Cap-and-Invest vs. Cap-and-Trade vs. Carbon Tax

Although cap-based programs like 'cap-and-invest' or 'cap-and-trade,' and a carbon tax are all designed to reduce climate-altering greenhouse gas emissions, there are critical differences among them that underscore New York's comprehensive approach in Governor Hochul's State of the State and Executive Budget.

Cap-and-Trade and Cap-and-Invest

Cap-and-trade and cap-and-invest programs ensure emissions reductions attributed to the 'cap' on emissions from covered sources at the lowest possible cost. Regulated entities must purchase or obtain allowances equal to the carbon pollution emitted and the cap declines over time, thus reducing emissions.

- New York's Cap-and-Invest Program includes best practices gleaned from the Regional Greenhouse Gas Initiative (RGGI). In participating RGGI states, regulated power plants must acquire allowances for tons of carbon dioxide (CO_2) emitted at auctions. The states then invest auction proceeds in energy efficiency, renewable energy, and other programs that save consumers money on energy bills and hasten the transition to cleaner energy.
- In addition, New York's Cap-and-Invest Program is being specifically designed to enable public agencies to focus the investment of allowance auction proceeds in communities with particular needs, ensuring benefits reach residents in greatest need and accelerating a transition to an affordable, clean energy future. Examples include bill assistance, energy efficiency upgrades, zero-emission medium- and heavy-duty trucks and buses, and job training in fields related to clean energy in low-income and underserved communities.

New York's Cap-and Invest Program includes an additional element – a Climate Action Fund. A portion of the auction revenue generated, at least 30 percent, will be returned to consumers to mitigate average costs to New Yorkers. Funding will help offset the costs of energy use and help New Yorkers reduce energy use by switching to clean energy.

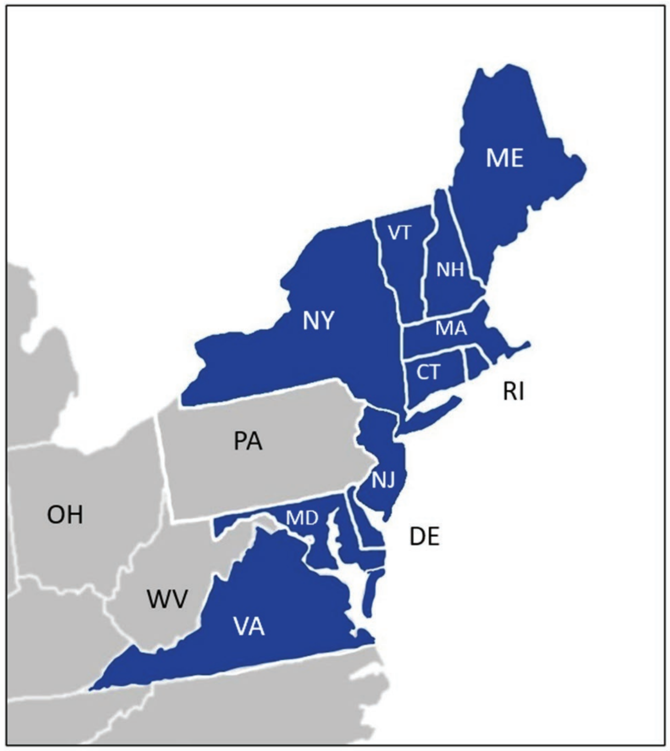
Carbon Tax

A carbon tax sets a price on a ton of greenhouse gas emissions and revenues that would then be invested to reduce emissions and potential costs.

However, a carbon tax does not ensure compliance with statewide emissions limits like those mandated in New York's Climate Leadership and Community Protection Act. Nor does it interact with other policies or programs to minimize costs to consumers.

Regional Greenhouse Gas Initiative

Thanks in part to New York's leadership, the Regional Greenhouse Gas Initiative (RGGI) was established as the first market-based regulatory 'cap-and-invest' program to reduce greenhouse gas emissions in the U.S. RGGI is a cooperative effort among the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania[1], Rhode Island, Vermont, and Virginia to cap and reduce CO_2 emissions from the power sector.



RGGI Benefits

Together, RGGI and other state-led actions, policies, and programs reduced regionwide emissions 57% (2020) compared to the start of the program in 2009. Total net economic benefits resulting from the investment of RGGI auction proceeds from 2009 – 2022 are estimated at nearly $6 billion regionwide, and current cumulative auction proceeds for New York State total nearly $2 billion.

Health Benefits & Electric Bill Savings

RGGI states' transition to cleaner energy infrastructure is estimated to have saved lives, prevented thousands of asthma attacks, and reduced health-related costs on the order of billions of dollars.

In addition, participating RGGI states have experienced lower electric rates and lower rate growth than the U.S. overall compared to the baseline at the start of the program in 2009.

1 Pennsylvania's RGGI regulation is under ongoing litigation which prevents the state from fully participating in RGGI at this time