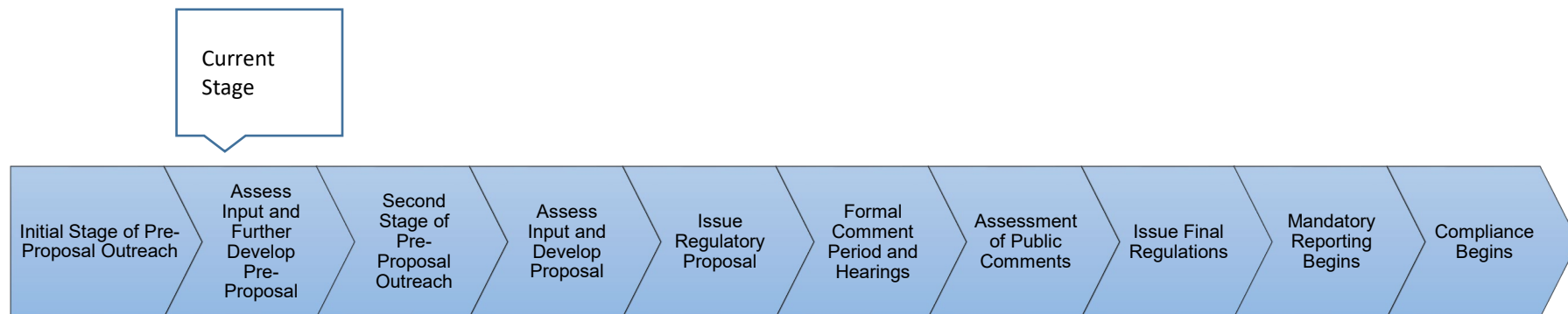


New York State Economywide Cap-and-Invest Program (NYCI)

July 20, 2023
Vermont Climate Council
Cross-Sector Mitigation Subcommittee



Cap-and-Invest Regulation Development Timeline



Follow the Process

Join the mailing list to receive updates on program development: <https://climate.ny.gov/email-list/>

Public Stakeholder Meeting recordings and materials can be found at:

www.capandinvest.ny.gov/meetings-and-events

Provide feedback:

Comments can be submitted online at:

www.capandinvest.ny.gov

or by mail:

Bureau of Air Quality Planning
NYS DEC, Division of Air Resources
625 Broadway, Albany, NY 12233-3251



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Agenda

- Climate Leadership and Community Protection Act (Climate Act)
- An Economywide Cap-and-Invest Program
- Special Considerations for New York's Program
- Opportunities for Engagement with Vermont and Other Jurisdictions
- Next Steps



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Climate Act – Overview

Carbon neutral economy, mandating at least an 85% reduction in emissions below 1990 levels by 2050

40% reduction in emissions by 2030

100% zero-emissions electricity by 2040

70% renewable electricity by 2030

9,000 MW of offshore wind by 2035

6,000 MW of distributed solar by 2025

3,000 MW of energy storage by 2030

185 TBtu on-site energy savings by 2025

Commitments to climate justice and just transition

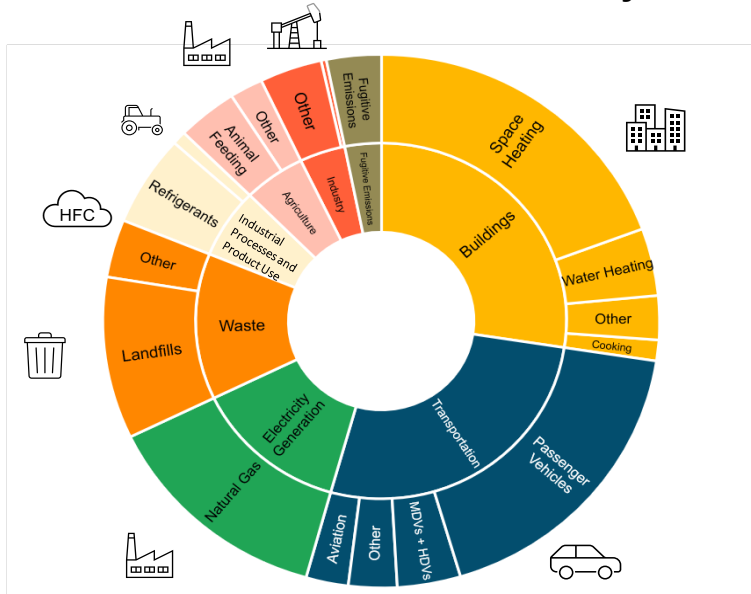


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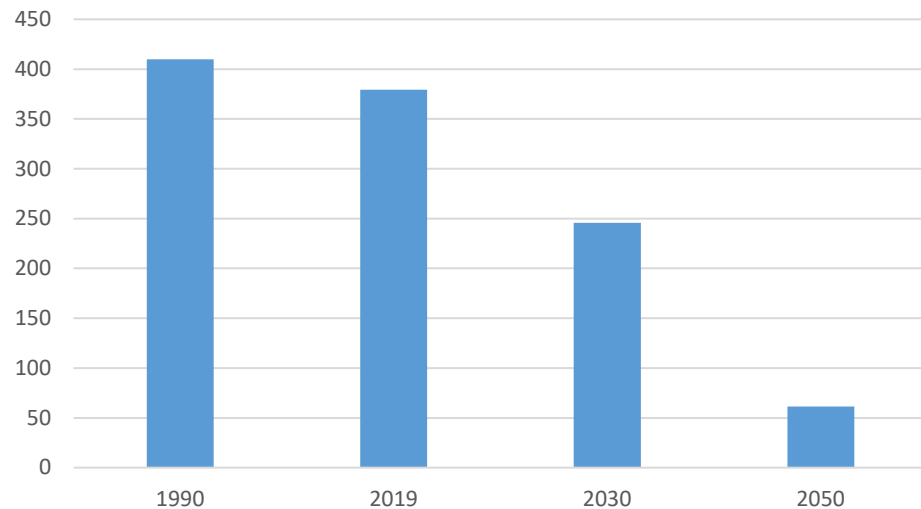
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GHG Emissions Reduction Requirements

Current Estimated GHG Emissions by Sector



New York State GHG Emissions (MMtCO₂e)



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New York State Cap-and-Invest

The Cap-and-Invest Program was recommended by the Climate Action Council's final Scoping Plan and proposed in Governor Kathy Hochul's 2023 State of the State Address and Executive Budget.

DEC and NYSERDA are developing the program to meet the greenhouse gas emission reduction and equity requirements under the 2019 Climate Act.



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Economywide Cap-and-Invest Program

> At Governor Hochul's direction, the program will incorporate these guiding principles:

- *Affordability*: Craft a program to deliver money back to New Yorkers to ensure energy affordability
- *Climate Leadership*: Catalyze other states to join New York, and allows linkage to other jurisdictions
- *Creating Jobs and Preserving Competitiveness*: Protect existing jobs and support new and existing industries
- *Investing in Disadvantaged Communities*: Ensure 35%+ of investments benefit DACs
- *Funding a Sustainable Future*: Support ambitious clean energy investment



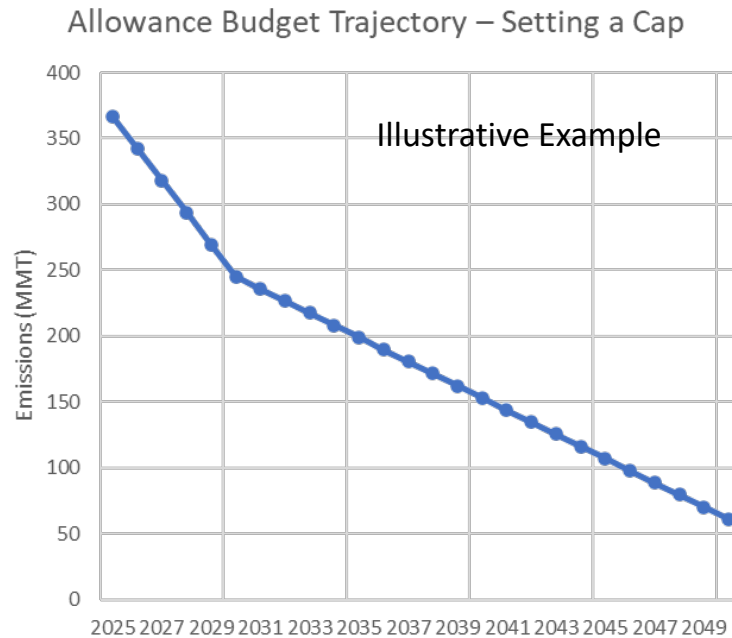
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Cap-and-Invest Program: Achieving Emission Limits

Over the coming year, DEC and NYSERDA will design a program that sets an annual cap on the amount of greenhouse gas pollution permitted to be emitted in New York.

The declining cap ensures annual emissions are reduced, setting the state on a trajectory to meet our GHG emissions reduction requirements of 40% by 2030, and at least 85% from 1990 levels by 2050, as mandated by the Climate Act.



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New York's Cap-and-Invest Program – How it Works

Cap-and-Invest sets an annual limit on the amount of greenhouse gas emissions emitted in New York. Every year, the cap will be set lower to reduce greenhouse gas emissions.



Large-scale greenhouse gas emissions sources and distributors of heating and transportation fuels will be required to purchase or obtain allowances for emissions associated with their activities.



The Program will prioritize frontline disadvantaged communities that have suffered from pollution as a result of environmental injustice and will ensure emissions reductions.



Proceeds will minimize potential consumer costs while supporting critical investments in focus areas such as climate mitigation, energy efficiency, and clean transportation.

Cap-and-Invest Guiding Principles:

- Affordability
- Climate leadership
- Creating jobs and preserving competitiveness
- Investing in disadvantaged communities
- Funding a sustainable future



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Greenhouse Gas Emissions Reporting

Cap-and-Invest programs require emissions reporting from emissions sources.

Entities with reporting requirements will likely be more numerous than entities with allowance compliance obligations

- Supports integrity of emissions allowance determinations
- Supports integrated reporting platform for multiple programs
- Helps to identify future actions



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Regulatory Framework

- > DEC and NYSERDA plan to develop three regulations to implement an economywide Cap-and-Invest program (NYCI)
 - DEC Mandatory Greenhouse Gas Reporting Rulemaking (Part 253)
 - DEC Economywide NYCI Rulemaking (Part 252)
 - NYSERDA Auction Rulemaking (Part 510)

- > DEC is drafting and will promulgate enforceable regulations to ensure the State meets the Climate Act's statewide GHG emission limits as outlined in the Scoping Plan.



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Distinguishing Elements in NYCI Program Development

- All GHG emissions would be accounted for under the program and the cap must reduce at a rate to achieve the statewide GHG emission limits.
- DEC is considering the concept of obligated and non-obligated sources.
 - Obligated sources identified by regulation and required to provide allowances equal to its GHG emissions.
 - Non-obligated sources contribute to GHG emissions and must be accounted for in the overall cap, but allowances to cover GHG emissions from non-obligated sources will be retired by DEC.



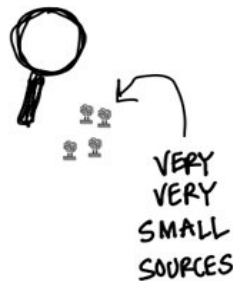
What about hard-to-cover emissions?



AVIATION



AGRICULTURE



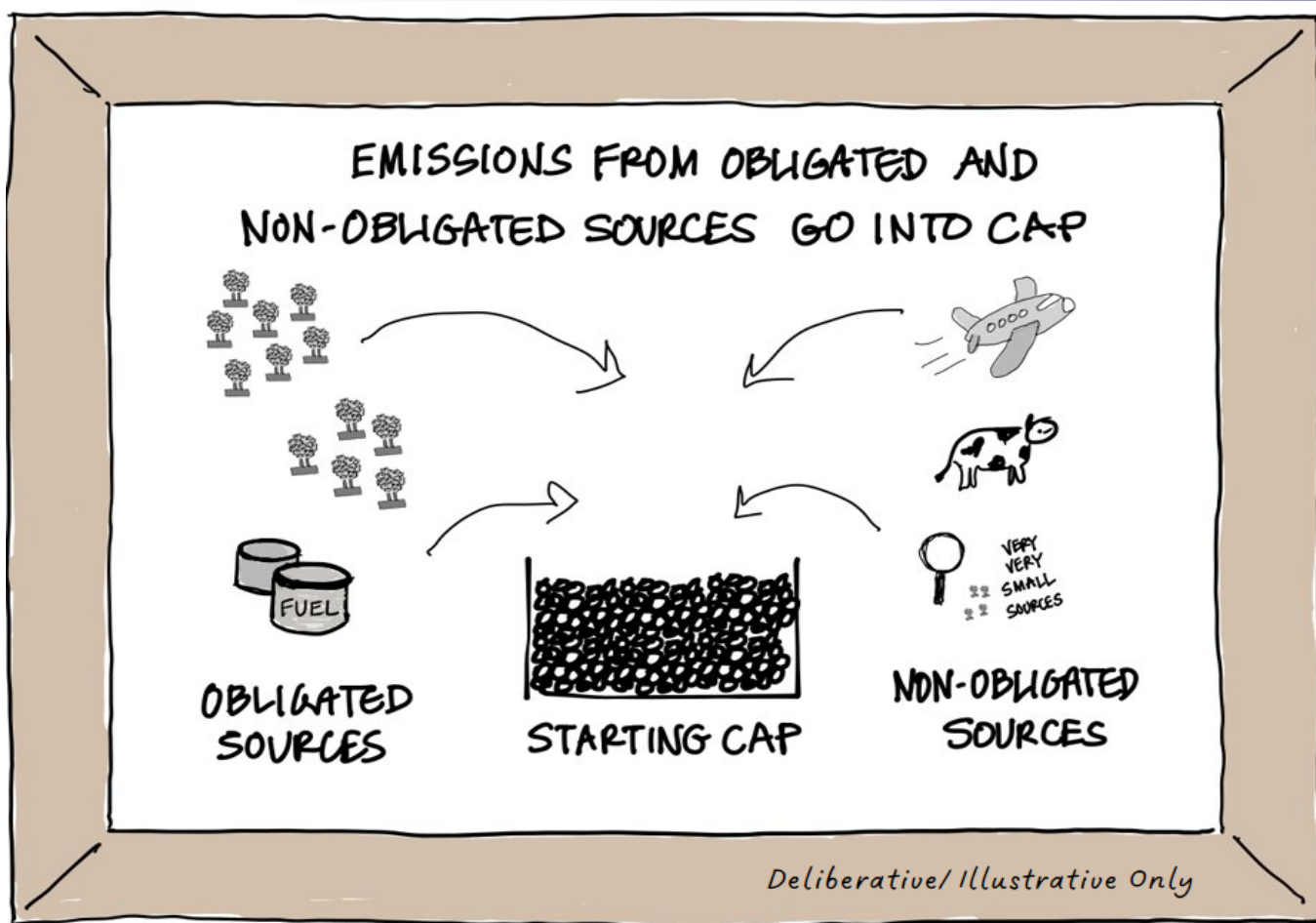
NON-OBLIGATED SOURCES OR CATEGORIES

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NON-OBLIGATED
SOURCES
HAVE NO
COMPLIANCE
OBLIGATION



VERY
VERY
SMALL
SOURCES



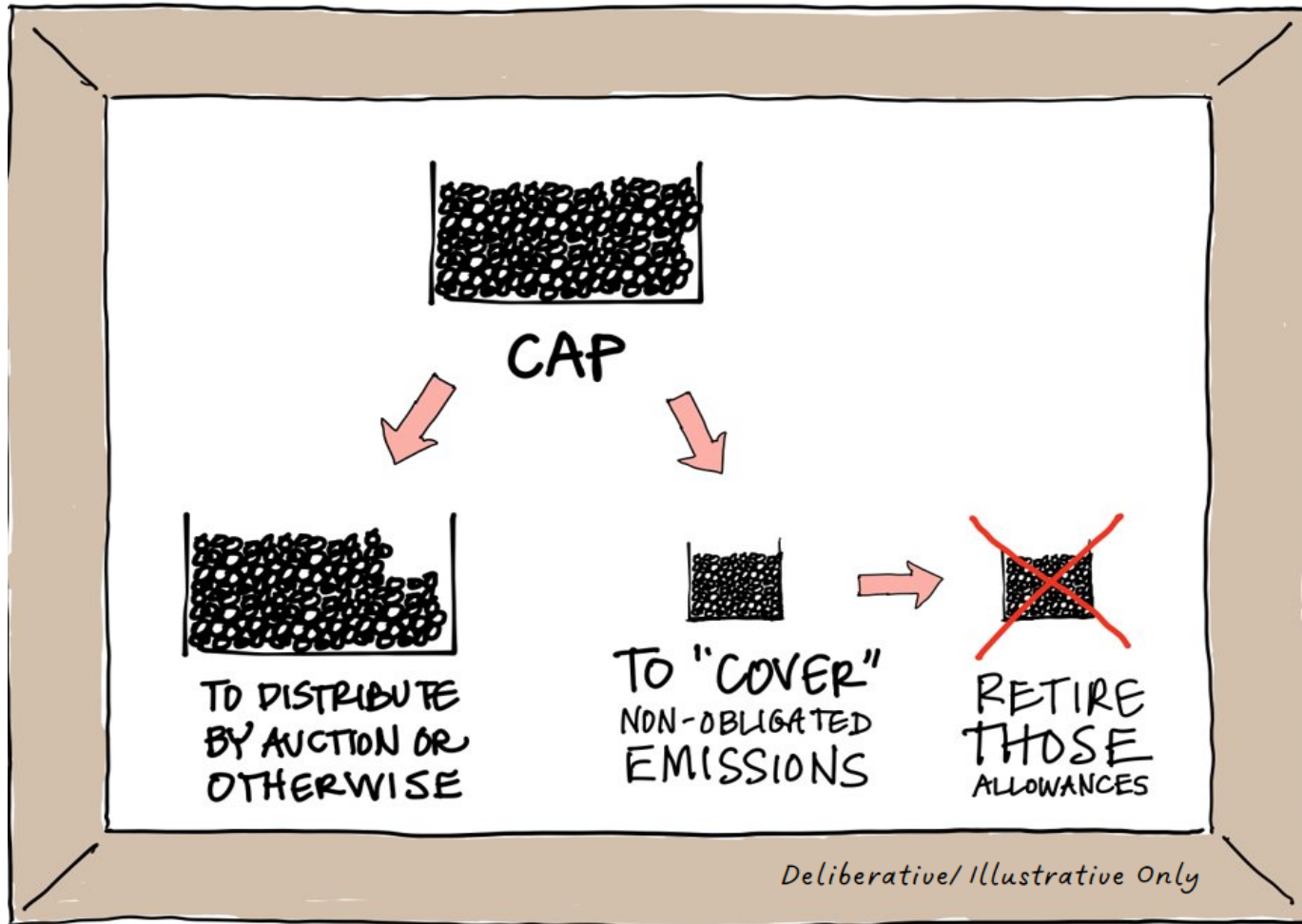
INSTEAD, EACH YEAR
STATE SETS ASIDE
ALLOWANCES TO "COVER"
THEIR EMISSIONS

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NON-OBLIGATED
SOURCES
HAVE NO
COMPLIANCE
OBLIGATION



VERY
VERY
SMALL
SOURCES



CAP



TAKE ALLOWANCES
OUT TO "COVER"
NON-OBLIGATED
EMISSIONS



RETIRE
THOSE
ALLOWANCES

+

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Equity Consideration for Disadvantaged Communities

- Climate Act directs that a minimum of 35% of proceeds -- with a goal of 40%-- be invested to benefit Disadvantaged Communities (DACs).
- In addition to investments to reduce emissions, DEC is soliciting feedback about any additional regulatory mechanisms in the Cap-and-Invest regulation that should be considered to ensure emission reductions in DACs.



Cap-and-Invest Starting Points

As DEC and NYSERDA begin to develop NYCI rules, we are soliciting comments from stakeholders about existing cap-and-invest/cap-and-trade programs and if DEC and NYSERDA should consider incorporating any of those regulatory provisions into New York's proposed regulations.

- California Air Resources Board (CARB) regulations
 - California's [cap and trade regulation](#) covers the details of the state's economywide system.
 - California's [mandatory GHG reporting rule](#) covers the mandatory emissions reporting and verification system, which is a separate regulation from the emissions trading program.
- DEC and NYSERDA also seek comments based on provisions of the Washington and Quebec cap-and-invest programs.



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NYCI Program Design Decisions

- Applicability and thresholds
- Allowance allocation and auction
- Cap and allowance budget
- Program stability mechanisms
- Compliance and Enforcement
- Reporting and verification



Opportunities for Engagement with Vermont and Other Jurisdictions

- DEC and NYSERDA welcome dialogue with Vermont and other jurisdictions regarding cap-and-invest program development
- Vermont and other jurisdictions are invited to observe and participate in the NYCI program development process
- One of New York's objectives is to design a program that meets our Climate Act requirements while allowing for the possibility of states like Vermont to link with NYCI
- We are eager to hear ideas for the best ways to facilitate inter-jurisdictional engagement and maximize linking opportunities



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Provide Online Feedback

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Thank You

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