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Cap-and-Invest Stakeholder Feedback Session #3:
Cap-and-Invest & Liquid Fuels:

June 8, 2023, by Lucy Mastrianni

The DEC and NYSERDA co-hosted their third webinar on June 8 in their Cap-and-Invest series. John Binder began the webinar by restating the purpose and goal of the webinar series. Much of the information had been previously covered in the first two webinars.

As an overview, NY's Climate Action Council recommended an economy wide cap-and-invest program in the [Climate Scoping Plan], and DEC and NYSERDA are developing this program to set the state on the path toward a carbon neutral economy, meet greenhouse gas emission reductions, and achieve equity requirements and outcomes. Governor Hochul's program will be guided by five main principles:

1. Affordability
2. Climate leadership
3. Job creation and competitiveness preservation
4. Investment in disadvantaged communities
5. Funding for a sustainable future

The New York Cap and Invest Program ("NYCI") will require major greenhouse gas emitters, like fuel wholesalers, to buy allowances for their emissions. This will encourage them to shift to low-carbon alternatives. The revenue from these allowances will be reinvested by New York State. One-third of the proceeds will directly address affordability for New Yorkers, while the remaining two-thirds will fund future projects reducing emissions.

A yearly cap on greenhouse gas emissions will be set to gradually reduce the allowed amount of emissions. This ensures New York is on track to achieve at least a 40% reduction in GHG by 2030 and at least an 85% reduction from 1990 levels by 2050, as mandated by the Climate Act. The specific starting points and rate of reduction will be determined after extensive research and stakeholder outreach.

Emission reporting will be centered around integrity, integrated reporting, and aiding in identifying future actions. The program's regulatory framework will consist of three main parts: DEC Mandatory GHG Reporting rulemaking (Part 253), DEC Economywide NYCI Rulemaking (Part 252), and NYSERDA Auction Rulemaking (Part 510).

At this point in the webinar, Mr. Binder put forth some more detailed information on different kinds of emissions. The DEC is considering the concept of obligated and non-obligated sources. Obligated sources identified by regulation are required to procure allowances equal to its GHG emissions. Non-obligated sources must be accounted for in the overall cap but will not require allowances. All emissions will be accounted for in the cap to ensure that NYCI truly is an economy-wide program. Mr. Binder went on to say that aviation, agriculture, and very small emissions are all expected to be non-obligated emissions, however no final determinations have been made.

The program's strong commitment to equity and its focus on supporting disadvantaged communities (DACs) was restated, as extensively discussed in previous webinars. Alongside investments, a minimum of 35% of the proceeds will be dedicated to benefit DACs. Comments or ideas to help ensure equity and focus on DAC's are welcome.

Ona Papageorgiou, Chief of Mobile Source & Climate Change Planning at NYSDEC, discussed how New York's Cap and Invest program will build upon similar initiatives in the US. However, New York's program will be all encompassing and tailored to New York's unique situation. Ms.Papageorgiou then highlighted the program's specific design elements, with a focus on applicability and thresholds. Stakeholders were presented with inquiries concerning regulatory definitions and thresholds applicable to specific sectors, such as electricity, energy and trade-exposed industries (EITE), the waste sector, and hydrofluorocarbons.

She posed two questions targeted at liquid fuels:

- How should the program account for large stationary sources that only combust fuel, such as heating oil, for space and water hearing.
  - How should assigned responsibility work between these entities?
- How should large stationary sources account for liquid fuels delivered by interstate pipeline or barge?
  - And who will account for these types of fuel deliveries?

Ms. Papageorgiou then moved to discuss the waste sector. The main questions that the DEC and NYSERA are looking for feedback on are as follows. What should be considered when establishing allowance requirements for liquid fuels used at landfills, waste combustion facilities, and treatment facilities? Questions were also put forward regarding what specific considerations should be made regarding smaller suppliers of fuels and what should be considered when establishing thresholds. It was brought to viewers' attention that the threshold for transportation fuels in California and Quebec are 25,00 tons CO_2e, and 200 liters, respectively.

Mike Sheehan, Director of the Bureau of Air Quality Planning and DEC's Division of Air Resources, discussed the allocation of allowances and the allowance cap, designed to align with the CLCPA 2030 and 2050 GHG emission limits. The DEC seeks feedback on allowance allocation methods and the rate of allowance cap reduction. Additionally, they are actively developing a compliance process and requesting specific input on various compliance-related matters from stakeholders. As a reminder, Mr. Sheehan reviewed that both obligated and non-obligated sources will be accounted for in the cap.

Nathan Putnam, an engineer from the Division of Air Resources, raised important questions regarding which sources should be reported, the utilization of existing reporting systems, and the frequency of reporting requirements. Putnam also addressed emission reporting concerning wastewater treatment, fuel suppliers, HFCs, and natural gas infrastructure. DEC is also soliciting feedback regarding electricity-specific reporting, and how this should tie into the Regional Greenhouse Gas Initiative (RGGI), highlighting that no decisions have been made regarding this. Anther important question brought up: because there are no fossil fuel refineries in New York, what considerations should inform the development of the reporting to account for fuels used in New York, which come for a wide variety of fuel suppliers?

Key takeaways from the question-and-answer section include:

- They do expect allowances to be tradeable, with some limitations.
- The NYCI program is only one part of reducing greenhouse gas emissions, as there are other programs and plans laid out to reduce GHG in the Scoping Plan.
- They anticipate that both compliance obligations for reporting and for Cap-and-Invest will begin in 2025.
- No emissions are "exempt" from the program, it is a matter of weather individuals, companies, or the State will be responsible for reporting the emissions.
- Obligated sources will only be required to obtain allowances to cover the emissions for their specific obligation as determined by the applicability, the thresholds, and the definition of that obligation.
- They do not intend to allow for the use of offset allowances for compliance for obligated sources under NYCI.

To learn more: www.capandinvest.ny.gov.