



**Climate Action
Council**

Economywide Strategies Subgroup Meeting 3

July 20, 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 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

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 Further Clarity Needed
Meeting 3 – July 20 9:00 – 11:00 AM	Rationale Discussion /Finalizing & Applying Criteria (Emissions; Certainty and Sufficiency of Funding and Use of Proceeds and Consistency with Other Regulatory Programs)
Meeting 4 – July 25 2:00 – 4:00 PM	Applying Criteria (Equity)
Meeting 5 – August 8 2:00 – 4:00 PM	Applying Criteria (Economic; Incorporating Multi-Jurisdictional Programs and Maintaining Administrative Simplicity)
Meeting 6 – August 22 2:00 – 4:00 PM	Rationale Discussion /Incorporating Public Comment/Comparing and Contrasting
Tentative Meeting – August 29 2:00 – 4:00 PM	Meeting time held for additional discussion if needed
Meeting 7 – September 12 2:00 – 4:00 PM	Finalizing Recommendations



Setting the Stage: Rationale Discussion

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.

- 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

Criteria	Carbon pricing	Cap-and-invest	Clean Energy Supply Standards
Certainty of emission reductions to comply with statewide emission limits	<ul style="list-style-type: none"> -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. 	<ul style="list-style-type: none"> -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. 	<ul style="list-style-type: none"> -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

Applying Criteria

	Cross-Cutting Design Features	Carbon Price Design Features	Cap and Invest Design Features	Clean Energy Supply Standard Design Features
Certainty of GHG emission reductions to comply with state limit				

Polling

- > 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

Criteria	Carbon pricing	Cap-and-invest	Clean Energy Supply Standards
Potential for minimizing carbon cost and/or maximizing CO2 reduction per dollar	<ul style="list-style-type: none"> -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. 	<ul style="list-style-type: none"> -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. 	<ul style="list-style-type: none"> -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

	Cross-Cutting Design Features	Carbon Price Design Features	Cap and Invest Design Features	Clean Energy Supply Standard Design Features
Potential for minimizing carbon price and/or maximizing abatement/\$				

Polling

- > 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

Criteria	Carbon pricing	Cap-and-invest	Clean Energy Supply Standards
Application economywide or to specific sectors	<ul style="list-style-type: none"> -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. 	<ul style="list-style-type: none"> -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. 	<ul style="list-style-type: none"> -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

	Cross-Cutting Design Features	Carbon Price Design Features	Cap and Invest Design Features	Clean Energy Supply Standard Design Features
Application economy wide or to specific sectors				

Polling

- > 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.

Applying Criteria

	Cross-Cutting Design Features	Carbon Price Design Features	Cap and Invest Design Features	Clean Energy Supply Standard Design Features
Reduction of co-pollutant emissions				

Polling

- > If NY State was able to adopt all of the design features as noted by the subgroup, which policy best meets the criterion?
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Emission Criteria Polling

- > 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

Criteria	Carbon pricing	Cap-and-invest	Clean Energy Supply Standards
Certainty/sufficiency of funding and use of proceeds	<ul style="list-style-type: none"> -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 	<ul style="list-style-type: none"> -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 	<ul style="list-style-type: none"> - Credit values can fluctuate

*Previously presented by the State to CAC

Applying Criteria

	Cross-Cutting Design Features	Carbon Price Design Features	Cap and Invest Design Features	Clean Energy Supply Standard Design Features
Certainty and sufficiency of funding and use of proceeds				

Polling

- > If NY State was able to adopt all of the design features as noted by the subgroup, which policy best meets the criterion?
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Application of Programmatic Criteria

Criteria	Carbon pricing	Cap-and-invest	Clean Energy Supply Standards
Consistency with other regulatory programs	-Other regulatory programs would be needed to provide emission certainty; those programs would provide additional reductions, but not reduce the carbon price	-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.	-Other regulatory programs would provide additional reductions - Other regulatory programs would reduce the credit prices under such a standard.

*Previously presented by the State to CAC

Applying Criteria

	Cross-Cutting Design Features	Carbon Price Design Features	Cap and Invest Design Features	Clean Energy Supply Standard Design Features
Consistency with other regulatory programs				

Polling

- > 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.

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!



**Climate Action
Council**