
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(2) Quantitative Factors	Estimated Dollar Amount	Present Value	
Direct Costs	(a) N/A	(c) N/A	
Direct Benefits	(b) N/A	(d) N/A	
(3) Benefits-Costs Ratio	N/A	(4) Net Benefit	N/A
(5) Indirect Costs & Benefits			
(6) Information Sources			
(7) Optional			

**Table 1c: Costs and Benefits under an Alternative Approach**

*This table addresses an alternative approach to accomplishing the objectives with different requirements. These alternative approaches may include the use of reasonably available alternatives in lieu of regulation, or information disclosure requirements or performance standards instead of regulatory mandates.*

(1) Direct Costs & Benefits	<ul style="list-style-type: none"> <li>• <b>Repeal the CO<sub>2</sub> Budget Trading Program:</b> <u>All</u> changes are mandated, and the agency is not exercising any discretion.</li> </ul>		
(2) Quantitative Factors	Estimated Dollar Amount	Present Value	
Direct Costs	(a) N/A	(c) N/A	
Direct Benefits	(b) N/A	(d) N/A	
(3) Benefits-Costs Ratio	N/A	(4) Net Benefit	N/A
(5) Indirect Costs & Benefits			

(6) Information Sources	
(7) Optional	

**Impact on Local Partners**

- (1) Describe the direct costs and benefits (as defined on page 1) for local partners in terms of real monetary costs and FTEs. Local partners include local or tribal governments, school divisions, or other local or regional authorities, boards, or commissions. If local partners are not affected, include a specific statement to that effect and a brief explanation of the rationale.
- (2) Quantitative Factors:
  - (a) Enter estimated dollar value of total (overall) direct costs described above.
  - (b) Enter estimated dollar value of total (overall) direct benefits described above.
- (3) Indirect Costs & Benefits: Describe any indirect benefits and costs (as defined on page 1) for local partners that are associated with all significant changes. If there are no indirect costs or benefits, include a specific statement to that effect.
- (4) Information Sources: describe the sources of information used to determine the benefits and costs, including the source of the Quantitative Factors. If dollar amounts are not available, indicate why they are not.
- (5) Assistance: Identify the amount and source of assistance provided for compliance in both funding and training or other technical implementation assistance.
- (6) Optional: Use this space to add any further information regarding the data provided in this table, including calculations, qualitative assessments, etc.

Note: If any of the above information was included in Table 1, use the same information here.

**Table 2: Impact on Local Partners**

(1) Direct Costs & Benefits	See Table 1.
(2) Quantitative Factors	Estimated Dollar Amount
Direct Costs	(a) See Table 1.
Direct Benefits	(b) See Table 1.
(3) Indirect Costs & Benefits	See Table 1.

(4) Information Sources	See Table 1.
(5) Assistance	
(6) Optional	Since every individual, organization, and business purchases electricity, the effects will be roughly similar or proportional for each sector of electricity users. Local or tribal governments, school divisions, local or regional authorities, boards, and commissions will, therefore, likely experience a decrease in the cost of electricity.

**Economic Impacts on Families**

- (1) Describe the direct costs and benefits (as defined on page 1) to a typical family of three (average family size in Virginia according to the U. S. Census) arising from any proposed regulatory changes that would affect the costs of food, energy, housing, transportation, healthcare, and education. If families are not affected, include a specific statement to that effect and a brief explanation of the rationale.
- (2) Quantitative Factors:
  - (a) Enter estimated dollar value of direct costs.
  - (b) Enter estimated dollar value of direct benefits.
- (3) Indirect Costs & Benefits: Describe any indirect costs and benefits (as defined on page 1) to a typical family of three that are most likely to result from the proposed changes.
- (4) Information Sources: describe the sources of information used to determine the benefits and costs, including the source of the Quantitative Factors. If dollar amounts are not available, indicate why not.
- (5) Optional: Use this space to add any further information regarding the data provided in this table, including calculations, qualitative assessments, etc.

Note: If any of the above information was included in Table 1, use the same information here.

**Table 3: Impact on Families**

(1) Direct Costs & Benefits	See Table 1.
(2) Quantitative Factors	Estimated Dollar Amount
Direct Costs	(a) See Table 1.
Direct Benefits	(b) See Table 1.

(3) Indirect Costs & Benefits	See Table 1.
(4) Information Sources	
(5) Optional	Since every individual, organization, and business purchases electricity, the effects will be roughly similar or proportional for each sector of electricity users. Families, therefore, will likely experience a decrease in the cost of electricity.

**Impacts on Small Businesses**

- (1) Describe the direct costs and benefits (as defined on page 1) for small businesses. For purposes of this analysis, “small business” means the same as that term is defined in § 2.2-4007.1. If small businesses are not affected, include a specific statement to that effect and a brief explanation of the rationale.
- (2) Quantitative Factors:
  - (a) Enter estimated dollar value of direct costs.
  - (b) Enter estimated dollar value of direct benefits.
- (3) Indirect Costs & Benefits: Describe the indirect benefits and costs (as defined on page 1) for small businesses that are most likely to result from the proposed changes.
- (4) Alternatives: Add a qualitative discussion of any equally effective alternatives that would make the regulatory burden on small business more equitable compared to other affected business sectors, and how those alternatives were identified.
- (5) Information Sources: describe the sources of information used to determine the benefits and costs, including the source of the Quantitative Factors. If dollar amounts are not available, indicate why not.
- (6) Optional: Use this space to add any further information regarding the data provided in this table, including calculations, qualitative assessments, etc.

Note: If any of the above information was included in Table 1, use the same information here.

**Table 4: Impact on Small Businesses**

(1) Direct Costs & Benefits	See Table 1.
(2) Quantitative Factors	Estimated Dollar Amount
Direct Costs	(a) See Table 1.
Direct Benefits	(b) See Table 1.

(3) Indirect Costs & Benefits	See Table 1.
(4) Alternatives	See Table 1.
(5) Information Sources	
(6) Optional	Since every individual, organization, and business purchases electricity, the effects will be roughly similar or proportional for each sector of electricity users. Small businesses, therefore, will likely experience a decrease in the cost of electricity. Note that the primary regulated entities, Dominion Energy and AEP, are not small businesses.

**Changes to Number of Regulatory Requirements**

*For each individual VAC Chapter amended, repealed, or promulgated by this regulatory action, list (a) the initial requirement count, (b) the count of requirements that this regulatory package is adding, (c) the count of requirements that this regulatory package is reducing, (d) the net change in the number of requirements. This count should be based upon the text as written when this stage was presented for executive branch review. Five rows have been provided, add or delete rows as needed.*

**Table 5: Total Number of Requirements**

Chapter number	Number of Requirements			
	Initial Count	Additions	Subtractions	Net Change
9VAC5-140-6010	1	0	1	-1
9VAC5-140-6020	0	0	0	0
9VAC5-140-6030	0	0	0	0
9VAC5-140-6040	1	0	1	-1
9VAC5-140-6050	7	0	7	-7



9VAC5-140-6060	3	0	3	-3
9VAC5-140-6070	1	0	1	-1
9VAC5-140-6080	6	0	6	-6
9VAC5-140-6090	2	0	2	-2
9VAC5-140-6100	1	0	1	-1
9VAC5-140-6110	2	0	2	-2
9VAC5-140-6120	3	0	3	-3
9VAC5-140-6130	5	0	5	-5
9VAC5-140-6140	2	0	2	-2
9VAC5-140-6150	1	0	1	-1
9VAC5-140-6160	1	0	1	-1
9VAC5-140-6170	3	0	3	-3
9VAC5-140-6180	0	0	0	0
9VAC5-140-6190	3	0	3	-3
9VAC5-140-6200	2	0	2	-2
9VAC5-140-6210	11	0	11	-11

9VAC5-140-6220	1	0	1	-1
9VAC5-140-6230	3	0	3	-3
9VAC5-140-6240	2	0	2	-2
9VAC5-140-6250	3	0	3	-3
9VAC5-140-6260	6	0	6	-6
9VAC5-140-6270	1	0	1	-1
9VAC5-140-6280	0	0	0	0
9VAC5-140-6290	0	0	0	0
9VAC5-140-6300	1	0	1	-1
9VAC5-140-6310	3	0	3	-3
9VAC5-140-6320	3	0	3	-3
9VAC5-140-6330	4	0	4	-4
9VAC5-140-6340	5	0	5	-5
9VAC5-140-6350	2	0	2	-2
9VAC5-140-6360	1	0	1	-1
9VAC5-140-6370	4	0	4	-4

9VAC5-140-6380	0	0	0	0
9VAC5-140-6390	1	0	1	-1
9VAC5-140-6400	4	0	4	-4
9VAC5-140-6410	1	0	1	-1
9VAC5-140-6420	0	0	0	0
9VAC5-140-6430	1	0	1	-1
9VAC5-140-6435	0	0	0	0
9VAC5-140-6440	1	0	1	-1
9VAC5-140-6445	0	0	0	0