



Vitol Inc.

Houston, TX 77098, United States

**VIA ELECTRONIC DELIVERY**

July 1, 2022

Draft Scoping Plan Comments  
NYSERDA  
17 Columbia Circle  
Albany, NY 12203-6399

Dear Members of the Climate Action Council,

Please find attached the comments of Vitol Inc. regarding the New York State Climate Action Council's Draft Scoping Plan. We greatly appreciate your consideration of these comments.

Sincerely,

*/s/ Joe Wadsworth*

Joe Wadsworth  
Head of Energy Market Affairs  
Vitol Inc.

## VITOL INC.'S COMMENTS ON THE NEW YORK STATE CLIMATE ACTION COUNCIL'S DRAFT SCOPING PLAN

The New York State Climate Action Council (“Council”) released for public review the Draft Scoping Plan (“Plan”) on December 30, 2021. The Plan was developed to provide pathways for New York State (“New York”) to take in order to achieve the admirable goals for greenhouse gas emission limits and net zero emissions as codified within the Climate Leadership and Community Protection Act (“Climate Act”) as well as informing the effort to update the State Energy Plan.<sup>1</sup> In response to the Council’s invitation for public comment, Vitol Inc. (“Vitol”) respectfully submits the following comments addressing primarily the topics covered in Chapter 13: Electricity and Chapter 17: Economy-Wide Strategies of the Plan.

### ABOUT VITOL

Vitol is a Delaware corporation that maintains its principal place of business in Houston, Texas. Vitol and its affiliated companies are commercially active in energy markets in the United States and around the world. Vitol is a participant in the New York Independent System Operator’s (“NYISO”) wholesale electricity markets, as well as environmental markets and fuel markets in the northeast United States. Vitol actively invests in and develops renewable resources, including resources located in New York.

### COMMENTS

Vitol applauds the efforts of the Council to develop a robust evaluation of methodologies available to New York to meet the goals of the Climate Act. Indeed, New York is leading the nation with its ambitions, codified within the Climate Act, to combat climate change. The Council’s monumental efforts to articulate in clear detail the social and economic impacts of climate change, the requirements of the Climate Act, and the approaches available to various sectors of the economy to meet the goals has provided a clear evaluation framework for all stakeholders. Vitol thanks the Council for its meaningful work.

Acting now is prudent in order to ensure the goals of the Climate Act will be met and to solidify New York’s status as a national leader in addressing climate change. As the Council rightfully recognizes, the Climate Act’s high demands for decarbonization and clean energy production will require an “all hands on deck approach”<sup>2</sup> with “aggressive deployment”<sup>3</sup> of renewable generation as well as the necessity for technology innovation for renewable energy resources.<sup>4</sup> In addition, electrification of the economy is seen as a certainty in the efforts to decarbonize.<sup>5</sup> Indeed, New York will have to use powerful tools available in its toolkit to meet these needs, and the time to use them is now.

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<sup>1</sup> *Draft Scoping Plan*; p. 27.

<sup>2</sup> *Id.*; p. 18.

<sup>3</sup> *Id.*; p. 150.

<sup>4</sup> *Id.*; pp. 9-10.

<sup>5</sup> “The provisions to expand the role of electricity into transportation and buildings will go hand in hand with the Act’s requirements that the state’s electric system eventually eliminate its carbon emissions by 2040. But it will also dramatically change the demands on electric generating resources and transmission/distribution infrastructure used to reliably meet power demand.” *Clean Energy in New York State: The Role and Economic Impacts of a Carbon Price in NYISO’s Wholesale Electricity Markets – Summary for Policy Makers*, Susan F. Tierney and Paul J. Hibbard, Analysis Group; October 3, 2019; p. 2.

<https://www.nyiso.com/documents/20142/2244202/Analysis-Group-NYISO-Carbon-Pricing-Final-Summary-for-Policymakers.pdf/75a766a8-623f-c105-ddcf-43dd78cb4bca?t=1570098881971>

Fortunately, to decarbonize the electricity sector, New York has two very powerful tools at its disposal, carbon pricing and NYISO's state-wide wholesale energy market, that in combination can unleash competitive market forces to attract private capital investment to deploy clean energy resources, incentivize demand-side efficiency and clean distributed resource utilization, innovate clean energy technology, and maintain a reliable transmission system at lowest cost.<sup>6</sup> Vitol strongly encourages the Council to highly prioritize the implementation of carbon pricing within NYISO's energy market as a necessary means for meeting the goals of the Climate Act.

## **NYISO'S ENERGY MARKET FACILITATES COMPETITION AND MAINTAINS RELIABILITY AT LEAST COST**

To facilitate robust competition, maintain reliability, and provide value to New York's electricity customers, NYISO operates three highly integrated markets: a daily energy market, a capacity market, and a transmission congestion contract market. All three work in concert, but the energy market serves as the prominent mechanism for ensuring electricity supply is reliably balanced with demand in real-time at least cost. To achieve this, load-serving entities, those entities selling electricity to customers, and suppliers of electricity, typically in-state generation owners and importers from other states, provide NYISO with their demand bids and supply offers respectively on a daily basis. It's important to note that when constructing a supply offer, a generation owner takes into account all the variable costs associated with producing electricity from its resources. These costs include components such as fuel costs, operation and maintenance costs, and environmental compliance costs, among others. Aggregating the bids and offers, NYISO determines the least-cost set of electricity supply resources needed for meeting demand across the entire state. NYISO commits generation resources on a day-ahead basis and dispatches them on a real-time basis, constantly producing transparent price signals at hundreds of locations on the transmission grid. These prices are known as Locational Based Marginal Prices ("LBMP") and are visible to everyone via NYISO's website.

At the same time, NYISO also commits a set of specific generation resources to provide reliability services, known as ancillary services, in real-time. These resources provide NYISO with valuable capabilities to constantly balance the system and to supply electricity on short notice in the event that an unforeseen circumstance occurs (e.g. a committed generation resource goes out of service, transmission equipment fails, or weather unexpectedly changes). Importantly, when committing this set of resources, NYISO, using supply curves from electricity supply resources, co-optimizes the value of ancillary service resources with the value of electricity supply resources to find the overall least-cost solution for supplying New York's electricity demand while maintaining reliability. In addition to producing LBMP for electricity supply, NYISO also produces transparent prices for the various ancillary service products it procures.

NYISO is the expert at achieving both competition and grid reliability at least cost to benefit New York electricity customers, energy market participants, and the New York economy. For over twenty years, the NYISO's energy market has proven time and time again to be a powerful mechanism to make this happen.

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<sup>6</sup> "New York has a home-grown policy tool—a proposed carbon pricing mechanism—that, embedded in well-functioning electric markets, can help New York meet its climate goals at lowest cost. NYISO can unleash the power and creativity of market forces through adoption of a carbon price in the state's wholesale electricity market." *Clean Energy in New York State: The Role and Economic Impacts of a Carbon Price in NYISO's Wholesale Electricity Markets – Summary for Policy Makers*, Susan F. Tierney and Paul J. Hibbard, Analysis Group; October 3, 2019; p. 2.

## **A CARBON PRICE WILL SUPERCHARGE NYISO'S ENERGY MARKET TO PRIORITIZIE CLEAN ENERGY PRODUCTION AND SIGNAL FOR CLEAN ENERGY INVESTMENT**

A robust carbon price, set by New York, will empower NYISO's energy market to expedite decarbonization of the New York electricity system to meet the goals of the Climate Act. Once implemented, the NYISO energy market will immediately reflect this value in its LBMPs and prices for ancillary services, prioritize clean energy resources for dispatch, and reward clean energy resources for their clean electricity production. The integration would be relatively simple, as the variable cost nature of a carbon price would fit seamlessly within the daily supply offers submitted by carbon-emitting resources and importers to participate in the energy market. That is, resources that emit carbon are required to pay the carbon price for their production of electricity; they would include this as a variable production cost in the supply curves they submit to NYISO. As these units are committed and dispatched by NYISO, the LBMP and the prices for ancillary services would reflect the units' respective costs of emitting carbon. Clean energy resources would not pay the carbon price; therefore, existing clean energy resources would have a higher dispatch priority, since they would have a cost advantage compared to carbon emitting resources. Additionally, the transparent, LBMP signal will alert market participants of a clean energy investment opportunity by producing the most carbon-intensive price at precise locations on the grid with high-emitting resources.

Equally as important, the carbon price will facilitate the unleashing of private capital investment in clean energy resources in New York. The bilateral commercial markets, which exist outside of but are strongly linked to NYISO's markets, would immediately incorporate the carbon price into forward energy prices, sending a strong signal to private investors and developers to deploy capital into clean energy resources for New York, without the need to wait for a state-run procurement event. The carbon price signal would bolster revenue opportunities in the bilateral commercial markets, creating an in-the-market incentive for clean resource entry. By moving more revenue to these markets, these resources will need less revenue from other sources such as capacity markets, subsidies (e.g. NYSERDA's Zero Emission Credits), and outside-the-market contracts (e.g. NYSERDA's procurement of renewable resources). Additionally, investors and developers have many choices for well-vetted, experienced trading partners in the bilateral markets, providing healthy dynamic competition for project financing, hedging forward revenue and operational risk, and boosting project viability – all of which shields consumers from bearing project and long-term contract risk. This, combined with a clear robust carbon price signal, enables market competition to work to develop clean energy resources where they're needed and, in the long run, drive down prices with low-cost, clean, reliable power.<sup>7</sup>

Finally, a carbon price in NYISO's energy market will provide an in-the-market, economic signal for existing renewable generation in New York to sell its renewable power in state rather than export it to neighboring states. Other states, such as Massachusetts and Connecticut, have competitive markets for tradeable renewable energy certificates, providing an opportunity for qualified renewable resources, including those in New York, to sell their renewable energy into these states and receive a premium price. A strong carbon price would serve as a competitive incentive to keep New York's clean energy in New York.

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<sup>7</sup> See generally, "Carbon Pricing Benefits NY's Economy & Public Health," New York Independent System Operator. <https://www.nyiso.com/documents/20142/2244202/Carbon-Pricing-Benefits-NY-Economy-and-Health.pdf/05a18964-9754-f3aa-4153-836d2ed5af5d>

## **CARBON PRICING IS SUPERIOR TO GOVERNMENT PROCUREMENT AND SUBSIDIES AND INTEGRATES WELL WITH EXISTING PROGRAMS**

Market-based mechanisms have many advantages over government subsidies and government-led procurements when it comes to efficient allocation of capital, risk management, consumer benefits, and limiting special interest influence; this certainly holds true for achieving energy and environmental policy objectives.<sup>8</sup> It has been well-documented that carbon pricing within organized wholesale energy markets, such as NYISO's, is the most cost-efficient method for reducing greenhouse gas emissions in the electricity sector of the economy.<sup>9</sup> A carbon price integrated into a competitive energy market that has transparent prices and transactable products expedites the efficient allocation of capital to invest in clean energy resources and yields better outcomes for consumers compared to government-led procurements and subsidies. Also, empowering the market with incentives for private capital investment and commercial contracts in clean energy resources largely shields consumers and tax payers from exposure to project investment and long-term contract risks, which are instead placed on the contracting entities who are best equipped to manage these risks.

Furthermore, the bilateral commercial markets work around-the-clock aided by well-vetted trading-partner networks and established commercial and risk-management practices, whereas government procurements are singular, scheduled events. Given the urgency to act, New York should empower the NYISO energy market with a carbon price to capture the speed and frequency of commercial activity within the competitive energy markets that is far superior to a single procurement event.

New York should rely on sound economic evidence and advice that placing a price on what the state wants less of (i.e. carbon emissions), is far more economically efficient than subsidizing what the state desires (i.e. clean energy supply).<sup>10</sup> However, the two do not necessarily need to be mutually exclusive. New York can continue its Zero Emission Credit and Renewable Energy Credit programs, if it desires; carbon pricing in NYISO's energy market will integrate well with both.<sup>11</sup> For instance, to the extent that government subsidies and procurements are needed to support certain technologies (e.g. offshore wind generators) with compensation above the premium provided by a carbon price, the government's program could exist to ensure the technology's economic viability; a strong, enduring carbon price signal will provide an in-the-market revenue stream and reduce the amount of money needed through such programs. With more revenues coming from the competitive energy market via a carbon price, the costs of RECs and ZECs will greatly decrease.<sup>12</sup>

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<sup>8</sup> See generally, "Subsidies Are the Problem, Not the Solution, for Innovation in Energy," Veronique d Ruyg, Mercatus Center, George Mason University; March 24, 2015. <https://www.mercatus.org/publications/government-spending/subsidies-are-problem-not-solution-innovation-energy>

<sup>9</sup> "First, carbon pricing is the "least cost" way to reduce the carbon content of an electricity sector, and of a national or global economy." Frank A. Wolak, Stanford University; Federal Energy Regulatory Commission Docket No. AD20-14-000, *Carbon Pricing in Organized Wholesale Electricity Markets*; September 30, 2020; p. 1. <https://www.ferc.gov/sites/default/files/2020-09/Panel-2-Wolak-Stanford-Comments.pdf>

<sup>10</sup> "A key point I make in all of the classes I teach is that "subsidizing green is a much more expensive way to reduce GHG emissions than taxing brown." *Id.*; p. 1.

<sup>11</sup> "A carbon price in NYISO markets would complement and accelerate the impact of other state policies (such as the New York State Energy Research and Development Authority's (NYSERDA's) competitive solicitations and long-term procurements of RECs and ZECs that have been a recent hallmark of the state's clean energy policy instruments)." *Clean Energy in New York State: The Role and Economic Impacts of a Carbon Price in NYISO's Wholesale Electricity Markets – Summary for Policy Makers*, Susan F. Tierney and Paul J. Hibbard, Analysis Group; October 3, 2019; p. 4.

<sup>12</sup> "A carbon price is not duplicative; instead, it efficiently and transparently reduces reliance on and the cost of meeting administrative clean energy policies." *Id.*; p. 7.

Carbon pricing in NYISO's energy market integrates seamlessly with the Regional Greenhouse Gas Initiative ("RGGI") program. In fact, NYISO's proposal for incorporating a carbon price expressly includes a provision for netting RGGI compliance costs from a state-determined carbon price to avoid double counting of carbon emission compliance costs within NYISO's energy market.<sup>13</sup> Any market-based program that New York chooses which applies to the electricity sector will need to have coordination provisions with RGGI's program to avoid overlapping compliance costs and artificial arbitrage between the programs. Fortunately for New York, NYISO has already built this into their ready-to-go carbon pricing proposal.

## **CARBON PRICING VERSUS CAP-AND-INVEST**

Chapter 17 of the Plan appropriately recognizes carbon pricing and cap-and-invest programs as viable market-based solutions for meeting the goals of the Climate Act.<sup>14</sup> The merits of these two market-based programs are strong because both result in a transparent price placed upon carbon emissions and both promote competitive commercial activity and capital investment to develop clean energy resources and limit carbon emissions in an efficient manner. While Vitol supports both mechanisms, carbon pricing, particularly NYISO's proposed carbon pricing structure, will provide superior benefits over a cap-and-invest program. The Council should give greater weight to NYISO's carbon pricing proposal and less to a cap-and-invest program for the following reasons:

1. ***NYISO's carbon pricing proposal is fully developed and ready to go to satisfy the urgency needed to meet the goals of the Climate Act:*** NYISO has a fully-formed and vetted plan for integrating a state-determined carbon price within its wholesale energy market. This program is seamless with NYISO's existing market operations. NYISO has seasoned market, operational, and oversight infrastructure and experience developed over the past twenty-plus years. Additionally, the bilateral commercial markets are well-established with many experienced participants buying and selling forward electricity contracts on a daily basis. Plugging in a state-determined carbon price into both of these markets would be relatively easy and immediately impactful. Although the Federal Energy Regulatory Commission ("FERC") will have to approve the changes to the NYISO tariff to implement the program, FERC's policy statement from April 2021 acknowledges the importance of carbon pricing for meeting state energy and environmental objectives and provides a transparent framework in which FERC will evaluate any proposal to incorporate a state-determined carbon price into a jurisdictional wholesale energy market.<sup>15</sup>
2. ***Opting for cap-and-invest would require challenging modifications to New York's existing cap-and-invest program (i.e. RGGI) or development of a completely new, state-specific cap-and-invest program:*** A significant appeal of RGGI is its large regional footprint for limiting greenhouse gas emissions, providing broad environmental benefits, generating a revenue stream to each of its jurisdictional members for investing in beneficial public programs, and facilitating broader market and operational efficiencies. However, one significant drawback for New York is that prices for RGGI allowances are likely not high enough to incentivize capital

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<sup>13</sup> *IPPTF Carbon Pricing Proposal*, New York Independent System Operator; December 7, 2018; pp. 5-6.

<sup>14</sup> Chapter 17 of the Draft Scoping Plan also identifies a *clean energy supply standard* as an option. Vitol does not view this as an option that will integrate well into NYISO's energy market to harness the power of the LBMP signals.

<sup>15</sup> *Carbon Pricing in Organized Wholesale Electricity Markets: Policy Statement*, Federal Energy Regulatory Commission, Docket No. AD20-14-000; April 15, 2021.

investment in a manner needed to meet the Climate Act’s goals. To change this would require a cooperative effort to enable higher price caps for the program’s emission allowances, which appears unlikely given the diverse political views across RGGI’s membership.

Developing a new cap-and-invest program would be an intensive time-consuming effort that carries risk associated with a newly-created market, even if replicating an existing state-specific cap-and-invest program. Significant time and consideration will be needed for developing the rules and procedures for the program’s features, including, but not limited to, market transaction rules, procedures for allocating allowances, price boundaries, eligibility for participating in secondary markets, default risk monitoring, program compliance monitoring, and market monitoring – all requiring input from the multitude of interested stakeholders.

- 3. The stability of a known carbon price may be more economically efficient than an established emission quantity limit under a cap-and-invest program:** The Council has rightfully acknowledged an inherent choice embedded in the decision between utilizing a carbon pricing program or a cap-and-invest program: is it more desirable to have price certainty but no explicitly established cap on emissions (as with carbon pricing) or an explicit cap on emissions but no certainty on the carbon price (as with cap-and-invest)?<sup>16</sup> To aid with this choice, a recent academic research paper from economists at Stanford University has suggested that carbon price certainty via a carbon tax policy yields greater economic efficiency within electricity markets compared to a cap-and-trade program.<sup>17</sup> The abstract of the paper states:

*“We report on an economic experiment that compares outcomes in electricity markets subject to carbon-tax and cap-and-trade policies. Under conditions of uncertainty, price-based and quantity-based policy instruments cannot be truly equivalent, so we compared three matched carbon-tax/cap-and-trade pairs with equivalent emissions targets, mean emissions, and mean carbon prices, respectively. Across these matched pairs, the cap-and-trade mechanism produced much higher wholesale electricity prices (38.5% to 52.6% higher) and lower total electricity production (2.5% to 4.0% lower) than the “equivalent” carbon tax, without any lower carbon emissions. Market participants who forecast a lower price of carbon in the cap-and-trade games ran their units more than those who forecast a higher price of carbon, which caused emissions from the dirtiest generating units (Coal and Gas Peakers) to be significantly higher (15.2% to 33.0%) than in the carbon tax games. These merit order “mistakes” in the cap-and-trade games suggest an important advantage of the carbon tax as policy: namely, that the cost of carbon can [be] treated by firms as a known input to production.”<sup>18</sup>*

## ELECTRICITY SECTOR VERSUS ECONOMY WIDE

Chapter 17 also considers whether policies and programs for meeting the goals of the Climate Act should be implemented economy-wide or for specific sectors. As noted previously, placing a price on carbon emissions is the least cost way to reduce carbon emissions within an economy. Furthermore, an analysis performed by economists from Tufts University and Harvard University on the use of carbon

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<sup>16</sup> *Draft Scoping Plan*; pp. 252-254.

<sup>17</sup> *An Experimental Comparison of Carbon Pricing Under Uncertainty in Electricity Markets*, Trevor L. Davis, Mark C. Thurber, and Frank A. Wolak, Department of Economics, Stanford University; May 25, 2020. [https://web.stanford.edu/group/fwolak/cgi-bin/sites/default/files/Carbon\\_Pricing\\_Under\\_Uncertainty\\_in\\_Electricity\\_Markets.pdf](https://web.stanford.edu/group/fwolak/cgi-bin/sites/default/files/Carbon_Pricing_Under_Uncertainty_in_Electricity_Markets.pdf)

<sup>18</sup> *Id.*; p. 1.

taxes by several European countries revealed no adverse macroeconomic impacts.<sup>19</sup> Specifically, the paper concludes:

*“More importantly, we find no robust evidence of a negative effect of the tax on employment or GDP growth. For the European experience, at least, we find no support for the view that carbon taxes are job or growth killers.”<sup>20</sup>*

The consideration of implementing an economy-wide price on carbon does, however, stir political discomfort. For example, in evaluating the Climate and Community Investment Act (S. 4264A) in 2021, stakeholders in New York raised concerns of how an economy-wide carbon tax might impact prices for consumer goods, such as gasoline.<sup>21</sup> If the Council supports utilizing carbon pricing at an economy-wide level, it must recognize the practical political realities of taking such a big step all at once, even if the economic benefits of doing so are clearly superior to other options. In this instance, implementing carbon pricing first in the electricity sector, particularly NYISO’s carbon pricing proposal, is a reasonable, sensible smaller step to demonstrate the economic benefits of utilizing carbon pricing to achieve environmental policy goals. As noted previously, NYISO’s proposal is ready to go and can immediately start working to help New York meet the goals of the Climate Act while evaluation and development of an economy-wide program continues.

## **ANALYSIS GROUP’S EVALUATION OF NYISO’S CARBON PRICING PROPOSAL SHOWS ENORMOUS VALUE AS A POLICY INSTRUMENT**

An independent assessment performed by Analysis Group clearly demonstrates the benefits and value of utilizing carbon pricing in NYISO’s wholesale energy market to meet the goals of the Climate Act; a summary of the work and conclusions are found in *Clean Energy in New York State: The Role and Economic Impacts of a Carbon Price in NYISO’s Wholesale Electricity Markets – Summary for Policy Makers*. Based upon past successes of the NYISO energy market and successes of markets to price sulfur dioxide and nitrogen oxides emissions, Analysis Group expects that “New York’s economy and consumers will benefit from the operation of a carbon price to internalize the costs of carbon emissions into market prices alongside the deployment of myriad other public policies aimed at advancing the state’s energy transition.”<sup>22 23</sup> Further, Analysis Group finds that a carbon price integrated into NYISO’s energy market will greatly help in meeting the Climate Act’s objectives through:

- Speedy and seamless implementation,
- Creating incentives for accelerated market entry for renewable energy projects, technological innovation, efficiency, demand-side management, and transmission investments,
- Ushering the retirement of fossil units and improving efficiency in remaining fossil units,
- Complementing other state policy mechanisms,

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<sup>19</sup> *Measuring the Macroeconomic Impact of Carbon Taxes*, Gilbert E. Metcalf, Tufts University, and James H. Stock, Harvard University; April 2020.

[https://scholar.harvard.edu/files/stock/files/metcalf\\_stock\\_macro\\_carbon\\_tax\\_aerpp\\_011020.pdf](https://scholar.harvard.edu/files/stock/files/metcalf_stock_macro_carbon_tax_aerpp_011020.pdf)

<sup>20</sup> *Id.*; p. 8.

<sup>21</sup> *Cost of cleaner air could be another 55 cents per gallon*, Rich Karlin, Times Union; April 13, 2021.

<sup>22</sup> *Clean Energy in New York State: The Role and Economic Impacts of a Carbon Price in NYISO’s Wholesale Electricity Markets – Summary for Policy Makers*, Susan F. Tierney and Paul J. Hibbard, Analysis Group; October 3, 2019; p. 6.

<sup>23</sup> Market-based programs have successfully helped to limit emissions of sulfur dioxides and nitrous oxides in the United States. See United States Environmental Protection Agency progress reports at [https://www3.epa.gov/airmarkets/progress/reports/emissions\\_reductions\\_so2.html#figure3](https://www3.epa.gov/airmarkets/progress/reports/emissions_reductions_so2.html#figure3) and [https://www3.epa.gov/airmarkets/progress/reports/emissions\\_reductions\\_nox.html#figure3](https://www3.epa.gov/airmarkets/progress/reports/emissions_reductions_nox.html#figure3).



- Saving consumers substantial costs,
- Improving public health,
- Benefitting disadvantaged communities,
- Limiting emissions leakage, and
- Increasing revenue to the New York Power Authority.<sup>24</sup>

Analysis Group makes it abundantly clear that a carbon price in NYISO’s energy market is a powerful mechanism yielding massive economic and policy objective benefits in New York’s quest to meet the goals of the Climate Act. Vitol urges the Council to give Analysis Group’s evaluation significant weight when making its final recommendations.

### **HARNESSING CARBON PRICING THROUGH NYISO’S LBMP AND DESIGNING FEATURES TO MITIGATE REGRESSIVE IMPACTS WILL HELP DISADVANTAGED COMMUNITIES**

As noted previously, NYISO’s energy market is a powerful platform to send price signals to market participants and investors. With a carbon price charged to generators emitting carbon, the LBMP would send the strongest carbon price signals at locations containing generators with high carbon emission intensity, including Environmental Justice Communities.<sup>25</sup> The price signals will provide an incentive for investment in clean energy resources and innovation at these locations, reducing emissions, and providing environmental benefits.<sup>26</sup> Regarding the mitigation of regressive impacts, the Plan rightfully recognizes that a carbon pricing mechanism like NYISO’s proposal can be readily designed to offset the regressive nature of carbon pricing to ensure those who are most economically impacted receive the highest benefit from excess revenues collected by the program.<sup>27</sup> All in all, NYISO’s carbon pricing proposal has been recognized and endorsed as a preferable solution that can provide positive, impactful results for Disadvantaged Communities.<sup>28 29</sup>

### **NYISO’S CARBON PRICING PROPOSAL ADDRESSES EMISSIONS LEAKAGE**

In designing its carbon pricing proposal, NYISO considered the mitigation of emissions leakage as an essential feature needed to ensure the success of its proposal to help New York meet its clean energy goals and incorporated provisions to utilize border carbon price adjustments for imports and exports of electricity. NYISO recognized the challenges with designing leakage mitigation provisions but noted the benefits outweigh the drawbacks. Finally, NYISO indicated its willingness to monitor the outcomes of its leakage mitigation provisions and to adjust them as needed.<sup>30</sup>

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<sup>24</sup> *Id.*, p. 7.

<sup>25</sup> *Clean Energy in New York State: The Role and Economic Impacts of a Carbon Price in NYISO’s Wholesale Electricity Markets – Summary for Policy Makers and Final Report*, Susan F. Tierney and Paul J. Hibbard, Analysis Group; October 3, 2019; p. 44.

<sup>26</sup> *Id.*; p. 4.

<sup>27</sup> *Draft Scoping Plan*; p. 258.

<sup>28</sup> “Enacting a carbon pricing plan can help deliver New York’s clean energy transition and reduce the historic and disproportionate burdens imposed on environmental justice communities.” *The COVID-19 crisis has made it clear: inner-city communities need carbon pricing*, Hazel Trice Edney, New York Amsterdam News; June 17, 2020.

<sup>29</sup> “... it is imperative that policy makers give serious considerations to solutions like carbon pricing that incentivize investment in renewables and will, over time, help reduce air pollution in urban communities.” *Carbon Pricing will Improve the Health of New York’s Most Vulnerable Citizens – Black Americans*, Rev. Kirsten John Foy, Empire Report; July 21, 2020.

<sup>30</sup> *IPPTF Carbon Pricing Proposal*, New York Independent System Operator; December 7, 2018; pp. 7-9.

