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SENATE BILL NO. 225

AMENDMENT IN THE NATURE OF A SUBSTITUTE
 (Proposed by the House Committee on Labor and Commerce
 on March 3, 2026)

(Patron Prior to Substitute—Senator Surovell)

A *BILL* to amend the Code of Virginia by adding in Chapter 22 of Title 2.2 an article numbered 13, consisting of sections numbered 2.2-2378 through 2.2-2390, relating to Virginia Clean Energy Innovation Bank; established; report.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 22 of Title 2.2 an article numbered 13, consisting of sections numbered 2.2-2378 through 2.2-2390, as follows:

Article 13.

Virginia Clean Energy Innovation Bank.

§ 2.2-2378. Virginia Clean Energy Innovation Bank.

The Virginia Clean Energy Innovation Bank is created as a public body corporate and as a political subdivision of the Commonwealth. The purpose of the Bank is to accelerate the deployment of clean energy projects, greenhouse gas emissions reduction projects, and other qualified projects through the strategic deployment of public funds in the form of grants, loans, credit enhancements, and other financing mechanisms in order to leverage existing public and private sources of capital to reduce the upfront and total cost of qualified projects and to overcome financial barriers to project adoption, especially in low-income communities.

§ 2.2-2379. Definitions.

As used in this article, unless the context requires a different meaning:

"Bank" means the Virginia Clean Energy Innovation Bank.

"Board" means the Board of Directors of the Virginia Clean Energy Innovation Bank.

"Community navigator" means an organization that works to facilitate access to clean energy project financing by individuals and community groups.

"Credit enhancement" means a pool of capital set aside to cover potential losses on loans and other investments made by financing entities. "Credit enhancement" includes loan loss reserves and loan guarantees.

"Energy storage system" means a system that absorbs, stores, and discharges electricity. "Energy storage system" does not include fossil fuel storage or power-to-gas storage that directly uses fossil fuel inputs.

"Greenhouse gas emissions" means emissions of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride emitted by anthropogenic sources.

"Historically economically disadvantaged community" has the same meaning as provided in § 56-576.

"Loan loss reserves" means a pool of capital set aside to reimburse a private lender if a customer defaults on a loan, up to an agreed-upon percentage of loans originated by the private lender.

"Local workers" means Virginia residents who permanently reside within 150 miles of the location of a proposed project in which the Bank is considering participating.

"Microgrid system" means an electric grid that (i) serves a discrete geographical area from distributed energy resources and (ii) can operate independently from the central electric grid on a permanent or temporary basis.

"President" means the president appointed by the Board of Directors of the Bank.

"Qualified project" means a project, technology, product, service, or measure promoting energy efficiency, clean energy, electrification, or water conservation and quality that (i) substantially reduces greenhouse gas emissions; (ii) reduces energy use without diminishing the level of service; (iii) increases the deployment of renewable or non-carbon emitting energy projects, energy storage systems, district heating, smart grid technologies, or microgrid systems; (iv) replaces existing fossil-fuel-based technology with an end-use electric technology; (v) supports the development and deployment of electric vehicle charging stations and associated infrastructure, electric buses, and electric fleet vehicles; (vi) reduces water use or protects, restores, or preserves the quality of the Commonwealth's surface waters or the Chesapeake Bay; or (vii) incentivizes customers to shift demand in response to changes in the price of electricity or when system reliability is not jeopardized.

"Renewable energy" means electric energy generated by a source that is considered a renewable energy standard eligible source under the provisions of § 56-585.5.

"Securitization" means the conversion of an asset composed of individual loans into marketable securities.

"Smart grid" means a digital technology that allows for two-way communication between a utility and the utility's customers and enables the utility to control power flow and load in real time.

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§ 2.2-2380. Board of Directors; members; terms; compensation; president.

A. The Bank shall be governed by a Board of Directors that shall have a total membership of 12 members that shall consist of nine nonlegislative citizen members and three ex officio members. Nonlegislative citizen members shall be appointed as follows: four members to be appointed by the Senate Committee on Rules, four members to be appointed by the Speaker of the House of Delegates, and one member to be appointed by the Governor, each of whom shall have expertise in real estate, finance, or project development, or legal expertise in zero-emission or low-emission energy generation, infrastructure, transportation, agriculture, storm water management, or housing. The Director of the Department of Energy, the Chief Executive Officer of the Virginia Economic Development Partnership Authority, and the State Treasurer or their designees shall serve ex officio with voting privileges. Nonlegislative citizen members of the Board shall be citizens of the Commonwealth.

B. After an initial staggering of terms, nonlegislative citizen members of the Board shall serve terms of three years. No nonlegislative citizen member shall be eligible to serve more than two consecutive three-year terms. Any appointment to fill a vacancy shall be for the remainder of the unexpired term. A person appointed to fill a vacancy may be appointed to serve two additional terms. Ex officio members shall serve terms coincident with their terms of office.

C. Members of the Board shall receive such compensation for the performance of their duties as provided in § 2.2-2813. Members shall be reimbursed for all reasonable and necessary expenses incurred in the performance of their duties as provided in §§ 2.2-2813 and 2.2-2825. Funding for the costs of compensation and expenses of the members shall be provided by the Bank.

D. The Board shall annually elect a chair and vice-chair from among its nonlegislative citizen members. A majority of the members shall constitute a quorum for the transaction of the Board's business, and no vacancy in the membership shall impair the right of a quorum to exercise the rights and perform all duties of the Board. The Board shall meet at least quarterly or at the call of the chair.

E. The Board shall appoint a president of the Bank, who shall not be a member of the Board, and who shall serve at the pleasure of the Board and carry out such powers and duties conferred upon him by the Board.

§ 2.2-2381. Powers and duties of the president.

The president shall employ or retain such agents or employees as may be necessary to fulfill the duties of the Bank conferred upon the president, subject to the Board's approval. Employees of the Bank shall be eligible for membership in the Virginia Retirement System and participation in all of the health and related insurance and other benefits, including premium conversion and flexible benefits, available to state employees as provided by law. The president shall also exercise such powers and duties relating to the Bank as may be delegated to him by the Board, including powers and duties involving the exercise of discretion. The president shall also exercise and perform such other powers and duties as may be lawfully delegated to him or as may be conferred or imposed upon him by law.

§ 2.2-2382. Powers and duties of the Bank.

A. The Bank is granted all powers necessary or convenient for the carrying out of its purposes pursuant to this article, including the power to:

1. Sue and be sued, implead and be impleaded, and complain and defend in all courts;
 2. Adopt, use, and alter at will a common seal;
 3. Acquire, purchase, hold, use, lease, or otherwise dispose of any real or personal property or any interest therein;
 4. Fix, alter, charge, and collect rates, rentals, fees, and other charges for the use of property of, the sale of products of, or services rendered by the Bank to pay its expenses;
 5. Prepare and enter into contracts and agreements with any person or federal, state, or local government agency;
 6. Employ, at its discretion, such agents and employees as may be necessary, and fix their compensation to be payable from funds made available to the Bank. Such agents and employees may reside within or outside of the Commonwealth and the United States and are not required to be citizens of the Commonwealth. Legal services for the Bank shall be provided by the Attorney General in accordance with Chapter 5 (§ 2.2-500 et seq.);
 7. Apply for and accept gifts, grants, aid, and donations from any source to be expended in furtherance of accomplishing the objectives of the Bank. All federal funding accepted under this subdivision shall be accepted and expended by the Bank in accordance with such terms and conditions as are prescribed by the United States and are consistent with state law, and all state funding accepted under this subdivision shall be accepted and expended in accordance with such terms and conditions as prescribed by the Commonwealth;
 8. Adopt, alter, and repeal bylaws, rules, and regulations governing the transaction of the Bank's business, exercise of its powers, and performance of its duties; and
 9. Seek to qualify as a state energy financing institution as defined in 42 U.S.C. § 16511.
- B. In carrying out its powers and duties pursuant to this article, the Bank shall:
1. Serve as a financial resource to reduce the upfront and total costs of implementing qualified projects;

2. Ensure that all financed projects reduce or do not contribute to greenhouse gas emissions and that no more than 15 percent in the aggregate of available funds are used to finance projects involving coalbed methane gas, as such term is defined in § 45.2-1600, or nuclear power;

3. Ensure that financing terms and conditions offered are well suited to qualified projects;

4. Strategically prioritize the use of the Bank's funds to leverage private investment in qualified projects, with the aim of achieving a high ratio of private to public money invested through funding mechanisms that support, enhance, and complement private lending and investment;

5. Coordinate with existing federal, state, local, utility, and other programs to ensure that the Bank's resources are being used most effectively to add to and complement those programs;

6. Stimulate demand for qualified projects by (i) contracting with the Department of Energy to provide, including through subcontracts with community navigators, information to project participants about federal, state, local, utility, and other Bank financial assistance for qualifying projects and technical information on energy conservation and renewable energy measures; (ii) forming partnerships with contractors and informing contractors about the Bank's financing programs; (iii) developing innovative marketing strategies to stimulate project owner interest, especially in underserved communities; and (iv) incentivizing financing entities to increase activity in underserved markets;

7. Finance projects in all regions of the Commonwealth;

8. Develop participant eligibility standards and other terms and conditions for financial support provided by the Bank;

9. Develop and administer (i) policies to collect reasonable fees for Bank services and (ii) risk management activities to support ongoing Bank activities;

10. Develop consumer protection standards governing the Bank's investments to ensure that financial support is provided responsibly and transparently and is in the financial interest of participating project owners;

11. Develop methods to accurately measure the impact of the Bank's activities, particularly on low-income communities and on greenhouse gas emissions reductions;

12. Hire a president and sufficient staff with the appropriate skills and qualifications to carry out the Bank's programs, making an affirmative effort to recruit and hire a president and staff who are from, or share the interests of, the communities the Bank is required to serve;

13. Acting under its powers as a state energy financing institution under 42 U.S.C. § 16511, collaborate with the U.S. Department of Energy Loan Programs Office to ensure that authorities made available under the federal Inflation Reduction Act of 2022, P.L. 117-169, maximally benefit Virginians;

14. Ensure that Bank contracts with all third-party administrators, contractors, and subcontractors contain required covenants, representations, and warranties specifying that contracted third parties are agents of the Bank and that all acts of contracted third parties are considered acts of the Bank, provided that the act is within the contracted scope of work; and

15. Undertake such other activities as are necessary to carry out the provisions of this article.

C. In carrying out its powers and duties pursuant to this article, the Bank may:

1. Employ credit enhancement mechanisms that reduce financial risk for financing entities by providing assurance that a limited portion of a loan or other financial instrument is assumed by the Bank via a loan loss reserve, loan guarantee, or other mechanism;

2. Co-invest in a qualified project by providing senior or subordinated debt, equity, or other mechanisms in conjunction with other investment, co-lending, or financing;

3. Aggregate small and geographically dispersed qualified projects in order to diversify risk or secure additional private investment through securitization or similar resale of the Bank's interest in a completed qualified project; and

4. Expend funds appropriated to the Bank for start-up purposes, which may be used for financing programs and project investments authorized under this article, prior to adoption of the strategic plan required pursuant to § 2.2-2384 and the investment strategy required pursuant to § 2.2-2385.

§ 2.2-2383. Bank lending practices; consumer protection.

A. In determining the projects in which the Bank will participate, the Bank shall give preference to projects that (i) maximize the creation of high-quality employment and apprenticeship opportunities for local workers, consistent with the public interest, especially workers from historically economically disadvantaged communities, and Virginia communities hosting retired or retiring electric generation facilities, including workers previously employed at retiring facilities, and (ii) utilize energy technologies produced domestically that received an advanced manufacturing tax credit under § 45X of the Internal Revenue Code, as allowed under the federal Inflation Reduction Act of 2022, P.L. 117-169.

B. The Bank shall require, for all projects for which the Bank provides financing, that (i) financing is not offered without first ensuring that the participants meet the Bank's underwriting criteria and (ii) any loan made to a homeowner for a project on the homeowner's residence complies with all applicable state and federal consumer lending laws.

§ 2.2-2384. Strategic plan.

184 A. By December 15, 2026, and each December 15 in even-numbered years thereafter, the Bank shall
185 develop and adopt a strategic plan that prioritizes the Bank's activities over the next two years. The strategic
186 plan shall (i) identify targeted underserved markets for qualified projects in Virginia; (ii) develop specific
187 programs to overcome market impediments through access to Bank financing and technical assistance; and
188 (iii) develop outreach and marketing strategies designed to make potential project developers, participants,
189 and communities aware of financing and technical assistance available from the Bank, including the
190 deployment of community navigators.

191 B. Elements of the strategic plan shall be informed by the Bank's analysis of the market for qualified
192 projects and by the Bank's experience under the previous strategic plan, including the degree to which
193 performance targets were or were not achieved by each financing program. In addition, the Bank shall
194 actively seek input regarding activities that should be included in the strategic plan from stakeholders,
195 historically economically disadvantaged communities, the general public, and participants, including via
196 meetings required pursuant to § 2.2-2386.

197 C. The Bank shall establish annual targets in a strategic plan for each financing program regarding the
198 number of projects, level of Bank investments, greenhouse gas emissions reductions, and installed generating
199 capacity or energy savings the Bank hopes to achieve, including separate targets for Bank activities
200 undertaken in historically economically disadvantaged communities.

201 D. The Bank's targets and strategies shall be designed to ensure that no less than 40 percent of the direct
202 benefits of Bank activities flow to historically economically disadvantaged communities.

203 E. The Bank shall submit a draft strategic plan to the General Assembly by October 15 in any even-
204 numbered year.

205 **§ 2.2-2385. Investment strategy; content; process.**

206 A. No later than December 15, 2026, and every four years thereafter, the Bank shall adopt a long-term
207 investment strategy to ensure that the Bank's paramount goal to reduce greenhouse gas emissions is reflected
208 in all of the Bank's operations. The investment strategy shall address:

209 1. The types of qualified projects the Bank should focus on;

210 2. Gaps in current qualified project financing that present the greatest opportunities for successful action
211 by the Bank;

212 3. How the Bank can best position itself to maximize its impact without displacing, subsidizing, or
213 assuming risk that should be shared with financing entities;

214 4. Financing tools that will be most effective in achieving the Bank's goals;

215 5. Partnerships the Bank should establish with other organizations to increase the likelihood of success;
216 and

217 6. How values of economic and geographic balance can be integrated into all investment operations of
218 the Bank.

219 B. In developing an investment strategy, the Bank shall consult, at a minimum, with similar organizations
220 in other states, lending authorities, state agencies, utilities, environmental and energy policy nonprofits, and
221 other organizations that can provide valuable advice on the Bank's activities. The Bank shall consult with the
222 Department of Environmental Quality and the Department of Conservation and Recreation to identify and
223 incorporate flood resilience and water quality projects into the investment strategy.

224 C. The long-term investment strategy shall contain provisions ensuring that:

225 1. Bank investments are not made solely to reduce private risk; and

226 2. Private financing entities do not unilaterally control the terms of investments to which the Bank is a
227 party.

228 D. The Board shall submit a draft long-term investment strategy for comment to each of the groups and
229 individuals with whom the Board consults pursuant to subsection B and to the General Assembly and shall
230 post the draft strategy on the Bank's website. The Bank shall accept written comments on the draft strategy
231 for at least 30 days and shall consider the comments in preparing the final long-term investment strategy.

232 **§ 2.2-2386. Public outreach.**

233 The Bank shall:

234 1. Maintain a public website that provides information about the Bank's operations, current financing
235 programs, and practices, including rates, terms, and conditions; the number and amount of investments by
236 project type; the number of jobs created; the financing application process; and other information;

237 2. Periodically issue an electronic newsletter to stakeholders and the public containing information on the
238 Bank's products, programs, and services and key Bank events and decisions; and

239 3. Hold quarterly meetings that are accessible online to update the general public on the Bank's activities,
240 report progress being made in regard to the Bank's strategic plan and long-term investment strategy, and
241 invite audience questions regarding Bank programs.

242 **§ 2.2-2387. Form and audit of accounts and records.**

243 A. The accounts and records of the Bank showing the receipt and disbursement of funds from whatever
244 source derived shall be in such form as the Auditor of Public Accounts prescribes.

245 B. The accounts and records of the Bank are subject to an annual audit by the Auditor of Public Accounts

or his legal representative.

§ 2.2-2388. Exemption from taxes or assessments.

The exercise of the powers granted by this article shall be in all respects for the benefit of the people of the Commonwealth, for the increase of their commerce and prosperity, and for the improvement of their health and living conditions, and as the operation and maintenance of projects by the Bank and the undertaking of activities in furtherance of the purpose of the Bank constitute the performance of essential governmental functions, the Bank shall not be required to pay any taxes or assessments upon any project or any property acquired or used by the Bank under the provisions of this article or upon the income therefrom, including sales and use taxes on tangible personal property used in the operations of the Bank, and shall at all times be free from state and local taxation. The exemption granted in this section shall not be construed to extend to persons conducting on the premises of a facility businesses for which local or state taxes would otherwise be required.

§ 2.2-2389. Exemption of Bank from personnel and procurement procedures.

The provisions of the Virginia Personnel Act (§ 2.2-2900 et seq.) and the Virginia Public Procurement Act (§ 2.2-4300 et seq.) shall not apply to the Bank in the exercise of any power conferred under this article.

§ 2.2-2390. Annual report.

The Bank shall submit to the Governor and the General Assembly an annual executive summary of the interim activity and work of the Bank no later than the first day of each regular session of the General Assembly. The executive summary shall be submitted as a report document as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports and shall be posted on the General Assembly's website. The executive summary shall include information regarding efforts supported by the Bank.

2. That the initial appointments of nonlegislative citizen members to the Board of Directors of the Virginia Clean Energy Innovation Bank established by this act shall be staggered as follows: (i) one member appointed by the Senate Committee on Rules for a term of one year and two members appointed by the Speaker of the House of Delegates for a term of one year; (ii) two members appointed by the Senate Committee on Rules for a term of two years and one member appointed by the Speaker of the House of Delegates for a term of two years; and (iii) one member appointed by the Senate Committee on Rules for a term of three years, one member appointed by the Speaker of the House of Delegates for a term of three years, and one member appointed by the Governor for a term of three years. A nonlegislative citizen member who is appointed for an initial term of one or two years may be appointed for an additional two terms.

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