

Economywide Subgroup Meeting 5 Notes

Meeting Details:

- Date: August 8th, 2:00 – 4:00 pm

Council Member Participants:

- Basil Seggos, Commissioner, New York State Department of Environmental Conservation
- Gavin Donohue, President and CEO, Independent Power Producers of New York
- Vincent Ravaschiere, Designee for Hope Knight, Commissioner and President & CEO of Empire State Development
- Carolyn Ryan, Designee for Marie Therese Dominguez, Commissioner, New York State Department of Transportation
- Justin Driscoll, President and Chief Executive Officer, New York Power Authority

Meeting Agenda/Topics Covered:

- Updates to Draft Rationale
 - The subgroup discussed and largely agreed the draft rationale captured previous discussion. It will be revisited during subsequent subgroup meetings and inform the final recommendation to the Climate Action Council.
- Application of Economic Criteria: Price certainty
 - A subgroup member raised a question about whether there's enough understanding of New York's method for calculating carbon intensity among regulated entities that could impact the cost to those entities. Staff explained that establishing carbon intensity, to the extent relevant, would be defined in program design.
 - One subgroup member emphasized the importance of price certainty for utilities and industry, while ensuring the price is high enough to ensure compliance with emission limits.
 - A subgroup member raised a question about the frequency with which prices can be expected to change/be determined under a cap-and-invest system. Staff explained that prices are determined in the quarterly auctions and also in the ongoing secondary market between auctions.
 - One subgroup member asked whether pricing is more responsive with cap and invest versus carbon pricing. Staff explained that pricing under a cap-and-invest program varies as needed to meet emission limits.
 - There was discussion among the subgroup about the importance of designing a program with mechanisms to adjust pricing to meet emission limits.
 - Based on this discussion, a majority of subgroup members felt that carbon pricing provided more price certainty than the other two options.
- Application of Economic Criteria: Mitigation risk of leakage
 - One subgroup member asked if there are opportunities to exempt industries and sectors from an economywide approach (e.g., due to foreign competition). Staff explained that categories of energy intensive trade-exposed industries could be exempted from a carbon tax, or awarded free allowances, on an output basis, under a cap-and-invest program.

Notes are intended to capture high-level discussion topics and do not reflect any specific recommendation or opinion.

- Subgroup members discussed design considerations to protect against leakage in specific industries. California’s treatment of sectors exposed to international trade was provided as an example.
- One subgroup member raised the importance of evaluating sectors before granting exemptions and considering consistency with neighboring state policies.
- A subgroup member raised the question of including imported electricity in an economywide approach.
- Based on this discussion, both carbon pricing and cap-and-invest received support from subgroup members for best meeting this criterion.
- Application of Economic Criteria: Supporting economic development and innovation
 - There was limited discussion on this criterion.
- Application of Economic Criteria: Maintaining affordability for consumers/businesses
 - One subgroup member raised the importance of ensuring adequate consumer choice is available to enable consumers to adjust their behavior in response to a carbon price.
 - Following this discussion, subgroup members noted there’s less difference between the policies themselves and that the design features are more important when considering which policy best meets this criterion.
- Application of Economic Criteria: Regional equity
 - Subgroup members discussed how costs of fuels are borne differently across the State and discussed how investment strategies could mitigate any regional disparities.
- Application of Programmatic Criteria: Incorporating multi-jurisdictional programs
 - A subgroup member raised the question of how an economywide program would interact with RGGI.
 - Discussion by the subgroup members clarified that the price of RGGI could be credited towards a program and noted that Massachusetts has placed additional compliance obligations on power plants already covered by RGGI.
 - Based on group discussion, one subgroup members suggested that cap and invest best meets this criterion, while others noted there’s no difference between programs for meeting this criterion.
- Application of Programmatic Criteria: Maintaining administrative simplicity
 - The subgroup discussed clarity around this criterion.
 - Based on group discussion, carbon pricing received support from the majority of subgroup members as best meeting this criterion.

Key Takeaways:

- An additional meeting has been added to the workplan to continue discussions around recommending an economywide policy.

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