

**Department of Planning and Budget**  
**2026 General Assembly Session**  
**State Fiscal Impact Statement**

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**ORIGINAL**

**Bill Number:** HB397H1

**Patron:** Herring

**Bill Title:** Clean energy and community flood preparedness; market-based trading program.

**Bill Summary:** Directs the Director of the Department of Environmental Quality to establish, implement, and manage an auction program to sell allowances into a market-based trading program consistent with the Regional Greenhouse Gas Initiative and the Clean Energy and Community Flood Preparedness Act. Under current law, the Director is authorized but not required to establish, implement, and manage such auction program. The second enactment of the bill states that the provisions of this act are declaratory of existing law.

**Budget Amendment Necessary:** No.

**Items Impacted:** N/A.

**Explanation:** This bill involves the Departments of Environmental Quality, Housing and Community Development, Conservation and Recreation and Energy, and the Virginia Resources Authority; however, no budget amendment is necessary. See Fiscal Analysis.

**Fiscal Summary:** It is anticipated that budget amendments are not necessary in the current biennium, as appropriation authority exists under the respective agencies in the introduced bill, HB30/SB30.

**Fiscal Analysis:** This impact statement is preliminary. This bill requires the Director, Department of Environmental Quality (DEQ) to establish, implement, and manage an auction program to sell allowances into a market-based trading program consistent with the Regional Greenhouse Gas Initiative (RGGI) and the Clean Energy and Community Flood Preparedness Act.

Virginia joined RGGI in 2020 following the enactment of Chapter 1219, 2020 Acts of Assembly (the Clean Energy and Community Flood Preparedness Act), and participated in auctions of allowances through fiscal years 2021 through 2024 receiving total proceeds of \$825.8 million. Proceeds that resulted from the last auction Virginia participated in, held in December 2023, totaled \$97.4 million.

On average, Virginia sold 5.67 million allowances in each quarterly auction during its participation in RGGI. Clearing prices per allowance since the last auction participated in (December 2023) have increased from \$14.88 to \$19.63 in June 2025. With current trends, participating in RGGI could result in annual proceeds of approximately \$115.6 million per auction or \$462.6 million per fiscal year, with additional revenues resulting from interest.

Under the Clean Energy and Community Flood Preparedness Act, proceeds from the auctions are designated for the Department of Housing and Community Development (DHCD) at 50 percent to the Low-Income Energy Efficiency Program Fund, the Department of Conservation and Recreation (DCR) at 45 percent to the Virginia Community Flood Preparedness Fund, DEQ at three percent, and Energy at two percent. In the introduced budget bill, HB30/SB30, DHCD has a base appropriation of \$95.0 million in the Low-Income Energy Efficiency Program Fund, DCR has a base appropriation of \$85.0 million in the Virginia Community Flood

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Preparedness Fund, and DEQ has a base appropriation of \$5.7 million in the RGGI Fund. Energy is impacted only upon request for technical assistance by DHCD. To date, no such assistance has been requested, and no funding has been distributed to Energy for this purpose. Depending on actual revenue proceeds from future auctions, additional nongeneral fund appropriation may be required for the impacted agencies; however, this can be provided administratively.

**Other:** None.