2024 Cap-and-Invest Stakeholder Outreach Webinar 3 Summary

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DEC and NYSERDA are holding three webinars in January to discuss updates to the New York Cap-and-Invest Program (NYCI). The third and final webinar focused on Preliminary Scenario Analyses. Per Governor Hochul's direction, the program will be modeled based on the following five principles: Affordability, Climate Leadership, Creating Jobs and Preserving Competitiveness, Investing in Disadvantaged Communities, and Funding a Sustainable Future.

In December 2022, New York State's Climate Action Council adopted a Scoping Plan, which recommended the policies put into place to meet the Climate Act goals. Based on this, DEC and NYSERDA performed analyses that assessed potential market outcomes and impact from the proposed NYCI. The model that was used computed the equilibrium in an emissions allowance market based on the supply of allowances and the emissions from companies that face compliance obligations under the program. The model covers 2025-2035, annually.

Transportation investments fall into two main categories: 1) vehicle fuel switching supports conversion of light duty, transit and school buses, and medium- and heavy-duty short-haul trucks to electricity, and heavy-duty long-distance trucks to hydrogen fuel cells 2) vehicle travel reduction includes transit expansion, land use measures, and non-motorized transportation infrastructure.

The modeling predicts that all price ceilings are binding, and that NYCI will help accelerate emission reductions. Additionally, price ceilings provide a limit on potential emission prices and associated upfront costs. New York will continue to experience economic growth under these scenarios, with the annual growth rate continuing at 2.1%. NYCI investments in clean energy are crucial to the affordability strategy.

There was also modeling conducted to evaluate air quality and health effects. This modeling enables identification of benefits to disadvantaged communities and represents an improvement over the analysis of the health benefits for the Scoping Plan. The projections show that NYCI will reduce emissions and improve air quality in all regions and communities in New York, which in turn will result in substantial health benefits. Importantly, most of the benefits being projected are associated with reductions in emissions from buildings (44%) and on-road transportation (45%). Additionally, the value of annual health benefits is estimated at $7-16 billion by 2035, with 44-46% of the benefits being attributed to health benefits within disadvantaged communities.

Investment in six sectors in regard to employment include electricity, fuels, buildings, transportation, industrial, and waste. Within these sectors, there is a projection of 28,000 jobs being created by 2030 and exceeding displacement.

When obligating the electricity sector, the higher energy prices are projected to lead annual energy payments that are between $900 million and $1.9 billion higher vs. non-obligated cases. The projections of the Average Emission Factor see lower total cost increases. Applying a NYCI price to electricity imports using NY Marginal Emission Factor reduces this resource shuffling and reduces but does not eliminate projected emissions leakage. After accounting for leakage and resource shuffling, actual net emissions benefits across the two cases are similar.

To access stakeholder meeting recordings and its materials, click here. DEC and NYSERDA are actively seeking feedback, and comments on NYCI can be submitted online until March 1, 2024, at www.capandinvest.ny.gov