Economywide Strategies Subgroup
Meeting 4

July 25, 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 4 Agenda

> Apply Criteria

- Equity

- Programmatic

  - Certainty and Sufficiency of Funding and Use of Proceeds
  - Consistency with Other Regulatory Programs

> Summary of meeting takeaways & prep for Meeting 5

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

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)	✓
Meeting 4 – July 25 2:00 – 4:00 PM	Applying Criteria (Certainty and Sufficiency of Funding and Use of Proceeds and Consistency with Other Regulatory Programs; 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	

Applying Criteria

Today's Criteria Focus

- Equity
  - Prioritizing emissions and pollutants reduction in DACs/avoiding hotspots
  - Affordability and avoiding regressive impacts

- Programmatic
  - Certainty and sufficiency of funding and use of proceeds
  - Consistency with other regulatory programs

Equity Criteria

Climate Justice Working Group Feedback

> The CJWG has expressed opposition to New York's potential participation in the TCI program cap-and-invest program based on its position that such programs do not guarantee reductions at individual facilities, raising the potential for pollution hotspots.

> That criticism is equally applicable to carbon pricing, which would not impose emission limits on individual facilities or on statewide emissions overall.

Application of Equity Criteria

Criteria	Carbon Pricing	Cap-and-Invest	Clean Energy Supply Standards
Prioritizing emissions and pollutant reductions in DACs/ avoiding hotspots	-Investment of revenues subject to 35-40% DAC investment mandate -Can structure to impose higher price on stationary source emissions in DACs	-Investment of proceeds subject to 35-40% DAC investment mandate -can structure to increase price on stationary source emissions in DACs, by requiring additional allowances at a specified ratio) -Could impose hard cap on emissions from sources in DACs	-Although it doesn't provide a direct source of state revenues, the state can direct credits earned by utilities or state entities to be directed to particular uses, including investments in DACs.

*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
Prioritizing emissions and pollutants reduction in DACs/avoiding hotspots				

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 <u>not</u> an official vote. This will inform future subgroup conversations.

Application of Equity Criteria

Criteria	Carbon Pricing	Cap-and-Invest	Clean Energy Supply Standards
Affordability/ avoiding regressive impacts	-Increases price of carbon-based energy to all consumers, but overall financial impact can be mitigated by using a portion of revenues for rebates to at least LMI households -Investments could be targeted to efficiency and other programs that reduce costs to LMI households	-Increases price of carbon-based energy to all consumers but overall financial impact can be mitigated by using a portion of revenues for rebates to at least LMI households. -Investments could be targeted to efficiency and other programs that reduce costs to LMI households	-Enhances the affordability of low-carbon energy sources while increasing cost of higher-carbon energy sources. -Impact on LMI households will be greater -The state can direct credit value to LMI rebates, e.g. if electric utility is generating the credits.

*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
Affordability and avoiding regressive impacts				

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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Programmatic Criteria

Application of Programmatic Criteria

Criteria	Carbon pricing	Cap-and-invest	Clean Energy Supply Standards
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

	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?

> This is _not_ an official vote. This will inform future subgroup conversations.

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				

Discussion

> Given interactions with other policies that currently exist in NY State or that are in the Scoping Plan, what are the benefits and drawbacks of each of the three economy-wide policies?

Key Takeaways

Prep for Meeting 5

> Monday, August 8; 2:00 – 4:00 PM

> Applying Economic/Programmatic Criteria

> Homework to prepare for discussion

- Prepare implementation suggestions/edits to best achieve economic/programmatic criteria in advance