This subgroup will provide further evaluation and guidance regarding the three economy-wide approaches identified in the Draft Scoping Plan.
Meeting 3 Agenda

> Workplan Update
> Setting the Stage Discussion: Rationale for Policy Recommendation
> Finalize Criteria
> Apply Criteria
  • Emissions
  • Programmatic
    - Certainty and Sufficiency of Funding and Use of Proceeds
    - Consistency with Other Regulatory Programs
> Summary of meeting takeaways & prep for Meeting 4
Level Setting Reminders

> 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.
Workplan Update
## Workplan Update

<table>
<thead>
<tr>
<th>Meeting Date</th>
<th>Meeting Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting 1 – June 27 2:00-3:30 PM</td>
<td>Setting the Table for the Work Ahead/Refining and Prioritizing Criteria</td>
</tr>
<tr>
<td>Meeting 2 – June 29 9:30 – 11:00 AM</td>
<td>RFF Presentation/Identifying Further Clarity Needed</td>
</tr>
<tr>
<td>Meeting 3 – July 20 9:00 – 11:00 AM</td>
<td>Rationale Discussion/Finalizing &amp; Applying Criteria (Emissions; Certainty and Sufficiency of Funding and Use of Proceeds and Consistency with Other Regulatory Programs)</td>
</tr>
<tr>
<td>Meeting 4 – July 25 2:00 – 4:00 PM</td>
<td>Applying Criteria (Equity)</td>
</tr>
<tr>
<td>Meeting 5 – August 8 2:00 – 4:00 PM</td>
<td>Applying Criteria (Economic; Incorporating Multi-Jurisdictional Programs and Maintaining Administrative Simplicity)</td>
</tr>
<tr>
<td>Meeting 6 – August 22 2:00 – 4:00 PM</td>
<td>Rationale Discussion/Incorporating Public Comment/Comparing and Contrasting</td>
</tr>
<tr>
<td><strong>Tentative Meeting</strong> – August 29 2:00 – 4:00 PM</td>
<td>Meeting time held for additional discussion if needed</td>
</tr>
<tr>
<td>Meeting 7 – September 12 2:00 – 4:00 PM</td>
<td>Finalizing Recommendations</td>
</tr>
</tbody>
</table>
Setting the Stage: Rationale Discussion
What is the subgroup’s rationale for recommending an economywide policy for the final Scoping Plan?

Subgroup could consider aligning rationale with the criteria.

Discussion

- **Emissions**
  - 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
  - Reduction of co-pollutant emissions

- **Economic**
  - Price certainty
  - Mitigating risk of leakage
  - Supporting economic development and innovation
  - Maintaining affordability for consumers/businesses
  - Regional equity

- **Equity**
  - Prioritizing emissions and pollutant reductions in DACs/avoiding hotspots
  - Affordability and avoiding regressive impacts

- **Programmatic**
  - Certainty and sufficiency of funding and use of proceeds
  - Incorporating multi-jurisdictional programs
  - Consistency with other regulatory programs
  - Maintaining administrative simplicity
Finalize Criteria
Revised Criteria List

• 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
  • Reduction of co-pollutant emissions

• Economic criteria
  • Price certainty
  • Mitigating risk of leakage
  • Supporting economic development and innovation
  • Maintaining affordability for consumers/businesses
  • Regional equity

• Equity criteria
  • Prioritizing emissions and pollutant 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
  • Maintaining administrative simplicity
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/$
  • Ensuring maximum emission reductions at minimum cost, while maintaining low costs.

> 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.

> Reduction of co-pollutant emissions
  • Considering regulations that reduce co-pollutants in addition to greenhouse gas emissions.
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 that secures the benefits of the recommendations in the Scoping Plan.

> Maintaining affordability for consumers and businesses
  • Ensuring competitiveness of NY businesses.

> Regional equity
  • Ensuring that an economy-wide program does not place a disproportionate burden on particular geographic portions of the State.
Criteria Descriptions – Equity Criteria

> **Prioritizing emissions and pollutants reduction 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.
  
  • Consider both program design and investment of revenues/proceeds.

> **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.
Criteria Descriptions – Programmatic Criteria

> Certainty and sufficiency of funding and use of proceeds
  • Providing revenues for other Scoping Plan strategies in order to realize the emission reductions and other benefits of the Scoping Plan.

> 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.

> Maintaining administrative simplicity
  • Ensuring ease of implementation and ability to enforce regulations.
Applying Criteria
Today’s Criteria Focus

• Emissions
  • 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
  • Reduction of co-pollutant emissions

• Programmatic
  • Certainty and sufficiency of funding and use of proceeds
  • Consistency with other regulatory programs
Emissions Criteria
## Application of Emissions Criteria

<table>
<thead>
<tr>
<th>Criteria</th>
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| **Certainty of emission reductions to comply with statewide emission limits** | - Doesn’t ensure a targeted level of emission reductions as regulated entities can pay the fee instead.  
- If prices are set correctly the level of emission reductions achieved should be economic.  
- Can address with mechanisms to increase price if emissions are not declining as needed to meet emission limits. | - Ensures a targeted level of emissions reductions, in the absence of safety valves, because a declining cap is enforceable against individual sources.  
- If covering the entire economy, cap could ensure that statewide limits are met, but some source categories may be difficult. | - Doesn’t ensure a targeted level of emission reductions.  
- Only ensures reduction in emission intensity until the standard reaches zero. |

*Previously presented by the State to CAC*
<table>
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<tr>
<th>Certainty of GHG emission reductions to comply with state limit</th>
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> If NY State was able to adopt all of the design features as noted by the subgroup, which policy *best* meets the criterion?

> This is *not* an official vote. This will inform future subgroup conversations.
## Application of Emissions Criteria

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| Potential for minimizing carbon cost and/or maximizing CO2 reduction per dollar | - Price is set by law and does not vary with level of emission reduction.  
- Reinvestment of revenues will increase the carbon reductions per dollar collected  
- Setting a CO2 price based on SCC could pay more for mitigation than is necessary to meet CO2 reduction goals. | - Minimizes the cost associated with any level of reduction; cost of allowances declines as other programs reduce emission under the cap or low-carbon technology advances.  
- Reinvestment of proceeds in emission reduction programs will reduce the cost of allowances  
- Auction approaches can lead to mitigating a given quantity of CO2 at least cost, rather than paying an estimated CO2 price that is higher than necessary. | - Minimizes cost associated with emission intensity, but not necessarily total emissions  
- Cost may increase over time as lower cost alternatives are exhausted |

*Previously presented by the State to CAC*
Applying Criteria

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# Application of Emissions Criteria

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</table>
| Application economywide or to specific sectors | - Could apply economywide or to specific sectors  
- Application to all energy sources within NYS would limit distortions between different sectors  
- Could exclude sectors subject to other regulatory requirements that ensure sufficient level of reductions  
- Could exclude sectors difficult to regulate due to uncertainty of emissions or large number of sources (e.g., ag methane/HFCs)  
- Need to account for interstate trade. | - Could apply economywide or to specific sectors  
- Economywide would limit distortions  
- Could exclude or subsidize compliance for sectors subject to other regulatory requirements that ensure sufficient level of reductions  
- Could exclude sectors difficult to regulate due to uncertainty of emissions or large number of sources (e.g., ag methane/HFCs)  
- Need to account for inter-State trade. | - Would apply only to energy emissions, potentially excluding electricity already covered by clean energy standard  
- If electricity is included, it would enable zero emission generators to generate credits, reducing the cost of zero emission electricity |

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## Applying Criteria

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### Applying Criteria

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<th>Reduction of co-pollutant emissions</th>
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After considering all of the emissions criteria, which of these policies overall reduces emissions *most* and *least* efficiently.

This is **not** an official vote. This will inform future subgroup conversations.
Programmatic Criteria
## Application of Programmatic Criteria

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</table>
| Certainty/sufficiency of funding and use of proceeds | - Because price is set, it provides more revenue certainty and certainty in meeting funding needs  
- Can structure to fill the gap in revenue needs after considering federal programs; additional funds can be returned to the public in form of rebates | - Less certainty in revenues because allowance prices can fluctuate, but price and emission containment measures can limit fluctuation  
- If it produces more revenues than needed after consideration of federal programs, additional funds can be returned to the public in form of rebates | - Credit values can fluctuate |

*Previously presented by the State to CAC*
## Applying Criteria

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### Application of Programmatic Criteria

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<td><strong>Consistency with other regulatory programs</strong></td>
<td>-Other regulatory programs would be needed to provide emission certainty; those programs would provide additional reductions, but not reduce the carbon price.</td>
<td>-Since emissions are capped, other regulatory programs on capped sectors will not reduce emissions further (unless cap is reduced accordingly), but would reduce the cost of allowances -Regulatory programs on sources outside the cap would reduce emissions further.</td>
<td>-Other regulatory programs would provide additional reductions - Other regulatory programs would reduce the credit prices under such a standard.</td>
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# Applying Criteria

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Key Takeaways
Prep for Meeting 4

> Monday, July 25; 2:00 – 4:00 PM
> Applying Equity Criteria
> Homework to prepare for discussion
  • Prepare implementation suggestions/edits to best achieve equity criteria in advance
  • Consider CJWG comments as reflected on page 257 in the draft Scoping Plan
Thank You!