

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, compared with 1990 levels, and at least an 85% reduction by 2050. The NYCI program will cover all emitting sectors under a statewide cap. The cap will decrease over time, with the caps for 2030 and 2050 corresponding to statewide GHG emission limits.

Various state agencies are developing the program rules, including the Department of Environmental Conservation (DEC) and the New York State Energy Research and Development Authority (NYSERDA). The pre-proposal outline, published in December 2023, describes the three main regulatory components:

The "Mandatory Greenhouse Gas Reporting Program Rule" (GHG Reporting Rule), for the GHG emissions sources that will be required to be reported to DEC as well as the establishment of a GHG registry and reporting system.

- The "Cap-and-invest Rule", which will establish the program's compliance periods, and the cap's trajectory. The anticipated cap will incorporate both obligated and non-obligated GHG emissions sources. The rule will 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" will 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 waste, industry, and fuel suppliers to the buildings and transportation sectors. Emission sources that are not anticipated to be subject to compliance obligations will be those from the agriculture and other land use change sectors, as well as fuel combustion from aviation and residential wood burning. Electricity sector obligations have not yet been determined, as sources in this sector 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 will reflect the statewide cap less adjustments for these non-obligated GHG emissions and other potential factors.

Allowances will 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. Allowance banking would be allowed, with the potential for some limitations in early compliance periods, and offset credits will have no role in the program.

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 30% of the revenues will be directed to a 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.

In March 2025, DEC released a draft mandatory GHG reporting program for data-collection purposes. The draft regulation was open for public consultation from 2 April until 1 July 2025. Final regulations were published in December 2025.

In October 2025, the New York Supreme Court issued a ruling reinforcing the state's obligations under the Climate Leadership and Community Protection Act (CLCPA), directing the DEC to issue emissions reduction regulations by 6 February 2026. In November 2025, the state filed an appeal to allow for further judicial review of the decision, which places the court's order on hold pending consideration by a higher court

ETS Status

under development

Jurisdictions

New York

Sectoral coverage

Forestry

Maritime

Waste

Transport

Buildings

Industry

Power

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO₂e)

191.2 MtCO₂e (2023)

GHG reduction targets

By 2030: 40% GHG emissions reduction below 1990 levels (Climate Act)

By 2050: 85% GHG emissions reduction below 1990 levels (Climate Act)

Flexibility & Linking

Other carbon pricing instruments in the jurisdiction

ETS: RGGI

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](#)

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