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Comment on Climate Action Council's Draft Scoping Plan

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New York State made a giant commitment to reduce the greenhouse gas (GHG) emissions that drive climate change by enacting the 2019 Climate Leadership and Community Protection Act (CLCPA). The Citizens Budget Commission (CBC), a nonprofit, nonpartisan think tank and watchdog dedicated to constructive change in the services, finances, and policies of the New York City and New York State governments, supports the CLCPA's long-term GHG reduction goals and appreciates the opportunity to submit comments on the Draft Scoping Plan (DSP) prepared by the Climate Action Council (CAC).

The CLCPA created the CAC to identify strategies to reduce statewide GHG emissions 85 percent from 1990 levels by 2050. The DSP was intended to provide strategies for the State to achieve the CLCPA's goals. Achieving these worthy goals will require significant investment. In order to minimize potential negative economic and financial impact on families, businesses and the State budget, it will be essential for the State to prioritize and leverage the most cost-effective strategies to achieve the Climate Act's 2050 target. Cost-effective GHG reduction strategies are those that maximize GHG emission reductions per dollar spent.

The DSP currently provides a framework whose strategic paths are at a relatively high and conceptual level. This is a good step towards planned decarbonization because the DSP outlines the various reduction strategies that may be leveraged, provides information such as investment levels and estimates of statewide costs for mitigation strategies, as well as estimates of statewide GHG and human health benefits. However, these are not sufficiently detailed to guide policymakers to define specific regulations, incentives, and approaches to minimize carbon emissions efficiently and cost-effectively.

To guide policy makers in choosing the most cost-effective and equitable strategies, regulations, budget allocations, and investments, the Final Scoping Plan (FSP) should include information on each strategy's GHG reduction potential; cost-effectiveness; fiscal impact on households, businesses by sector and region; and the probability that technology will be developed and function as expected. With these additions, the FSP would become a strategic framework that can be turned into an actionable set of policy tools.

In 2021, the CAC, in collaboration with its advisory panels—the Just Transition Working Group and the Climate Justice Working Group—produced an initial recommendation (Scenario 1) that was discarded because it fell short of the 2030 and 2050 targets. In its place, the Council conducted a high-level cost-benefit analysis of three scenarios compared to a “business-as-usual” base case. These are:

- **Scenario 2:** Strategic use of low carbon fuels
- **Scenario 3:** Accelerated transition away from combustion
- **Scenario 4:** Beyond 85% reduction

Scenarios 2 through 4 are nearly identical in their ultimate GHG reduction path and economy wide aggregate cost estimates. According to the CAC DSF, total costs through 2050 are approximately \$300 billion on a discounted present value basis, with the lion's share of costs estimated for investment in the building sector and electricity generation. The scenarios utilize eight mitigation components such as electrification, zero emission vehicles, low carbon fuels, or carbon sequestration, whose intensity varies across the three scenarios. The DSP also identifies a variety of economy wide strategies that might help the State to reach its 2050 goal more effectively, such as carbon fees, cap and trade systems, and clean energy supply standards.

Environmental policy often requires tradeoffs between implementing strategies to achieve long-term policy goals and the short-or long-term negative economic and fiscal impacts that may result from the policy action. In most cases, benefits and costs differentially affect various industry sectors, businesses, and households across varying time frames (when costs are borne up front and benefits accrue later). Balancing these competing needs and objectives is important for equity and economic growth. Policy makers should make decisions that maximize positive environmental impact while minimizing negative economic and other impacts. To make well-informed decisions, policymakers will need more information than the DSP now provides, specifically on the cost effectiveness of each proposed action and the distributional costs and benefits on stakeholders.

To allow for better design and implementation of policies, the FSP to be published in January 2023 should:

- **Calculate and identify the cost effectiveness of each mitigation strategy:** The implementation costs vary by sector and industry as well as by the selected technology. Only

a detailed breakdown of mitigation costs per ton of GHG across the strategies can provide the necessary basis for prioritization. This detailed data would allow for the prioritization of those strategies that have the greatest impact per dollar spent, as well as prevent large investments with relatively little payback.

- **Identify specific mitigation strategies and incentives:** The DSP only provides high-level mitigation strategies, such as the electrification of buildings, adoptions of electric vehicles (EV), or use of renewable energy. For policymaking it will be important to better understand the specifics that might incentivize businesses to adopt low emission technologies, or households to invest in heat pumps and EVs such as tax credits or subsidies or peak-period utility pricing.
- **Determine the probabilities associated with different mitigation strategies:** Mitigation strategies such as EV adoption have much greater certainty than strategies that still depend on the invention of new approach and technological standards such as carbon sequestration. In addition, some technologies might be more reliable than others in operation. Cost-effectiveness of strategies alone is not sufficient for prioritization; the probability of success also is essential.
- **Specify the incremental costs of achieving the 2050 goal:** Reducing GHG emissions will become more expensive the closer the state gets to its 2050 target. In other words, incremental costs of mitigation will likely rise after easy implementable solutions have been chosen first. Therefore, data should be provided to support a public discussion of the incremental economic impact and associated implementation costs of meeting the environmental targets.
- **Disaggregate the financial impacts of each strategy on businesses and households:** The Final Scoping Plan should identify each strategy's financial, and ideally economic, impacts on variously situated households and different businesses. This can help prioritize strategies to maximize equity and minimize negative economic impacts on jobs. Financial impacts also may provide incentives or disincentives for utility customers and the energy consuming public to vary their demand for energy.
- **Identify benefits and costs to the economy and their distribution to each stakeholder group:** Many of the benefits of GHG reduction, such as health improvements, will be spread widely across the residents of New York State, while the costs will fall heavily on a few sectors. Also, climate challenged, and environmental justice communities may be experiencing more adverse impacts or positive benefits, both of which should be identified and quantified in the FSP.
- **Identify and assess the economic impacts of mitigation strategies on various industries' or geographies' productivity and competitiveness:** Changing costs and financial impacts exclusive to New York State may reduce industries' ability to compete with bordering states; this possibly could lead businesses to seek out localities in which the costs of decarbonization have not been explicitly factored in.

In addition to ensuring the FSP includes specifics about mitigation strategies that would allow the State to reach its 2050 GHG reduction targets in a cost-effective way, the plan should continue to embrace economy-wide strategies. CBC identified some of these in its 2019 Getting Greener report. Specifically, the State should:

- **Utilize market incentives as much as possible:** Putting a price on carbon, through a fee system or a cap-and-trade system, would incentivize businesses and residents to choose low energy intensive goods and technologies, and channel investment into technological solutions associated with low emissions. These would be accomplished without prescriptive regulation and higher costs.
- **Appropriately leverage out-of-state low emission resources:** Low emission strategies might exist beyond the border of New York State, such as the import of hydro power from Quebec which recently was approved by the Public Service Commission. Such options should not be categorically ruled out just because they fall outside of state lines.
- **Retain the low carbon benefits of nuclear energy:** With the shutdown of the Indian Point power station, the downstate electricity grid has become more heavily dependent on fossil fuels. However, nuclear energy generation is still an important contributor upstate. Retaining nuclear power, which during its operating phase generates carbon free power, should be a key component of the state's decarbonization path.
- **Maximize the distribution of renewable energy throughout the state:** Upstate New York has significantly more renewable energy sources than downstate, and there should not be any limit placed on growth in these supplies upstate but rather energy should be made available for businesses and households downstate and in New York City. The approved transmission line from upstate is a good first step.
- **Promote transportation strategies that build on existing infrastructure:** New York has relatively low per-capita carbon emissions because of the high transit use in New York City. Especially in a post-COVID environment, policies should focus on the wider adoption of transit and transit-oriented development to mitigate the use of private automobiles.

By incorporating these recommendations, the FSP would guide policymakers and all stakeholders in making the best, practical decisions needed to achieve New York State's GHG reduction goals.