

New York’s Regional Greenhouse Gas Initiative Draft 2024 Operating Plan Amendment (revised)

Background

In New York, responsibility for implementing the Regional Greenhouse Gas Initiative (RGGI) is shared by the Department of Environmental Conservation (DEC) and the New York State Energy Research and Development Authority (NYSERDA). DEC and NYSERDA program responsibilities are contained in coordinated regulations:

- DEC established New York's CO₂ Budget Trading Program and the State’s share of the total regional cap through a rule (6 NYCRR Part 242) and revisions to an existing rule (6 NYCRR Part 200, General Provisions). Part 242 establishes the cap-and-trade provisions, as well as program compliance responsibilities and other program aspects.
- NYSERDA set up the CO₂ Allowance Auction Program through regulations (21 NYCRR Part 507). Part 507 establishes administrative procedures for the auction process and provides that proceeds from the sale of the allowances will fund projects and programs for “energy efficiency, renewable or non-carbon emitting technologies, and innovative carbon emissions abatement technologies with significant carbon reduction potential, and for reasonable administrative costs incurred by the Authority.”

The NYSERDA regulations include a provision to annually convene a group of stakeholders representing a broad array of energy and environmental interests. This group advises NYSERDA regarding strategies to best utilize RGGI funds. NYSERDA’s RGGI Operating Plan is reviewed and revised on an annual basis. NYSERDA holds an open meeting of the stakeholder group each year, inviting input on how to achieve greater scale of implementation, advance activities that realize benefits in disadvantaged communities, expand private investments and partnerships, and address barriers to program success.

The Draft 2024 Operating Plan Amendment was presented to stakeholders for comment in December 2023 and was approved by NYSERDA's Board in January 2024. Since that time, one notable factor has contributed material changes, which prompted the development of this “Draft 2024 Operating Plan Amendment (revised)”. Namely, CO₂ allowance prices from recent auctions have been at a level well above the previously approved plan. This “Draft 2024 Operating Plan Amendment (revised)” provides program descriptions for the uses of these funds in the FY24-25 timeframe.

Review of Programs and Budgets for the 2024 Operating Plan

New York State invests RGGI proceeds to support comprehensive strategies that best achieve the RGGI greenhouse gas emissions reduction goals, through energy efficiency, renewable energy, and carbon abatement strategies, pursuant to 21 NYCRR Part 507. The programs in the portfolio of initiatives are designed to support the pursuit of the State’s greenhouse gas emissions reduction goals by:

- Deploying commercially available energy efficiency and renewable energy technologies;
- Building the State’s capacity for long-term carbon reduction;
- Empowering New York communities to reduce carbon pollution, and transition to cleaner energy;
- Stimulating entrepreneurship and growth of clean energy and carbon abatement companies in New York; and
- Creating innovative financing to increase adoption of clean energy and carbon abatement in the State.

The initiatives described below represent program activities proposed for the 2024 Operating Plan Amendment (revised). The latest portfolio builds on the prior portfolio, with an increased focus on disadvantaged communities.

RGGI programs have and will continue, alongside other state programs, to contribute to economy-wide greenhouse gas emissions reductions and provide benefits to New York’s historically overburdened and underserved communities. NYSERDA’s CO₂ Allowance Auction Program regulations reflect the provision of the Climate Leadership and Community Protection Act “that 40%, and no less than 35%, of the overall benefits from the investment of the [CO₂ Allowance Auctions] proceeds” will be realized in disadvantaged communities.

The funding allocation values represented in Table 1 provides the unprogrammed revenues from the last two auctions with the proposed uses of those funds and the estimated DAC contribution of those programs.

Multi-year programs that have remaining funds available for program expenditures but are not receiving additional funding under this 2024 Operating Plan Amendment (revised) are not described below as they are outside the scope of this document. Those programs will continue with the planned expenditure of their previously allocated funding as outlined in the 2023 RGGI Operating Plan and the 2024 RGGI Operating Plan Amendment.

For all RGGI-funded activities, NYSERDA will provide timely progress reports utilizing best practice protocols for project tracking and evaluation.

Programs with Pre-Approval from 2023 Operating Plan Amendment

In the previously approved Operating Plan Amendment, NYSERDA identified programs that it intended to fund in the event that auction proceeds exceed the anticipated budgets. NYSERDA proposes to allocate RGGI funding to the following programs:

ChargeNY

ChargeNY has been pursuing three strategies to promote plug-in electric vehicle (PEV) adoption by consumers across New York. First, NYSERDA implemented the Drive Clean rebate program for PEVs in March 2017, accelerating purchases of PEVs by reducing higher upfront costs. Second, NYSERDA will continue to invest in marketing and awareness-building activities to build interest in PEVs among the public. A focus on building greater public knowledge and awareness of the capabilities of PEVs is essential to spur more private investment in PEV purchases and PEV charging stations. This work may also include other market development activities, such as policy and business model development studies that support new ways for critical stakeholders, such as utilities, local governments, and car dealers, to get involved in the PEV market. Third, NYSERDA will also support the installation of PEV charging stations at workplaces, multi-family buildings, and targeted public locations – location types that have been seen to be effective drivers for PEV adoption based on usage data reported from previous installations – and work with the site owners to further promote PEV adoptions. This Operating Plan Amendment (revised) allocates an additional \$44 million to now total \$89.9 million through FY24-25, which will be used to support continuation of current and additional ChargeNY strategies to ensure effective engagement with the market to build scale and ensure a focus on a just transition into future years.

Expansion of Planned Programs

Disadvantaged Communities Schools/Buildings

NYSERDA's Clean Green Schools Initiative helps public schools that traditionally lack resources to invest in infrastructure improvements become healthier, more productive learning environments. This Initiative aims to improve the environmental sustainability of those schools by reducing school energy loads, decarbonizing their building portfolio, improving indoor air quality, and providing clean energy educational opportunities. This Operating Plan Amendment (revised) allocates an additional \$36 million to now total \$42.5 million through FY24-25. This additional \$36M in funding will be used in conjunction with existing Clean Energy Fund and Bond Act funds to support competitively selected clean heating and cooling installations and/or other capital projects that move schools towards decarbonization.

Building Retrofit and New Construction Challenges

This funding will support competitive challenges that demonstrate exemplary design and high performance for new construction and hard to decarbonize existing buildings. NYSERDA's investments provide funding to leverage design professionals and new technical solutions to create economically viable pathways for replicable approaches to removing emissions from existing commercial, multifamily and industrial buildings and the design and construction of new buildings. RGGI funding will allow these initiatives to serve non-SBC paying customers such as buildings located in Long Island as well as buildings served by municipal electric utilities. This Operating Plan Amendment (revised) allocates an additional \$30 million to these efforts to now total \$40 million during FY24-25.

Scoping Plan Implementation Research

The Climate Leadership and Community Protection Act (Climate Act) was signed into law in 2019 as one of the most ambitious climate laws in the world, putting the State on a course to reduce greenhouse gas emissions and achieve net-zero emissions, increase renewable energy usage, and ensure climate justice. In support of work to realize recommendations included in the Climate Action Council's final Scoping Plan, developed pursuant to the Climate Act, this funding will support a variety of activities to advance emissions reductions and policy deployment. These activities will include additional analysis in support of grid decarbonization; increased support of analysis, program integrity activities, and public outreach related to New York cap-and-invest; and other efforts to advance clean energy transition. It may also support technical infrastructure to aide in implementation of key policy components of the Scoping Plan. This Operating Plan Amendment (revised) allocates an additional \$2.2 million to now total \$7.2 million during FY24-25.

Green Jobs – Green New York

The Green Jobs-Green New York (GJGNY) Program, created under the Green Jobs-Green New York Act of 2009, provides New Yorkers with access to energy assessments, installation services, low interest financing, and pathways to training for various green-collar careers.

This Operating Plan Amendment (revised) allocates an additional \$17.4 million to now total \$32.2 million during FY24-25. These investments will continue GJGNY residential financing, including making 15-year unsecured financing at market or below- market interest rates available to consumers living in federal census block groups, where

more than 50 percent of households have household income less than 120% of area median income (and allowing consumers living outside of these communities to qualify for this rate if they meet this income threshold), and also offering access to financing for consumers who may not qualify under traditional unsecured loan underwriting criteria but who meet NYSERDA’s “Tier 2” underwriting criteria. This additional funding will also support energy audits for commercial buildings.

Other Programs

Circular Economy Renewable Energy Feasibility Study

NYSERDA will undertake a Circular Economy Renewable Energy Feasibility Study focusing on recycling of solar panels and wind turbine blades. This study will seek to identify the costs associated with the setup of recycling facilities within NYS, potential for job creation, cost savings and environmental benefits associated with the avoidance of landfilling expected refuse, and any barriers to entry into the recycling market, including potential changes needed in legislation or regulation. The study will also include an analysis of benefits for Disadvantaged Communities, including weighing potential job creation and any negative impacts facility siting might have. This Operating Plan Amendment (revised) allocates \$1 million to these efforts during FY24-25.

Comfort Home

This Operating Plan Amendment (revised) allocates \$6.5 million in FY24-25 for NYSERDA’s Comfort Home program, which supports smart investments for a more efficient home. Home sealing and insulation packages (e.g., sealing air leaks, insulation upgrades for ceilings, floors, and walls, as well as high performance windows) are installed by trained and qualified Comfort Home contractors across New York State.

Technical Services

This Operating Plan Amendment (revised) allocates \$5 million in FY24-25 for NYSERDA’s Technical Services programs, including, but not limited to, FlexTech and On-Site Energy Manager. These funds will be used to support the need for technical services that promote the adoption of technologies and practices that reduce energy loads and decarbonize buildings across all sectors, inclusive of multifamily.

Funding Assumptions

The projected revenues, program funding allocations, and estimates of benefits for DACs are presented below in Table 1. Additionally, the table presents program administration and evaluation costs, ongoing RGGI, Inc. costs, State Cost Recovery Fees, and other relevant factors.

This Operating Plan Amendment (revised) includes additional revenues from the last three RGGI Auctions above the amounts from the Operating Plan Amendment previously presented to stakeholders and approved by NYSERDA Board in January 2024. Those additional revenues from allowances available to NYSERDA are shown in Table 1.

Table 1: Revenues and Program Funding Allocations

Proceeds	Actual RGGI Proceeds from 12/23, 3/24, 6/24 Auctions ¹	317,186,589			
	Less: Planned RGGI Proceeds from 12/23, 3/24, 6/24 Auctions	<u>181,814,359</u>			
	Total Additional RGGI Proceeds	135,372,230			
	Revised Interest Earnings	42,331,679			
	Less: Planned Interest Earnings	<u>30,886,000</u>			
	Total Additional Interest Earnings	11,445,679			
	Total Additional Revenues	146,817,909			
Category	Program	FY24-25	Change from Plan FY24-25	FY24-25 REVISED	Estimated DAC Contribution
Renewable Energy	Circular Economy Renewable Energy Feasibility Study	-	1,000,000	1,000,000	10%
Energy Efficiency / Building Electrification	Comfort Home	-	6,500,000	6,500,000	15%
	Disadvantaged Communities Schools and Affordable Housing	6,500,000	36,000,000	42,500,000	80%
	Building Retrofit and New Construction Challenges	10,000,000	30,000,000	40,000,000	40%
	Technical Services	-	5,000,000	5,000,000	40%
Innovative GHG Abatement Strategies	Electric Vehicle/Charge NY	45,900,000	44,000,000	89,900,000	25%
	Scoping Plan Implementation Research	5,000,000	2,200,000	7,200,000	40%
Directed	Green Jobs-Green NY	14,800,560	17,411,133	32,211,693	35%
	All other funding allocations (unchanged from Plan) ²	188,725,000	-	188,725,000	
Administration and Other Non-Program Costs	Program Administration	21,321,667	4,284,703	25,606,370	
	State Cost Recovery	2,360,913	422,073	2,782,986	
	Total Funding Allocations	294,608,140	146,817,909	441,426,049	
	Unprogrammed/(Overcommitment)		-		
	Cumulative Unprogrammed (Overcommitment)		-		

Notes:

1 Actual proceeds reflect the impact of clearing prices that were substantially higher in the last three auctions as compared to the roughly \$13+/- pricing seen in the eight auctions prior, as well as higher than budgeted allowances due to the release of all Cost Containment Reserve (CCR) allowances in Auction 63. No further CCR allowances are available for the remaining 2024 auctions.

2 "All Other Funding" reflects the total funding allocated in the 2024 Operating Plan for all programmatic initiatives except those shown above, as described in the approved 2024 Final RGGI Operating Plan Amendment.