6 NYCRR Part 242, CO_2 Budget Trading Program

6 NYCRR Part 200, General Provisions

21 NYCRR Part 507, CO_2 Allowance Auction Program

Revised Rural Area Flexibility Analysis

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative, historic effort among New York and nine Participating States[1] and is the first mandatory, market-based carbon dioxide (CO_2) emissions reduction program in the United States. Since its inception in 2008, RGGI has utilized a market-based mechanism to cap and cost-effectively reduce emissions that cause climate change. Recently, New York along with the Participating States, completed a comprehensive program review and announced a proposal to lower the regional emissions cap established under RGGI to approximately 69.8 million tons in 2027, declining about 89%, relative to the 2024 cap, through 2037.[2] Accordingly, New York and the Participating States committed to propose revisions, pursuant to state-specific regulatory processes, to their respective CO_2 Budget Trading Programs to further reduce CO_2 emissions from power plants in the region. To implement the updated RGGI program in New York State, the Department of Environmental Conservation (Department) has proposed to revise 6 NYCRR Part 242, CO_2 Budget Trading Program (the Program) and 6 NYCRR Part 200, General Provisions. As the auction administrator, the New York State Energy Research and Development Authority (NYSERDA) has proposed revisions to the CO_2 Allowance Auction Program as set forth in Part 507, which are designed to complement revisions proposed by the Department. The proposed revisions to the existing regulations would not have a negative impact on rural areas of the State.

TYPES AND NUMBERS OF RURAL AREAS AFFECTED

[1] In addition to New York, the RGGI Participating States include: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, Rhode Island, Virginia, and Vermont. Virginia's participation will formally commence on July 1, 2026.
[2] The Participating States released the Updated Model Rule on July 3, 2025, https://www.rggi.org/sites/default/files/Uploads/Press-Releases/Press_Release_Program_Review_Announcement.pdf

The promulgation of the proposed Program revisions, the amendments to Part 200, and amendments to Part 507 will apply equally to affected public and private sources statewide; rural areas will not be disproportionately impacted. For purposes of this Rural Area Flexibility Analysis (RAFA), "rural area" means those portions of the State so defined by Executive Law section 481(7), SAPA section 102(10). Under Executive Law section 481(7), rural areas are defined as "counties within the state having less than two hundred thousand population, and the municipalities, individuals, institutions, communities, programs and such other entities or resources as are found therein. In counties of two hundred thousand or greater population, 'rural areas' means towns with population densities of one hundred fifty persons or less per square mile, and the villages, individuals, institutions, communities, programs and such other entities or resources as are found therein." There are 44 counties in the State that have populations of less than 200,000 people and 71 towns in non-rural counties where the population densities are less than 150 people per square mile. Of the 71 budget sources regulated by the Program in 2024, 16 or 22.5 % were in rural areas. The revisions to the Program are not anticipated to add additional budget sources in rural areas compared to sources in non-rural areas.

COMPLIANCE REQUIREMENTS

The revised Program will require affected sources already subject to the Program to continue to comply. The Program revisions retain the interim and full compliance obligation. Units subject to the Program would continue to be subject to both the interim control period and control period requirements on the later of January 1, 2027, or the date the unit commences operation.

COSTS

The Department, NYSERDA, and New York State Department of Public Service (DPS) analyzed costs, including statewide impacts to jobs, total Gross State Product and total Personal Income, associated with compliance with the proposed revisions to the Program. As discussed below, this analysis concludes that the

proposed Program revisions will not disproportionately affect sources in rural areas of the State. Budget sources located in rural areas are anticipated to face the same costs as those sources in non-rural areas due to the nature of the regulation and the proposed revisions to it. These costs would be chiefly from potential changes in allowance prices due to the requirement that all budget sources cover their emissions with allowances. The revised Program will reduce the total supply of allowances and expand the total number of cost containment allowances to balance the need to protect public health and welfare and continue industrial development. By revising the Program, the Department is able to balance these competing interests and minimize any potential adverse impacts of the revised Program.

To evaluate the potential cost impacts of the reduced CO_2 emissions cap and budget adjustments, Integrated Planning Model (IPM®[3]) was used to compare a future case with the proposed Program (Program Case) to a Reference Case (Business as Usual scenario) to project how the regional electricity system would function if the Program remained unchanged and proposed revisions were not implemented. The modeling assumptions and input data were developed through a stakeholder process, including representatives from the electricity generation sector, business and industry, environmental advocates and consumer interest groups. Subsequently, modeling results were presented to stakeholders for review and comment throughout the development of the proposed Program revisions. For a greater explanation of the analysis and a summary of the (IPM®) modeling conducted by ICF International (ICF), see the Regulatory Impact Statement.

A macroeconomic study of the Program was conducted to estimate the potential impact of the reduced CO_2 emissions cap and the other Program revisions on the economies of the Participating States. The study, using

[3] IPM® is a nationally recognized modeling tool used by the U.S. Environmental Protection Agency (EPA), state energy and environmental agencies, and private sector firms such as utilities and generation companies.

the REMI computer model, concluded that the impacts on the jobs, the economy and customer bills[4,5] in New York would be generally positive, albeit relatively small. The estimated cumulative, positive change in employment in New York associated with the Program revisions will be between about 646 additional job-years (a change of less than 0.001%) and 54,928 additional job-years (a change of 0.025%) over the period 2025 to 2040. A job-year is equivalent to one person employed for one year. Further, the study estimates that the cumulative changes in New York's Gross State Product associated with the Program revisions will be between approximately $777 million (0.003%) and $7 billion (0.023%) (in fixed 2022 dollars with a 3% annual discount rate). Cumulative changes in Personal Income associated with the Program revisions are estimated to be between $1.7 billion (0.009%) and $2.7 billion (0.015%). Although these cumulative changes are minimal, they represent positive impacts for total State employment, total Gross State Product and total Personal Income.

MINIMIZING ADVERSE IMPACT

The Department will implement the proposed Program revisions through a cap-and-invest program because allowance and market-based systems are the most cost-effective means for implementing emission reductions from stationary sources. The regulatory flexibility inherent in a cap-and-invest program that allows for interstate trading of emission allowances will not disproportionately affect sources in rural areas of the State and best enables the Department to balance the competing interests of the protection of the public health and welfare with continued industrial development of the State. By revising future allowances budgets through 2037 and beyond these Program revisions allow affected budget sources to plan compliance decisions. The budget sources may acquire and bank allowances for future use or acquire only the allowances necessary to meet each annual compliance deadline. By revising the Program, the Department is further able to balance these competing interests and minimize any potential adverse employment impacts of the revised Program

[4] RGGI Program Review: REMI Modeling Results (ICF), RGGI_Program_Review_IPM_Results.xlsx
[5] https://www.rggi.org/sites/default/files/Uploads/Program-Review/Release/Program_Review_Bills_Analysis.pdf

RURAL AREA PARTICIPATION

The Department complied with Sections 202-a, 202-b and 202-bb of the State Administrative Procedures Act through an extensive regional program review process that included public participation by all Participating States. All six public outreach sessions conducted from October 2021 to September 2023 for this program review were open to the public and recordings and meeting materials are available on the RGGI, Inc. website. The Department will ensure public input on the proposed revisions to the regulations by issuing public notices in the State Register and the Department's Environmental Notice Bulletin; holding a comment period of at least 60 days and conducting public hearings. Interested parties, including those in rural areas, will have the opportunity to submit written comments and participate in the public hearings. The Department will also post relevant rule making documents on their website for public access.