



Background

The National Hydropower Association (“NHA”) is a non-profit national association dedicated to securing hydropower as a clean, carbon-free, renewable, and reliable energy source that provides power to an estimated 30 million Americans. Its membership consists of more than 300 organizations, including public and investor-owned utilities, independent power producers, equipment manufacturers, and professional organizations that provide legal, environmental, and engineering services to the hydropower industry.

NHA promotes innovation and investment in all waterpower technologies, including conventional hydropower, marine and hydrokinetic power systems, and pumped storage hydropower to integrate other clean power sources, such as wind, solar, and clean hydrogen. NHA appreciates the opportunity to provide input to support the development of the New York Cap-and-Invest (NYCI) carbon allowance program.¹

Cap-and-Invest Minimizes Cost of Achieving Goals

Implementation of an economywide cap-and-invest mechanism is crucial to ensuring the achievement of the Climate Leadership and Community Protection Act² goals in the most cost-effective way. By establishing a consistent market signal across all economic sectors, individuals and businesses are incentivized to reduce their emissions and prioritize the lowest cost abatement options. A consistent market signal is preferred to mandating certain emission reductions in specific sectors as it provides organizations with flexibility in determining the most cost-effective way to reduce emissions and encourages innovation in how emission reductions can be achieved. By providing a price signal for emission reductions through NYCI it will ensure that New York achieves its emissions goals at the lowest possible cost.

Applicability and thresholds

The determination of which sectors are obligated or non-obligated should be informed by the guiding principles established by Governor Hochul. These guiding principles include

¹ Title 6 New York Codes, Rules and Regulations Part 252

² Chapter 106 of the Laws of 2019. Effective January 1, 2020.

affordability, climate leadership, and funding.³ Inclusion of electric generation as an obligated sector under NYCI supports each of those principles.

Designing NYCI as an economywide program to include as many economic sectors as possible will enhance the efficiency of the program and minimize the cost of achieving New York's emission goals, bolstering energy affordability. Designating sectors as non-obligated sources eliminates the opportunity to implement decarbonization strategies. It may, for example, be more costly to reduce emissions from the transportation sector than the electricity sector. If both sectors are included as obligated sources, organizations would prioritize the lower cost abatement opportunities in the electricity sector. However, if electricity is designated as a non-obligated source, organizations would pursue abatement opportunities in the obligated transportation sector to avoid the cost of allowances, not because it offers lower cost abatement options. The ultimate effect of excluding sectors is increasing the cost of achieving New York's emissions goals.

Secondly, with respect to climate leadership, including electricity as an obligated sector will facilitate linkage to other emission allowance programs and promote geographic expansion. If electricity is designated as a non-obligated sector, other states (particularly those outside of RGGI) may be reluctant to consider adopting NYCI to support their climate goals since it would exclude a significant sector of the economy and source of emissions.

Lastly, regarding funding, including electricity as an obligated source will expand the market for allowances and increase the revenue raised from allowance auctions. The revenue from allowance auctions is crucial to supporting complementary clean energy programs and driving the level of investment necessary to achieve New York's clean energy goals.

³ DEC and NYSERDA. NYCI Overview Webinar Presentation. Page 9. Available at https://capandinvest.ny.gov/-/media/Project/CapInvest/Files/NYCI_Overview-Webinar.pdf

Conclusion

In conclusion, the NHA supports the development of the NYCI program, which is crucial to the cost-effective achievement of the CLCPA goals. The NYCI program should be designed to include as many economic sectors as practicable to minimize the cost of achieving the CLCPA goals and support the principles established by Governor Hochul.

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