ACE NY
ALLIANCE FOR CLEAN ENERGY NEW YORK, INC.

Cap-and-Invest Stakeholder Feedback Session #4:
Energy Intensive and Trade Exposed Industries-focused Webinar

June 13, 2023

The DEC and NYSERDA hosted their 4th webinar in the series for New York Cap-and-Invest pre-proposal outreach. This webinar had a focus on energy-intensive and trade-exposed industries and their role in the development of New York's Cap-and-Invest Program (NYCI). The program is currently in the pre-proposal outreach stage, and DEC is seeking input from stakeholders.

As occurred in webinars #1, #2, and #3, staff from the DEC provided a detailed overview of the proposed New York Cap and Invest (NYCI) Program. To see notes from this portion, please review ACE NY's summary of webinars #1, #2, and #3, or see recordings at www.capandinvest.ny.gov/meetings-and-events.

Energy Intensive and Trade Exposed (EITE) Industries - industries like cement, steel, and paper manufacturers – are responsible for a relatively small percentage of greenhouse gas emissions but a significant number of jobs. In the proposed NYCI, these industries may receive allowances directly from the state without having to purchase them in an auction. This approach would be taken under the assumption that making operating costs for these industries higher could encourage them to re-locate their facilities, and their emissions, out-of-state. This type of emissions "leakage" would cause economic harm in New York with no benefit to the climate.

Decisions on emissions responsibility for EITE sources, including combustion, upstream out-of-state, and process emissions, are still under consideration. An important decision in NYCI design will be how to distribute allowances to various sectors. Also, "set asides" are anticipated in addition to the main allocation. That is, some emissions may be 'set aside' to allow for future growth in a particular sector. Another consideration for DEC will be a "Cost Containment Reserve"; this may be established to address unexpected price fluctuations. Several key decisions remain under debate, including the structure of auction rounds, participant eligibility, and measures to protect market integrity. For each of these questions, there might be rules specific to EITE.

During this webinar, DEC again explained that the regulatory framework involves the development of three regulations to implement NYCI:

1. DEC mandatory greenhouse reporting (Rule 253)
2. DEC economy-wide NYCI rulemaking (Rule 252)
3. NYSERDA Auction rulemaking (Rule 510)

This webinar again discussed the concepts of obligated and non-obligated sources. While all greenhouse gas emissions will be accounted for under NYCI, non-obligated sources, such as direct emissions from livestock and aviation, will have no compliance obligations.

The Q&A session addressed various concerns and provided clarifications. Key points from the Q&A included:

- A draft rule date is expected later this year.
- Reports on GHG emissions will follow EPA guidelines, with 2021 reports available by December 2023.
- Consideration is given to price differences between NYCI and RGGI programs, potentially crediting obligated RGGI allowances against NYCI allowances.
- The possibility of phasing out free or discounted allowances over time is being explored.
- Feedback on the constancy or reduction of set-asides for EITE sources is welcomed.
- NYCI will not offer offsets as part of the program.

With that the fourth webinar in the series concluded. If you are looking to stay more informed on this NYCI, you can join the mailing list, find webinar recordings and other materials at www.capandinvest.ny.gov/meetings-and-events as well as provide feedback by submitting online comments at www.capandinvest.ny.gov.