



**Climate Action
Council**

Economywide Strategies Subgroup Meeting 1

June 27, 2022

*Slides are created for discussion and do not
reflect any specific recommendation or opinion*

Workgroup Overview

- > This subgroup will provide further evaluation and guidance regarding the three economy-wide approaches identified in the Draft Scoping Plan.

Meeting 1 Agenda

- > Overview of the subgroup charge/scope, and workplan
 - Discussion
- > Brief overview of the draft Scoping Plan policies
 - Discussion of policies
- > Brief overview of the draft Scoping Plan criteria
 - Discussion & prioritization of criteria
- > Summary of meeting takeaways & prep for Meeting 2

Level Setting

- > This is an invitation only subgroup.
- > Participation in all meetings is encouraged.
 - The team will be flexible to the extent possible.
- > State staff will be responsive to questions but not participate in the discussion.
- > Chatham House rule will guide our discussions.
- > Notes and presentations from the meeting will be posted to the website within one week.
- > Alternative options and perspectives will be considered should consensus not be achieved.

Economywide Subgroup Charge and Draft Workplan

Workgroup Charge and Scope

> High level action steps could include:

- Clarify policies and criteria
 - Clarify focus areas related to policies
 - Refine and possibly streamline criteria
 - Discuss prioritization of criteria
- Apply criteria to policies
 - The subgroup will start with the criteria identified in the draft Scoping Plan and matrix as characterized and applied by the staff, discuss, and make changes if needed.
 - Note that each policy will rate differently against the criteria depending on assumptions on design that have not been determined (e.g., the level of a carbon price). The subgroup should note where this is the case and explain any assumptions or recommendations on design where appropriate.
- ***Time allowing*** Synthesize an economy-wide approach and provide recommendations to the Council

Draft Workplan Overview

Meeting Date	Meeting Focus
Meeting 1 – June 27 2:00-3:30 PM	Setting the Table for the Work Ahead/Refining and Prioritizing Criteria
Meeting 2 – June 29 9:30 – 11:00 AM	RFF Presentation/Identifying Expert Input
Meeting 3 – July 20 9:00 – 11:00 AM	Finalizing/Applying Criteria
Meeting 4 – July 25 2:00 – 4:00 PM	Applying Criteria
Meeting 5 – August 8 2:00 – 4:00 PM	Applying Criteria
Meeting 6 – August 22 2:00 – 4:00 PM	Incorporating Public Comment and Expert Input/Comparing and Contrasting
Meeting 7 – September 12 2:00 – 4:00 PM	Finalizing Recommendations

Questions or Comments?



Economywide Policy Summary

Two Categories of Policies in the Draft Scoping Plan

1. Policies that impose a price on the emissions of GHG emissions
 - a) Cap-based policies that impose an overall limit on GHG emissions from subject sources
 - b) Carbon tax/fee that impose a direct price on emissions without an overall emission limit
2. Policies that require a regulated fuel category to reduce its carbon footprint: Clean energy supply standard

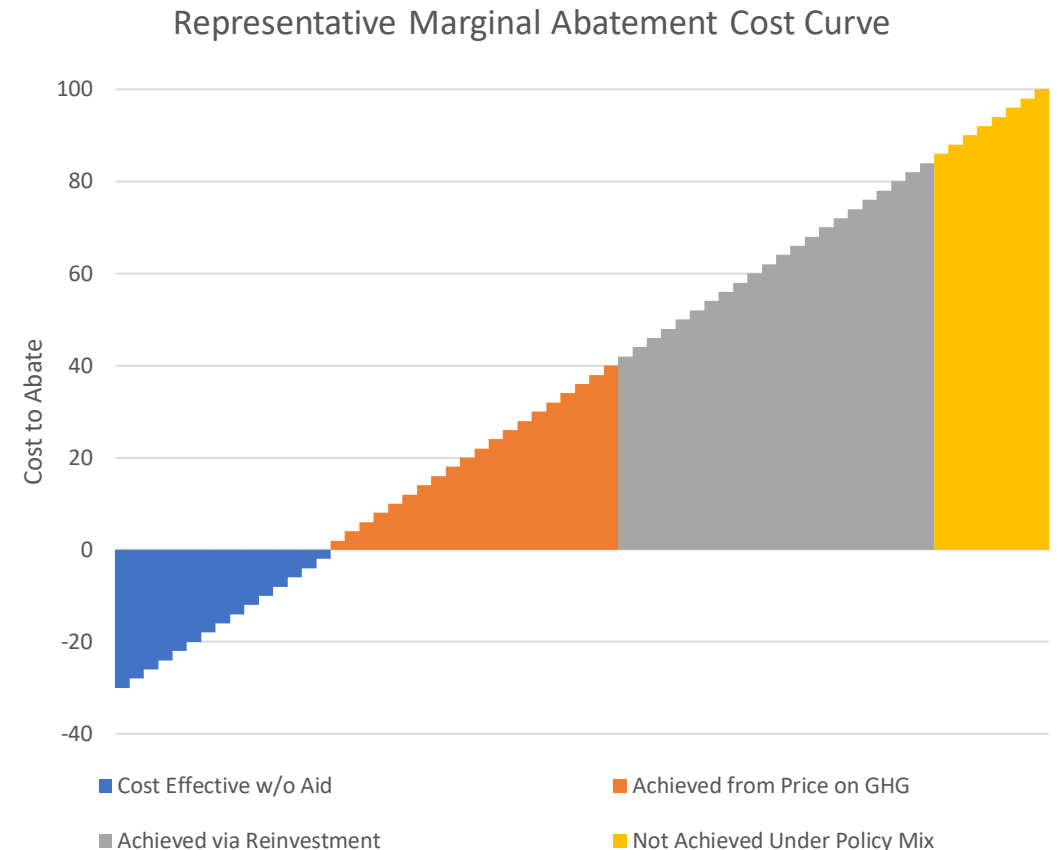
Oftentimes, jurisdictions pursue both 1 *and* 2 in combination:

- > California and Washington (in implementation) have cap and invest + Clean Fuel Standard
- > Oregon has a cap-based system + Clean Fuel Program
- > British Columbia has tax + Clean Fuels Standard
- > Quebec and Nova Scotia have only cap and invest
- > New York currently has cap-and-invest for power sector through RGGI and not clean energy supply standard

Pricing Carbon

Imposing a price on GHG emissions

- > Both cap-based policies and carbon tax/fee impose a usually uniform price on emissions from a wide variety of sources across the economy including energy, industrial process, landfill, etc
- > A uniform price signal provides an incentive for emitters to invest in mitigation opportunities.
 - A rational emitter will opt to invest in a low GHG technology if doing so costs less than the imposed price on emissions.
 - In reality, there are often other obstacles to investment.
- > Potential reinvestment of proceeds can increase the decarbonization impact of such a policy



Two Pricing Mechanisms

Carbon tax/fee

- Price level and escalation set in law
- Price level typically does not vary based on decarbonization achievement
- No certainty on emission reduction level
- Coverage choices can be adjusted to address EITEs and other factors, but this limits emission reduction from these entities
- State revenue can be returned as a dividend or used to reduce other taxes, or can be used to address decarbonization, equity, regressivity, and other state purposes

Cap-based mechanisms

- Price level set through market-based price discovery: price is tailored to deliver the established cap and self-adjusts accordingly
- Program sets cap - and thus decarbonization level – in law, creating emission certainty
- Coverage choices can be adjusted to address EITEs and other factors, and this does *not* limit emission reductions from these entities in the long term
- State revenue can be returned as a dividend or used to reduce other taxes, or can be used to address decarbonization, equity, regressivity, and other state purposes

Two Pricing Mechanisms

In reality, each of these approaches can be (and usually are!) hybridized. Most current US proposals incorporate policy elements of both approaches.

- Carbon tax can be made responsive to GHG achievement via a tax adjustment mechanism
- Washington (pending) & California cap systems include variety of mechanisms:
 - Partially revenue neutral: Utility coverage is returned to customers as rebates
 - Partially revenue positive: Proceeds from industry and petroleum uses fund priority investment areas
 - Market elements reduced: Include both hard prices floors and ceilings; essentially creating a banded carbon fee that is responsive to GHG achievement (similar elements exists in RGGI)
 - Auction mechanism reduced: Output based allocation for EITEs that keeps these facilities under the cap
- Other modifications possible to address equity, economic risk:
 - Offset limitations
 - Trading restrictions

Reinvestment

Wide range of investment options that are consistent across both policies:

- Investments subject to 35% disadvantaged community floor, with goal of at least 40% of investments benefiting priority populations
- Often leverage other sources of revenue, including private
- Some options for spending:
 - Clean energy deployment
 - R&D
 - Natural climate solutions
 - Other states purposes, including tax reform
 - Spending to address regressivity, either through direct cash assistance or targeted energy mitigation measures

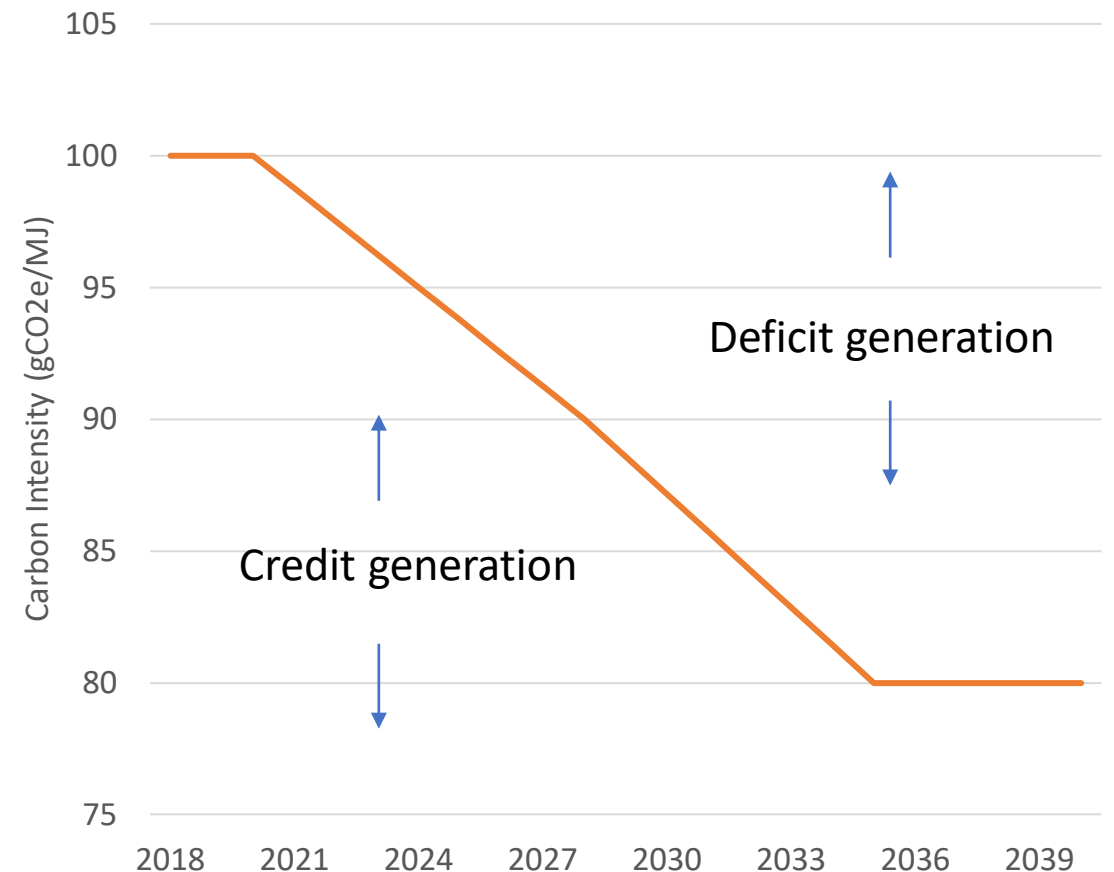
Program	Subprogram	Leveraged Ratio (Funds from Additional Sources/GGRF Implemented)
Low-Income Weatherization	Multi-Family Energy Efficiency and Renewables	1.0
	Single-Family Energy Efficiency and Solar Photovoltaics	0.3
	Single-Family Solar Photovoltaics	0.5
Wetlands and Watershed Restoration		1.3
Climate Smart Agriculture	Alternative Manure Management	0.1
	Dairy Digester Research and Development	2.0
	Healthy Soils	0.3
	State Water Efficiency and Enhancement	0.6
Fire Prevention		0.0
Sustainable Forests	Forest Health	0.7
	Forest Health Research	0.6
	Urban and Community Forestry	0.5
Waste Diversion	Food Waste Prevention and Rescue Grants	0.8
	Organics and Recycling Manufacturing Loans	17.0
	Organics Grants	3.7
Waste Diversion	Recycled Fiber, Plastic, and Glass Grants	3.6
Active Transportation		0.6
Low-Carbon Transit Options		12.5

Partial California spending categories provided for illustrative purposes only.

Clean Energy Supply Standard

Clean Energy Supply Standard

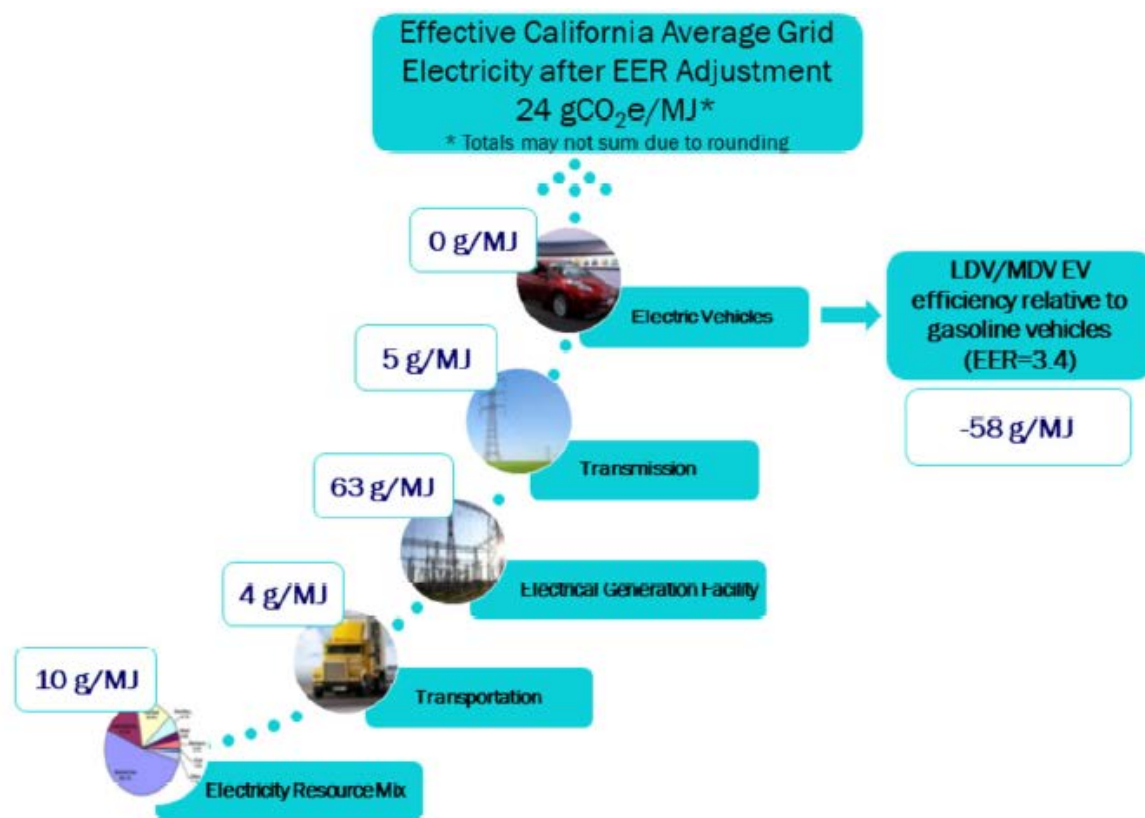
- Requires a set sector to reduce its lifecycle emissions intensity
- Regulation is based on the lifecycle emissions of regulated and substitute fuels
- Sets a trajectory for reduced GHG intensity
 - Fuels below the annual target generate credits
 - Fuels above the annual target generate deficits; deficit holders must acquire equivalent numbers of credits to comply
- Typically applied to transportation – gasoline and diesel, with jetfuel opt-in



Clean Energy Supply Standard

Variety of adjustments possible/needed for New York State:

- Adjust LCA method to account for CLCPA emissions accounting, including GWP20 and NYS fuel system
- Potential changes to rules around spending proceeds from certain types of electrification revenue
 - Typically utilities generate credits on behalf of customers for home charging
 - Washington State approach provides state direction over these expenditures; NYS program can have credits/revenue generated/spent by NYS or have utilities spend revenue according CLCPA/NYS priorities for equity, decarbonization, etc
- Cover additional/different sectors beyond transportation



Discussion

> What policies need additional clarification in the Scoping Plan?

Current Criteria List

Criteria List from Scoping Plan and Draft Matrix

- Emissions criteria
 - Certainty of emission reductions to comply with state limit
 - Potential for minimizing carbon price and/or maximizing abatement/\$
 - Application Economy Wide or to Specific Sectors
- Economic criteria
 - Price certainty
 - Mitigating risk of leakage
 - Supporting economic development and innovation
 - Regional equity
- Equity criteria
 - Prioritizing reductions in DACs/avoiding hotspots
 - Affordability and avoiding regressive impacts
- Programmatic criteria
 - Certainty and sufficiency of funding and use of proceeds
 - Incorporating multi-jurisdictional programs
 - Consistency with other regulatory programs

Polling and Discussion

- > On a scale of 1 to 4, how comfortable are you with the list of criteria as a whole?
- > What may be missing from the criteria list?/Is there anything you would remove?

Criteria Descriptions – Emissions Criteria

- > Certainty of emission reductions to comply with state limit
 - Ensuring legally binding certainty that emissions limits will be met.
- > Potential for minimizing carbon price and/or maximizing abatement/\$
- > Application Economy Wide or to Specific Sectors
 - Choosing to apply policies economy wide or exclude certain sectors that are sufficient to ensure a specific level of emission reductions.

- > Polling and Discussion:
 - On a scale of 1 to 4, how comfortable are you with the criteria as listed?
 - Any suggestions on adjusting the criteria?

Criteria Descriptions – Economic Criteria

- > Price certainty
 - Providing for certainty of the future prices might also allow consumers to make more informed decisions.
- > Mitigating risk of leakage
 - Preventing an increase in emissions outside the State from displaced economic activity.
- > Supporting economic development and innovation
 - Encouraging low-carbon economic development.
- > Regional equity
 - Ensuring that an economy-wide program does not place a disproportionate burden on particular geographic portions of the State.

- > Polling and Discussion:
 - On a scale of 1 to 4, how comfortable are you with the criteria as listed?
 - Any suggestions on adjusting the criteria?

Criteria Descriptions – Equity Criteria

- > Prioritizing reductions in DACs/avoiding hotspots
 - Identifying measures to maximize reductions of both GHG emissions and co-pollutants in disadvantaged communities and prioritizing measures to maximize net reductions of GHGs and co-pollutants in disadvantaged communities.
- > Affordability and avoiding regressive impacts
 - Considering the economic impact on New York consumers at different levels of income in establishing the stringency of the programs.

- > Polling and Discussion:
 - On a scale of 1 to 4, how comfortable are you with the criteria as listed?
 - Any suggestions on adjusting the criteria?

Criteria Descriptions – Programmatic Criteria

- > Certainty and sufficiency of funding and use of proceeds
 - Providing revenues for other Scoping Plan strategies.
- > Incorporating multi-jurisdictional programs
 - Assuring competitive neutrality across the region, reducing emission leakage, and, if New York's participation induces other states to participate, increasing the overall GHG emission reductions.
- > Consistency with other regulatory programs
 - Complementing other regulations to further reduce emissions.

- > Polling and Discussion:
 - On a scale of 1 to 4, how comfortable are you with the criteria as listed?
 - Any suggestions on adjusting the criteria?

Polling and Discussion

- > Select the top 5 criteria that you would like to prioritize for discussion.
- > What stands out to you in terms of the group polling responses regarding priorities among the criteria?
- > Responses will help us plan workgroup discussions.

Key Takeaways

Prep for Meeting 2

- > Wednesday, June 29; 9:30 – 11:00 AM
- > RFF Presentation
- > Homework to prepare for discussion
 - Think about what outstanding questions and additional information could better inform this process in advance

Thank You!

