Data Center Reform

Lawmakers are focused on the environmental and grid impacts of rapid data center expansion.

- HB507: Requires carbon dioxide-emitting backup generators at data centers to undergo air monitoring.

- HB511 / HB2026: Addresses land use by requiring localities to designate data centers specifically as industrial zoning uses and assessing their sound profiles.

- HB155: Proposes an SCC review process for "large load users" (over 25 MW) to ensure the state's electrical infrastructure can support their power needs before connection.

- Diesel Generator Restrictions: Legislation introduced by Del. John McAuliff requires data centers to use energy storage as the primary backup during emergencies, limiting diesel generators to a secondary role.

Energy & Carbon Emissions

Sustainability efforts include rejoining regional climate initiatives and expanding renewable capacity.

- HB397: Mandates the state rejoin the Regional Greenhouse Gas Initiative (RGGI) and requires the Department of Environmental Quality (DEQ) to manage a market-based carbon trading program.

- Battery Storage Expansion: New bills seek to increase energy storage targets for utilities to manage peak demand and improve grid reliability.

- Clean Energy Enforcement: While some bills (like SB40 and SB69) seek to repeal or weaken carbon regulations, other efforts aim to make the Virginia Clean Economy Act standards more strictly enforceable.

Sustainability & Land Use

- SB26: Supports the development of solar canopies in surface parking areas as a dual-use land strategy.

- HB508: Establishes a stakeholder panel to develop criteria for agrivoltaic projects (solar energy paired with agriculture see demonstration project by PEC) and identify incentives for their promotion.

- Water Resilience: HB70 directs funds from the Resilient Virginia Revolving Fund toward nature-based solutions and flood preparedness in low-income areas.

- Conservation Funding: Advocates are pushing for increased state funding for land conservation programs and smart growth legislation to support transit-oriented development.

<u>Additions:</u>

Data Center Sales and Use Tax Exemption

- HB897 (Sullivan and McAuliff): Virginia offers a generous sales and use tax exemption to attract data centers to invest in the state; the only conditions to qualify are investment dollars and jobs created. This bill would expand the conditions to require data centers to use clean energy, invest in energy efficiency, and phase out the use of harmful backup diesel generators.

- SB465 (Deeds) has a similar goal, and in many ways is more stringent than HB897. Under the bill, a data center operator would be eligible for the exemption only if such operator demonstrates that (i) its facilities either have a power usage effectiveness score of no greater than 1.2, and (ii) by January 1, 2028, it will procure carbon-free renewable energy and associated renewable energy certificates equal to 90 percent of its electricity requirements or its electricity will be otherwise derived from non-carbon-emitting, renewable sources.

Local Authorities to Control Data Centers

- Local governments have very limited tools to manage the environmental, grid, noise, and cost impacts of data centers, and need state authorization to allow mitigation of these impacts. Three House Bills (HB153, HB511, and HB1112) and two Senate bills (SB94 and SB130) would put some much-needed arrows in the quiver of local governments.

    o HB153 (Thomas) gives local governments the right to undertake site assessments for noise; ground & surface water resources, agricultural resources, parks, registered historic sites, and forestland.

    o HB511 (McAuliff) tightens zoning practices to impose common-sense controls on where data centers can be sited and how local governments can get data centers to make binding commitments for mitigating impacts.

- HB1112 (Singh) allows local governments to consider the negative impacts data centers and their infrastructure will have on our electricity grid when designing zoning ordinances.
- SB94 (Roem) is the Senate version of HB116 (McAuliff), requiring that data centers only be sited in areas zoned for industrial use.

In addition, HB1132 (Reid) authorizes local governments that collect real or personal property taxes for property owned by a data center to create a local residential renewable energy incentive program, through which funds would be used to reduce existing utility bills for residential customers, to reduce reliance upon fossil fuel power generation facilities, to reduce the need for construction and placement of new transmission lines, and to minimize future electricity costs for residential customers. The bill provides that 15 percent of new data center revenue, would be spent toward residential solar and battery storage investment.

SCC Authority to review High-Energy Use Facilities

- HB155 (Thomas) would end ad-hoc local decisions to greenlight construction of high energy load data center facilities and grants that authority to the State Corporation Commission. In Virginia, the "duty of service" that requires utilities to build infrastructure to serve new loads (once notified via a "load letter") places enormous pressure on utilities to build new power plants, transmission lines, and substations. HB155 directs the SCC to issue a certificate of operation only after considering these impacts and, a demonstration by the data center applicant that it has secured energy storage, zero carbon resources, or other actions to offset its electricity demand during peak hours.

Distributed generation and battery storage bills

There are >25 bills to encourage agrivoltaics, rooftop and parking lot solar, battery storage, virtual power plants, net metering, and other measures to make small- and medium-scale clean energy more logistically and financially viable.

Utility planning and reform

There are >50 bills that would address cost allocation among ratepayer classes; integrated resource planning; load forecasting; renewable portfolio standard modifications; and other utility-related issues.

Energy Efficiency

There are about 10 bills that deal with VA's system of establishing building codes and EE programs. Probably the most important is HB377 (Bennett-Parker), which would require the Board of Housing and Community Development to adopt amendments to the Uniform Statewide Building Code within 18 months of publication of a new version of the International Code Council's International Energy Conservation Code (IECC), and to adopt Building Code standards that are at least as stringent as those contained in the new version of the IECC. Currently VA lags far behind the rest of the country on building codes, and this would bring us up to parity.

Adaptation and Resilience (especially flooding)

There are about 20 bills that relate to adaptation and resilience, with many addressing better flood resilience. One particularly interesting bill is HB1356, which would require the State Water Control Board to establish and maintain precipitation design standards to be used by all state agencies, localities, and other political subdivisions and in transportation projects (e.g., the 100-year flood; the 2-year rainfall event). The bill would require these design standards to include the most recent precipitation frequency estimates published by NOAA to account for observed and projected increases in precipitation intensity, frequency, and duration, i.e., we'd be designing for future climate rather than past climate.

References:

VA LIS: https://lis.virginia.gov/home/20261

VA Conservation Network Bill Tracker: https://vcnva.org/bill-tracker/