Economywide Subgroup Meeting 7 Notes

Meeting Details:

- Date: August 29th, 2:00 – 4:00 pm

Council Member Participants:

- Jared Snyder, Designee for Basil Seggos, Commissioner, New York State Department of Environmental Conservation
- Peter Iwanowicz, Executive Director, Environmental Advocates NY
- Gavin Donohue, President and CEO, Independent Power Producers of New York
- Kevin Hansen, Designee for Hope Knight, Commissioner and President & CEO of Empire State Development
- Colleen Smith-Lemmon, 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:

- Presentation by Kevin Hansen from Empire State Development on energy-intensive, trade-exposed (EITE) industries.
    - In response to a question if chips manufacturing qualifies as an EITE industry, Kevin confirmed that chips manufacturing would likely qualify as an EITE industry under semiconductor and related device manufacturing.
    - In response to a question, State staff noted that data is based on an industry's national profile and that by adding up the emissions in terms of carbon dioxide equivalents and multiplying by an emissions price, one can estimate the cost of emissions under a pricing scheme. Emissions from source categories that are substantively or legally difficult to cover, can still be tracked and included within the cap in a cap and invest system, ensuring that the overall cap is targeted to achieving statewide emissions targets. A similar mechanism is not available under a carbon tax model since it is not directly calibrated to an emissions level.
    - In response to a question about the differences between applying emissions intensity versus energy intensity, state staff noted that some industries generate emissions from non-energy-related processes. Staff also noted that as electricity decarbonizes, an energy-intensive facility may become less emissions-intensive, reducing its exposure to a price on carbon.
- Straw Proposal 1: Carbon Tax Presentation
- Straw Proposal 1: Cap-and-Invest Presentation
    - In response to a question about how the Climate Act would impact linking a cap-and-invest program with other states, State staff noted that any linked program would need to have comparable stringency in terms of emissions reductions targets. To address equity considerations, State staff suggested that linkage could be predicated on a finding of no net adverse impact to DACs in either jurisdiction.

    - In response to a question about the role of offsets, State staff noted the straw proposal did not envision including offsets. The subgroup and staff discussed considerations in the event that offsets were eventually included in a New York State program.
        - Any inclusion of offsets would need to be accounted for in a program design to ensure New York meets statewide emissions limits. State staff further explained how offsets are treated in other jurisdictions – they exceed the cap in California's system, while Washington State includes offsets under the emissions cap.
        - In response to a question asking whether offsets, if allowed under a NYS program, could be prohibited for use in Disadvantaged Communities, State staff noted that alternative compliance mechanism language in the Climate Act would need to be considered.
    - In response to a question about how prices would be set under a carbon tax and cap-and-invest program, State staff noted that a carbon tax price would be set through statute, including the escalation mechanism. Meanwhile, a cap-and-invest price would establish by auction, subject to price stability mechanism like a price floor, an emissions containment reserve and a price containment reserve, similar to RGGI.
- Straw Proposal Discussion: How effective are these proposals at meeting the criteria?
    - One subgroup member raised the importance of receiving feedback from the Climate Justice Working Group to determine if climate justice criteria are being met in either proposed program.
    - In response to a question about how a price adjustment would work for a carbon tax, State staff noted a carbon tax does not inherently adjust and would require a tax adjustment mechanism to improve its responsiveness to GHG reduction progress.
    - Subgroup members requested more information on affordability criteria and rebates in context of evaluating effectiveness between carbon tax and cap-and-invest.
    - In response to a question if rebates could be offered to specific industries/sectors instead of exemptions to mitigate leakage under a carbon tax, State staff and subgroup members agreed to explore this option further.
    - A subgroup member raised the importance of considering the previous work that went into RGGI when designing an economywide program.
    - One subgroup member suggested that a regulatory mechanism for cap-and-invest would require more staff time and administrative complexity for implementation than a carbon tax.

Meeting Agenda/Topics Covered:

- Subgroup members will reflect on this discussion to determine if the subgroup wants to recommend either of the straw proposals, components of each, or both as options for the CAC to consider.