International Carbon Action Partnership

USA - New York’s Cap-and-Invest Program (NYCI)

General Information

ETS Description

New York’s Cap-and-Invest Program (NYCI) is a comprehensive initiative aimed at reducing GHG emissions across the state’s economy while maintaining economic stability and ensuring equitable investments. The program is anchored in the “Climate Leadership and Community Protection Act” of 2019, which requires a 40% reduction in GHG emissions by 2030 and at least an 85% reduction from 1990 levels by 2050. The NYCI program would cover all emitting sectors under a statewide cap. The cap would decrease over time, with the caps for 2030 and 2050 corresponding to statewide GHG emission limits.

Various NYS agencies are developing the program rules, including the New York State Energy Research and Development Authority (NYSERDA) and the Department of Environmental Conservation (DEC). The pre-proposal outline, published in December, describes the three main regulatory components:

- The “Mandatory Greenhouse Gas Reporting Program Rule”, for the GHG emissions sources that would be required to report their emissions to DEC as well as the establishment of a GHG registry and reporting system.
- The “Cap-and-invest Rule”, which would establish the program’s compliance periods, and the cap’s trajectory. The anticipated cap would incorporate both obligated and non-obligated GHG emissions sources. The rule would establish allowance budgets, compliance obligations and define stability provisions, including cost-containment mechanisms. The rule is also expected to address the treatment of emissions-intensive and trade-exposed (EITE) industries.
- The “Auction Rule” would describe the operation of allowance auctions. The rules will seek to maintain the integrity of the allowance market by preventing market manipulation and establishing cost containment and program stability mechanisms.

Covered sources under consideration are stationary sources, waste sector sources and fuel suppliers in the energy, industrial and product use sectors. Emission sources not subject to compliance obligations would be those from the agriculture and other land use change sectors, as well as non-stationary sources and fuel combustion from aviation and residential wood burning. The electricity sector obligations have not yet been determined, as sources in this sector in New York are currently subject to the Regional Greenhouse Gas Initiative (RGGI). Source categories not subject to allowance compliance obligations “non-obligated entities”, would be monitored with the purpose of removing these GHG emissions from the statewide cap through the retirement of allowances. The allowance budget would reflect the statewide cap less adjustments for these non-obligated GHG emissions and other potential factors.

Allowances would mostly be allocated through auctioning. However, a direct allocation mechanism for qualifying sources in EITE industries is under consideration, to mitigate the risk of economic and/or carbon leakage. This may be effectuated through a consignment of allowances to eligible EITE entities through auction. Allowance banking would be allowed, except for the allowances issued in the first compliance period, and offset credits will have no role in the program. NYCI would be designed for the possibility of linkage with other ETSs.

NYSERDA will design, implement, and administer allowance auctions. Auctions would be held at least quarterly, and proceeds would be used in accordance with the “Climate Act” and relevant laws, with a focus on addressing affordability and investing in emissions reduction strategies and clean energy. At least, thirty percent of the revenues will be directed to a universal Consumer Climate Action

Account to mitigate any increased energy prices for households. At least 35%, with a goal of 40% of the revenues will be directed to investments that benefit disadvantaged communities. NYSERDA and DEC have developed a Climate Affordability Study to consider the best way to distribute the collected revenues from the Consumer Climate Action Account.

Currently, NYCI is under development, with a focus on pre-proposal outreach to gather feedback from stakeholders.

ETS Status

under development

Jurisdictions

New York

Year in Review

In 2023, DEC and NYSERDA conducted stakeholder information sessions and third parties hosted an extensive set of learning sessions on the development of the economywide NYCI.

In August and September, NYSERDA and DEC hosted stakeholder feedback roundtables on matters of equity and climate justice and on just transition and labor, to ensure that NYCI is an equitable program that reduces greenhouse gas emissions and creates green jobs.

During January 2024, DEC and NYSERDA conducted workshops and webinars to engage the public and stakeholders in the development process, learning from successful emissions reduction programs implemented in other regions. Questions and feedback from all sessions are instrumental in the development of the regulations.

Sectoral coverage

Waste
Domestic Aviation
Transport
Buildings
Industry
Power

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO2e)

187.4 MtCO_2e (2021)

Other Information

Institutions involved

Department of Environmental Conservation (DEC): Agency responsible for state programs designed to protect and enhance the environment; leads the development of regulations required to achieve the requirements of the Climate Act.

New York State Energy Research and Development Authority (NYSERDA): Public benefit corporation providing information and analysis, innovative programs, technical expertise, and support to increase energy efficiency, use renewable energy, and reduce reliance on fossil fuels in New York.

Regulatory Framework

Final Scoping Plan

The Climate Leadership and Community Protection Act

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