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## Joint Public Hearing for the Senate Environmental Conservation and Energy Committees to discuss and receive input from stakeholders on the Climate and Community Investment Act (CCIA)

April 13, 2021

**TESTIMONY of**  
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Thank you for the opportunity to provide testimony on the proposed Climate and Community Investment Act (CCIA) on behalf of the Alliance for Clean Energy New York. [*Note: My oral testimony will be shorter than this written testimony.*]

The Alliance for Clean Energy New York (ACE NY) is a broad coalition dedicated to promoting clean energy, a healthy environment, and a strong economy for the Empire State, and is New York's premier advocate for the rapid adoption of renewable electricity, energy efficiency, and electrified transportation technologies. Our members include companies that are currently operating renewable energy facilities in New York, such as hydropower and wind facilities, and those pursuing opportunities to invest in New York to build land-based wind and offshore wind, community solar and grid-connected solar, fuel cells, and transmission. Our membership also includes companies involved in energy efficiency and electrification of transportation, as well as consultants, supply-chain companies, and environmental organizations. You can learn more about ACE NY at [www.aceny.org](http://www.aceny.org).

First, I want to communicate that ACE NY is generally supportive of the use of a carbon price as a policy tool to achieve a transition to a clean energy future, as is proposed in the Climate and Community Investment Act, or "CCIA." Implementation of a carbon price across our economy could happen in a variety of ways.

There are several options for the design and implementation of carbon pricing policies. In general, carbon pricing policies will provide value by (1) aligning financial incentives with policy goals to facilitate the directionally correct investments and (2) generating revenue that can be reinvested in policies and programs to achieve policy goals. So, re-stating the first goal of a carbon price another way: New York can use a carbon price to make high-carbon emitting activities more expensive and thereby move New Yorkers to low-carbon choices and/or to make low-carbon choices more competitive or profitable as a way to attract the needed investment to facilitate this transition. The type of investment we need is significant: to sell electric vehicles and build electric charging infrastructure; to electrify heat and transition away from oil and gas furnace heating; and to build renewable electricity infrastructure, such as wind power, solar power, or fuel cells, for example. Those are changes that require significant investment and if a carbon pricing policy makes that investment more attractive, the clean energy businesses will come to New York and invest in New York. If these companies and their investment doesn't come to NYS, we will simply not achieve the legal mandates of NY's landmark climate action legislation, the CLCPA.

One threshold question is whether a carbon pricing policy is economy-wide or specific to one sector, such as the electricity sector. Generally speaking, an economy-wide carbon pricing policy (which is what is proposed in the CCIA) would be more comprehensive and therefore preferred. But an economy-wide carbon price might be more challenging, or take longer, to adopt, design, or implement. If a variety of carbon pricing policies were designed that each focus on different sectors, but were sequentially or simultaneously implemented, the same ends could be achieved as an economy-wide carbon price. That is, a carbon price could be implemented in different ways for the electric sector, the transportation sector, and the building sector.

Another important design question for a carbon pricing policy is how the revenue is used. One approach is for consumers to pay the carbon price but then immediately get some or all of that revenue refunded in some fashion so as to minimize consumer impact and thereby be a less regressive tax. A different approach would be to generate a "pot of money" that can be reinvested in activities that also reduce carbon emissions or make some low-carbon activities more likely or more profitable. Obviously, with the "pot of money" approach there will continually be decisions regarding how those funds are used and reinvested. This approach offers the benefit of not just

affecting consumer choices but also providing a potentially dedicated stream of revenue to reinforce efforts to transition to clean energy.

So, back to the issue of implementing a carbon price economy-wide through one mechanism or several. For the electric sector, New York State could support a carbon price being integrated into the wholesale electricity market, a policy thoroughly researched and assessed by the New York Independent System Operator (NYISO). ACE NY supports the integration of a carbon price into the NYISO energy market. (Note: Senator Parker and Assemblymember Paulin are currently sponsoring a bill that takes this approach.) Capturing the price of carbon pollution in New York's electricity market will allow the state to achieve its ambitious decarbonization goals for the electricity sector at least cost to consumers. Carbon pricing can simultaneously improve the efficiency and transparency of the organized wholesale markets. Please see ACE NY's ["Building Clean Energy in NY: The Case for Carbon Pricing at the NYISO"](#), a White Paper in which we lay out the reasons for and benefits of integrating a carbon price through the NYISO. In short, carbon pricing in the wholesale markets makes it more profitable to make electricity while emitting less carbon and so should incentivize a gradual shift towards low-carbon power. This approach can complement (but not replace) New York's Clean Energy Standard Program (which is the foundational policy New York is using to achieve the 70% renewable by 2030 and 100% emissions-free by 2040 mandates of the CLCPA). With respect to the other design decision mentioned (i.e. use of the revenue), roughly half of the additional revenue flows to the generators of cleaner power and roughly half is immediately returned to consumers via electricity distributors (i.e. utilities or other retail providers).

For the transportation sector, New York State could support a carbon price by embracing the Transportation Climate Initiative. In December 2020, Connecticut, Massachusetts, Rhode Island, and Washington, D.C. committed to move forward with the multi-state TCI initiative. ACE NY fully supports New York's continued engagement in TCI. Participating states will continue developing the detailed TCI program framework in 2021 and full implementation is expected in 2023. In a nutshell, the participating states will set a limit on carbon emissions from the transportation sector. Wholesalers of transportation fuel would then have to buy allowances for the tons of carbon associated with the fuel that they sell. The proceeds from the sale of these allowances will then be returned to each of the participating states for investment in initiatives that will reduce carbon emissions from the transportation sector. We firmly believe that New York State should join this

program before it begins. Like the NYISO carbon pricing initiative, this idea has been thoroughly researched and analyzed. Modelled revenue generation in New York State is estimated at up to \$1.4 billion for the period 2022 – 2032. These public revenues from the TCI, combined with private revenue from the clean fuel standard, a measure we also support, can secure long-term, stable funding for mass transit, electric vehicles of all types and purposes, charging infrastructure, and biking and pedestrian infrastructure. Without this source of dedicated revenue, it is unclear how the numerous necessary recommendations to transition to a low- carbon transportation sector will be funded. Below we list some elements that TCI should and does (as currently proposed) incorporate. These same elements should, and largely are, incorporated into the CCIA:

- **A Strong Carbon Reduction Cap.** States involved in the program must limit carbon emissions from transportation by at least 30% by 2032. Even under an ambitious 25% carbon reduction cap, preliminary results from modelling done by an independent team of reputable universities estimate that public benefits from the TCI could amount to \$11.1 billion by 2032, preventing 4,700 childhood asthma cases and 1,100 deaths.
- **Equitable Investments and Complementary Programs.** A minimum of 35% of TCI investments must be directed towards mass transit, transportation electrification and charging, energy efficiency, and other complementary programs that benefit disadvantaged communities. This is in accordance with the climate justice and equity under the CLCPA. The state should adopt safeguards to guarantee that these investments are not diverted or reduced. Our support for TCI does not preclude our equal support of adopting a suite of complementary policies necessary to achieve a full transition to a clean energy economy as well as ensure equitable distribution of the public health and economic benefits of that transition. (Complementary policies would include, for example, a low-carbon fuel standard, the ability of electric vehicle companies to open retail locations, incentives for school districts to lease or buy electric buses, adoption of the California Zero Emission Vehicle standards, etc.)
- **Transparency.** We support equity provisions to enhance transparency through annual reports on proceeds and investments, as well as reviews of the impacts of TCI including with regards to equity. Inclusive public participation and comprehensive yearly reports and reviews must provide accountability to stakeholders and serve as a mechanism to assess the performance and effectiveness of the program in reducing emissions and addressing equity.
- **Equitable Processes.** New York, and all the other participating states, should establish and support an Equity Advisory Body (or bodies) comprised of diverse stakeholders, including representation from underserved and overburdened communities. These advisory bodies will have the ability to provide recommendations and develop metrics for how and where complementary programs are directed to achieve demonstrable benefits for frontline communities and play a key role in annual reviews and reports on expenditures of TCI revenues and equity impacts. ACE NY endorses New York conducting continued community outreach and engagement to garner meaningful input from disproportionately impacted communities on TCI design and implementation.

- **Commitment to Labor and Workforce Development.** As jurisdictions work towards finalizing a “Model Rule” for TCI, which could be adopted into state law, inclusive, family sustaining and fair jobs with good benefits. TCI should also support workforce development and job training in the electric vehicle (EV) industry, targeting workers affected by the transition to clean vehicles and renewable energy, and communities in need of employment opportunities.

These two examples – NYISO carbon pricing and TCI – are examples of sector specific carbon pricing policies. ACE NY would also support an economy-wide carbon price initiative, that is, a policy that would simultaneously integrate a price on carbon into the building/heating sector, the transportation sector, and the electric sector, and we recognize that there are benefits to this more comprehensive approach. For example, a carbon price applied just to the electric sector could increase electricity costs at a time when we are collectively trying to electrify heating and transportation. This is one of the reasons why it is important to eventually have a carbon price in each of the three major sectors.

The CCIA has excellent goals and intentions. Without commenting in detail on all of the individual provisions, I would like to make two points:

First, simpler is better. If there are opportunities to simplify this bill while still meeting the intended goals, those opportunities should be pursued. NYSERDA and DEC already have a lot of similar policy infrastructure in place. Duplication -- of reviews, reporting, air monitoring, expenditure programs, advisory bodies – should be avoided, as long as the intended goals can be met. For example, if there is already a Title V inventory and fee system, why is a new system needed? Can we tweak the existing system to meet the goals? Can the section on co-pollutant analysis be simplified to gain what I think (though it is hard to tell) is the desired information, that is: what reductions in carbon emissions would bring the most reductions in co-pollutant exposures, and then specify that those reductions should be prioritized? Rather than define new areas, why not use the current designated non-attainment areas in the state? i.e., the places where New York is not yet achieving health-based national ambient air quality standards for one or more pollutants. Also, the section requiring a plan to reduce emissions from transportation seems duplicative of the current Climate Action Council process. As much as possible, the existing policy infrastructure that New York already has in place should be used (and changed if desired), rather than establishing new advisory

groups, new programs, new reporting requirements, et cetera, at additional expense to the State and additional complexity to everyone else.

Second, please be mindful that whatever additional requirements make it more complicated, bureaucratic, complex, or expensive to implement the actions we need to reduce emissions will also *either* increase the costs to New Yorkers, which will affect low-income New Yorkers more, or make it less likely that the actions we need will actually happen. New York is still relying on private companies to come to New York to make the investments we need – whether in the risky and multi-year undertaking of developing a wind or solar project, or to invest in vehicle charging infrastructure when you don't really know when it will turn profitable, or in capital intensive building shell retrofit for energy efficiency.

The last, and possibly the most major design decision in crafting a carbon pricing policy is the appropriate level to set the price. I do not have the expertise to say exactly what that price should be today or ten years from now. So, I will instead state the obvious: you want the carbon price high enough that it will either affect consumer behavior *or* attract private sector investment to the desired activity, *or* generate a dedicated revenue source to pay for good things, or possibly both or all three; but not so high that it is overly regressive and disproportionately affects already disadvantaged communities; *or* chills or kills economic activity and growth in New York so that a significant number of New Yorkers lose employment, *or* that it will not become so unpopular so that it is no longer politically viable. In short, it's a sweet spot. I do not mention this to imply that this sweet spot cannot be found. In fact, the analysis that has been performed on both the NYISO Carbon Pricing proposal and the Transportation Climate Initiative has identified levels that strikes this balance. But that balance might not always be at the same point in all sectors of the economy, and it may shift as other economic factors shift in society.

We at ACE NY and our member companies stand ready to work with the Legislature in terms how elements of the CCIA may be viewed by clean energy companies and how design decisions of a carbon pricing approach may affect its success. Thank you for the opportunity to weigh in.

