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Revised Regulatory Impact Statement

INTRODUCTION

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative, historic effort among New York and nine other Participating States[1] and was 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[2] established under RGGI to approximately 69.8 million tons in 2027, then declining about 89%, relative to the 2024 cap through 2037. 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 revisions to 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 Program revisions would cap regional CO_2 emissions at approximately 69.8 million tons annually

[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

beginning in 2027, then would be set to decrease by approximately 10% annually, relative to the 2024 cap. This trajectory would continue to 2033. Beginning in 2034, the regional cap trajectory would change to a more gradual decrease of approximately 3% annually until 2037. The regional cap would be approximately 9 million tons in 2037 and subsequent years. These proposed reductions represent about 88% reduction in the regional cap for the period 2027-2037.

The proposed Program revisions expand the Cost Containment Reserve (CCR) feature, which provides additional flexibility and cost containment for the Program. The CCR is a batch of allowances available in high demand scenarios if the auction price surpasses a predetermined trigger price. While the revisions to the Program would retain the CCR, they would also add an additional tier of allowances to the CCR feature. The first tier of CCR allowances would be referred to as CCR 1 and the second tier of CCR allowances would be referred to as CCR 2. The CCR 1 trigger price would match the existing CCR price in 2027 at $19.50 and increase 7% annually thereafter. The maximum amount of CCR 1 allowances regionally available at auction each year would increase to about 11.75 million. The CCR 2 trigger price would be set to $29.25 in 2027, 50% higher than CCR 1 price and increase 7% annually thereafter. The maximum amount of CCR 2 allowances regionally available at auction each year would be set to about 11.75 million.

The Program revisions would remove the Emissions Containment Reserve (ECR), which was designed to help secure additional emissions reductions if prices fell below established ECR trigger prices. The ECR has never been triggered and is unnecessary to maintain.

The Program revisions would increase the minimum reserve price to be aligned with the prices at which the ECR would have been triggered. The revised minimum reserve price would be $9.00 in 2027 and increase at 7% annually thereafter. No allowances would be auctioned below the minimum reserve price.

The RGGI model rule revisions eliminated all offset project categories. In the proposed revisions to the Program, New York is removing the only remaining offset category, avoided methane emissions from agricultural manure management operations. Any offset allowances awarded by a Participating State, prior to January 1, 2027, would remain fully fungible across all the participating states for compliance purposes.

New York stakeholders previously raised concerns about allowing eligible biomass to be combusted without obligated compliance costs. The combustion of eligible biomass as defined in the Program was seen by stakeholders as rewarding CO_2 emissions and other air pollutant emissions without substantial benefits toward reaching emissions levels under the Climate Leadership and Community Protection Act (Climate Act)[3] which establishes Statewide GHG (greenhouse gas) emission reduction requirements and renewable and clean energy generation targets. To address these concerns New York is proposing to remove eligible biomass provisions from the Program. In 2023, the only facility that had previously applied for eligible biomass consideration stopped operating.

New York is proposing to modify the volume of allowances set aside for Long Term Contracts (LTC) and Voluntary Renewable Energy Market (VREM) purchases. The proposed revisions would reduce the amount of allowances in the LTC set-aside to maintain general alignment with the proportional annual reduction in allowances offered for auction by New York and reflect that no contracts extend beyond the 2036 allocation year. The proposed revisions would reduce the amount of allowances in the VREM set-aside in order to reflect the previous three-year average demand of about 180,000 allowances and maintain general alignment with the proportional annual reduction in allowances offered for auction by New York. The eligibility requirements for

[3] Chapter 106 of the Laws of 2019

applicants would not change in the proposed revisions. Additionally, the proposed revisions clarify that the Department may distribute allowances remaining in a set-aside account from previous allocation years to meet the demand for allowances from current allocation year applications.

Finally, the proposed Program revisions would retain the interim compliance obligation. In addition to demonstrating full compliance at the end of each three-year compliance period, regulated entities would continue to have to demonstrate that they are holding allowances equal to at least 50% of their emissions at the end of each of the first two years in each three-year compliance period. The proposed changes include minor revisions and updates to all references. The majority of the proceeds from the sale of New York's allowances would continue to be dedicated to strategic energy or consumer benefits, such as investments in energy efficiency and clean energy technologies (EE&CET) in support of the statewide goal of the Climate Act that 40%, and requirement that no less than 35%, of the overall benefits from investments be realized in disadvantaged communities (DACs).

The CO_2 Budget Trading Program is designed to allocate CO_2 emissions allowances to an EE&CET Account (Account), which has been established and is administered by NYSERDA under Part 507. The Program revisions proposed by the Department include revisions that would modify the functions of the CO_2 Allowance Auction Program. In order to continue its role in complementing the Program, NYSERDA proposes revisions to Part 507 to incorporate the relevant proposed changes to the Program.

Specifically, NYSERDA proposes revisions or additions to sections 507.2(f), (g), (h), and (i), to provide for NYSERDA's implementation of the CO_2 Allowance Auction Program, by incorporating a two-tiered version of the CCR as proposed by the Department, in a manner that would complement the revised Program. Additionally, NYSERDA proposes removing sections 507.2(h) and (i), and 507.6(h) to reflect the removal of the ECR from the Program; NYSERDA also proposes the addition of section 507.2(n) and Table 3 to

provide greater clarity about the Minimum Reserve Price to market participants and to complement revisions to the Program proposed by the Department.

New York intends to continue to participate in uniform regional auctions for the allowances that it would be offering for sale. As part of the regional auction process, New York and the Participating States would continue to follow specific design elements for: reserve price; auction structure and format; allowance sale schedule; level of participation; treatment of unsold allowances; notice of auctions; monitoring; and auction results. Additional details and rules for each regional CO_2 allowance auction are provided in the Auction Notice issued by New York and the Participating States for each auction.

Auction proceeds would continue to support additional GHG emission reductions through investments in energy efficiency, renewable and clean energy and innovative carbon-abatement technologies, as guided by the RGGI Operating Plan.[4] NYSERDA's regulations established the advisory group of stakeholders, representing a broad array of energy and environmental interests, which NYSERDA would continue to annually convene to provide advice on how best to utilize auction proceeds to implement the goals of the Program. The Operating Plan would continue to be reviewed and revised on an annual basis and the advisory group will convene to provide input.

The Program revisions are consistent with the State's overall efforts to reduce GHG emissions, which cause climate change. The State has taken actions to reduce the use of fossil fuels used to generate electricity and to reduce GHG emissions through numerous policies and programs, including through its participation in RGGI. Furthermore, the proposed Program revisions are in line with the State's longstanding policies, in particular,

[4] NYSERDA`, New York's Regional Greenhouse Gas Initiative Operating Plan Amendment for 2025 (effective through March 2028). https://www.nyserda.ny.gov/-/media/Project/Nyserda/Files/EE/RGGI/2025-RGGI-Op-Plan-Amendment.pdf

Environmental Conservation Law (ECL) Section 75-0107, which was added by the Climate Act, and seeks a 40% reduction in Statewide GHG emissions from 1990 levels by 2030, and an 85% reduction by 2050. Moreover, Public Service Law Section 66-p, which was also added by the Climate Act, establishes a target to generate 70% of the State's electricity from renewable energy sources by 2030, and to generate 100% of the State's electricity from carbon-free sources by 2040. The revisions to the Program, including the additional reduction in the RGGI CO_2 emissions cap and the removal of offset provisions, would further the objectives of the Climate Act.

The burning of fossil fuels to generate electricity is a major contributor to climate change because fossil-fuel generators emit large amounts of CO_2, the principal GHG. Overwhelming scientific evidence confirms that a changing climate poses a serious threat to the environmental resources and public health of New York State. The changing climate threatens the health and well-being of the State's residents and citizens, the State's property, and the natural resources held in trust by the State, including, but not limited to, the State's air quality, water quality, marine and freshwater fisheries, salt and freshwater wetlands, surface and subsurface drinking water supplies, river and stream impoundment infrastructure, and forest species and wildlife habitats. Not only would the Program revisions help to further counter the threat of a warming climate, the revisions would also produce significant environmental co-benefits in the form of improved local air quality, and a more robust, diverse and clean energy supply in the State.

STATUTORY AUTHORITY

The statutory authority to revise the Program which would result in reducing the CO_2 emissions cap, adjusting the cost containment feature, removing the emissions containment reserve, removing offset projects, adjusting allowance set-asides, and retaining an interim compliance obligation derives primarily from the Department's authority to use all available practical and reasonable methods to prevent and control air pollution, as set out in the ECL at Sections 1-0101, 1-0303, 3-0301, 19-0103, 19-0105, 19-0107, 19-0301, 19-0303, 19-

0305, 71-2103, 71-2105, 75-0101, 75-0103, 75-0105, 75-0107, and 75-0109.

Brief synopses of the statutory sections that grant the Department authority to promulgate these revisions to the Program and to prevent and control air pollution are outlined below.

ECL Section 1-0101. This section declares that it is a policy of New York State to conserve, improve and protect its natural resources and environment and control air pollution in order to enhance the health, safety and welfare of the people of New York State and their overall economic and social well-being. Section 1-0101 further expresses, among other things, that it is the policy of New York State to coordinate the State's environmental plans, functions, powers and programs with those of the Federal government and other regions and manage air resources to the end that the State may fulfill its responsibility as trustee of the environment for present and future generations. This section supports the Department's efforts to work with other states in the region to address GHG emissions in a coordinated fashion, including through programs such as RGGI. This section further declares that the Department shall promote patterns of development and technology that minimize adverse impacts on the environment.

ECL Section 1-0303. This section defines the term "pollution." Pollution is defined as "the presence in the environment of conditions and or contaminants in quantities of characteristics which are or may be injurious to human, plant or animal life or to property or which unreasonably interfere with the comfortable enjoyment of life and property throughout such areas of the state as shall be affected thereby." The proposed reduction in the CO_2 emissions cap and the elimination of offsets from the Program would remove conditions and contaminants from the environment which are injurious to human, plant and animal life or to property throughout the State.

ECL Section 3-0301. This section empowers the Department to coordinate and develop programs to carry

out the environmental policy of New York State set forth in section 1-0101. Section 3-0301 specifically empowers the Department to: provide for the prevention and abatement of air pollution; cooperate with officials and representatives of the Federal government, other states and interstate agencies regarding problems affecting the environment of New York State; encourage and undertake scientific investigation and research on the ecological process, pollution prevention and abatement, and other areas essential to understanding and achievement of the environmental policy set forth in section 1-0101; monitor the environment to afford more effective and efficient control practices; identify changes in ecological systems and to warn of emergency conditions; enter into contracts with any person to do all things necessary or convenient to carry out the functions, powers and duties of the Department; and adopt such regulations as may be necessary, convenient or desirable to effectuate the environmental policy of the State. This section supports the Department's coordinated scientific and programmatic efforts to address GHG emissions through the RGGI program.

ECL Section 19-0103. This section declares that it is the policy of New York State to maintain a reasonable degree of purity of air resources. In carrying out such policy, the Department is required to balance public health and welfare, the industrial development of the State, propagation and protection of flora and fauna, and the protection of personal property and other resources. To that end, the Department is required to use all available practical and reasonable methods to prevent and control air pollution in the State. The regulatory flexibility inherent in a market based cap-and-invest regional program that allows for interstate trading of emission allowances 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" and "the protection of physical property and other resources," while also helping to ensure the continued reliability and adequacy of the State's electricity supply. By revising the Program to further reduce the CO_2 emissions budget, provide enhancements to the cost containment reserve feature, increase the minimum reserve price, and retain interim compliance obligations, the Department is further able to balance these competing interests. This includes through the cost-effectiveness

inherent in a market-based program such as RGGI.

ECL Section 19-0105. This section declares that it is the purpose of Article 19 of the ECL to safeguard the air resources of New York State under a program which is consistent with the policy expressed in section 19-0103 and in accordance with other provisions of Article 19. The RGGI program, including the proposed revisions to the Program, safeguards the air resources of the State and is consistent with the policy expressed in section 19-0103 as described above.

ECL Section 19-0107. This section defines the terms "air contaminant," "air pollution," and "air contamination source." "Air contaminant" is defined as "a dust, fume, gas, mist, odor, smoke, vapor, pollen, noise or any combination thereof." "Air pollution" is defined as "the presence in the outdoor atmosphere of one or more air contaminants in quantities, of characteristics and of a duration which are injurious to human, plant or animal life or to property or which unreasonably interfere with the comfortable enjoyment of life and property throughout the state or throughout such areas of the state as shall be affected thereby." The term "air contamination source" is defined as "any source at, from or by reason of which there is emitted into the atmosphere any air contaminant . . ." CO_2 is an "air contaminant" that causes "air pollution" as defined in the ECL because it is a gas that is present in the outdoor atmosphere in quantities that engenders and/or provokes climate change, which is injurious to life and property in New York State. Electric generating units are an "air contamination source" because they are responsible for approximately 17% of all energy related CO_2 emissions in New York State.[5] The Department's authority under the ECL to regulate CO_2 as an "air contaminant" was buttressed by the decision of the United States Supreme Court in Massachusetts v. Environmental Protection Agency, 127 S. Ct. 1438 (2007), that the United States Environmental Protection Agency (EPA) has the authority to regulate CO_2 as an "air pollutant"

[5] New York State Annual GHG Emissions Report. Table E.S.2 electric power CO_2 emissions compared to all other instate energy CO_2 emissions

under the Clean Air Act (CAA). Under the CAA, an "air pollutant" is defined as "any air pollutant agent or combination of agents, including any physical, chemical, biological, radioactive (including source material, special nuclear material, and byproduct material) substance or matter which is emitted into or otherwise enters the ambient air." 42 U.S.C. section 7602(g). The definitions of "air contaminant" and "air pollutant" under the ECL are broader than the definition of "air pollutant" under the CAA.

ECL Section 19-0301. This section declares that the Department has the power to promulgate regulations for preventing, controlling or prohibiting air pollution, and shall include in such regulations provisions prescribing the degree of air pollution that may be permitted and the extent to which "air contaminants" may be emitted to the air by any "air contamination source" in any area of the State. The Department also has the authority to cooperate with other states, interstate agencies, or international agencies with respect to the control of air pollution or air contamination. This section provides the Department with authority to revise the Program to further reduce the CO_2 emissions cap and remove offsets from the Program.

ECL Section 19-0303. This section provides that the terms of any air pollution control regulation promulgated by the Department may differentiate between particular types and conditions of air pollution and air contamination sources. It supports the RGGI program in that a cap-and-invest program was identified as an effective manner or condition of regulation for the particular air pollutant and type of sources subject to the Program. This section also requires the Department to include analysis in the Regulatory Impact Statement (RIS) explaining state regulatory requirements that are more stringent than those found in the CAA or its implementing regulations. There is currently no CO_2 stationary source cap-and-invest program established by the CAA or its implementing regulations. Federal regulatory requirements governing sources of CO_2 emissions are discussed further in the Federal Standards section of this RIS.

ECL Section 19-0305. This section authorizes the Department to enforce the codes, rules and regulations established in accordance with Article 19. Section 19-0305 also empowers the Department to conduct or cause to be conducted studies and research with respect to air pollution control, abatement or prevention.

ECL Section 71-2103 and Section 71-2105. These sections set forth the civil and criminal penalty structures for violations of Article 19, including regulations promulgated thereunder, including the Program. These sections provide authority to the Department to create and retain the interim compliance obligation to better ensure compliance with the Program.

ECL Section 75-0101. This section defines greenhouse gas as "carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and any other substance emitted into the air that may be reasonably anticipated to cause or contribute to anthropogenic climate change." ECL § 75-0101(2). This section further authorizes, through the definition of GHG emissions source, the Department's monitoring of such sources, including for compliance with implementing regulations.

ECL Section 75–0103. This section creates the Climate Action Council, which was charged with creating a Scoping Plan that recommends emission reduction measures, including regulations, to attain the statewide GHG emission levels. RGGI is mentioned many times in the scoping plan as an exemplar program to reduce GHG emissions.

ECL Section 75-0105. This section requires the Department to consider establishing a mandatory registry and reporting system from individual GHG emission sources to obtain data on GHG emissions. The Program takes advantage of data reported to the EPA. However, the Program has reporting requirements which would be

in place if the EPA changes reporting provisions and fails to be able to make data available to New York.

ECL Section 75-0107. This section outlines the statewide GHG emission levels and specifically seeks a 40% reduction in statewide GHG emissions from 1990 levels by 2030, and an 85% reduction from 1990 levels by 2050. The proposed revisions to the Program would enhance the State's progress in advancing toward the reaching these GHG emissions levels in the Climate Act.

ECL Section 75-0109. This section provides the Department broad authority and specific direction to regulate GHG emissions sources and control GHG emissions to ensure compliance with the statewide GHG emission levels. Such regulations would include legally enforceable emission levels, reflect the Scoping Plan, and regulate emission sources that have a cumulatively significant impact. The proposed revisions to the Program are an important component of the State's progress in advancing toward the statewide GHG emission levels.

ECL Section 75-0109(1). This section directs the Department to work with other New York State agencies and authorities to promulgate regulations required by Section 8(1) of the Climate Act. Through the continued implementation of the Program by the Department and Part 507 by NYSERDA, New York's portion of the RGGI Program continues to advance progress toward achieving the statewide GHG emission levels.

Climate Act Section 10. Acknowledging existing authority such as ECL Article 19, this section states that "[n]othing in this act shall limit the existing authority of a state entity to adopt and implement GHG emissions reduction measures." As described above, irrespective of the enactment of the Climate Act, the Department has the authority to adopt and implement GHG emission reduction measures, including through ECL Article 19 and other statutory provisions. ECL Section 75-0109 and other provisions of the Climate Act, as described above, included more specific directives to the Department, NYSERDA, and other State entities, which were considered

during the development of the proposed revisions to the Program and Part 507.

The Allowance Auction Program (21 NYCRR Part 507) would be revised by NYSERDA as part of this rulemaking. The statutory sections that grant NYSERDA authority to implement and revise the Allowance Auction Program, which are outlined in this RIS, are briefly outlined below as background and context for the Program revisions.

Public Authorities Law (PAL). The Program revisions are designed to allocate the CO_2 allowances (including CCR allowances) to the EE&CET Account, which was created and will continue to be administered by NYSERDA. NYSERDA would continue to administer the EE&CET Account so that CO_2 allowances would be sold in a transparent allowance auction or auctions and the proceeds of the auction or auctions would be used to promote and reward investments in energy efficiency, renewable or non-carbon emitting technologies, and/or innovative carbon emissions abatement technologies with significant carbon reducing potential. These investments would continue to be designed to further the GHG emission reduction objectives of the Program, with the goal that 40%, and requirement that no less than 35% of the overall benefits from investments be realized in DACs.

NYSERDA currently administers energy efficiency and clean technology programs funded by the EE&CET allocation pursuant to its authority under PAL Section 1854 and Title 9-A of Article 8 of the PAL, and would continue to do so under the revisions to the Program. Section 1854 states that “the purposes of NYSERDA shall be to develop and implement new energy technologies consistent with economic, social and environmental objectives, to develop and encourage energy conservation technologies.”

Title 9-A establishes the Green Jobs - Green New York (GJGNY) Program for the purposes of promoting energy efficiency, energy conservation and the installation of clean energy technologies; reducing GHG emissions; supporting sustainable community development; creating green job opportunities, including opportunities for new entrants into the State's workforce, the long-term unemployed and displaced workers; and using innovative financing mechanisms to finance energy efficiency improvements through energy cost savings. The GJGNY Program is funded through appropriation from the RGGI allowance auction proceeds.

"Energy conservation technologies" are defined in PAL Section 1851(11) as "all methods of conserving energy, of improving the efficiency of energy utilization and of preserving and protecting the environment…in connection with the use of energy." PAL Section 1891(12) defines "qualified energy efficiency services" and provides a list of qualified measures that are eligible for funding under the Program.

NYSERDA's authority under PAL Section 1854 includes the following:

"1. Research, development and demonstration. To conduct, sponsor, assist and foster programs of research, development and demonstration in new energy technologies including but not limited to: energy conservation; production of power from new sources with emphasis on renewable energy sources such as solar, wind, bioconversion and solid waste; storage of energy with emphasis on inertial and battery storage; conversion and/or technological improvement of facilities now utilizing nuclear fission energy and fossil fuel energy technologies; transmission and distribution of power; and conversion of energy and improvements of efficiencies of such conversion, including the power after assessing and taking into account environmental considerations thereof, to establish, acquire, operate, develop and manage facilities therefor."

"2. The provision of services. To provide services required for the development and use of new energy technologies and related methods by the industrial, commercial, medical, scientific, public interest, educational

and governmental organizations within the state, including the power to establish, acquire and develop facilities therefore not otherwise available within the state, and to operate and manage such facilities."

"11. To advise and assist the governor and legislature in the development and implementation of state policies relating to energy and energy resources."

"18. To provide for the deposit of all or a portion of the proceeds collected by the authority from the auction or sale of emissions allowances allocated by the department of environmental conservation to the authority pursuant to regulations adopted by the department of environmental conservation to a GJNY fund to be established in the custody of the commissioner of taxation and finance. The monies in such fund shall be available for the GJNY program pursuant to title nine-A of article eight of this chapter."

This authority allows NYSERDA to continue to administer the EE&CET Account so that the proceeds of the auctions can be used to promote and reward investments in energy efficiency, renewable or non-carbon-emitting technologies, and/or innovative carbon emissions abatement technologies with significant carbon reduction potential and similar energy conservation technologies. The stated purposes of the EE&CET Account are consistent with NYSERDA's authority to conduct, sponsor and assist programs related to new energy technologies and qualified energy efficiency services and to provide services related to their development.

PAL Section 1855. The general powers that are relevant to NYSERDA's authority to administer the EE&CET Account to promote and reward investments in energy efficiency, renewable or non-carbon-emitting technologies, and/or innovative carbon emissions abatement technologies with significant carbon reduction potential, and to sell allowances (including CCR allowances) in a transparent auction are also set forth in PAL

Section 1855. NYSERDA's authority under Sections 1854 and 1855 enables it to accept and sell the allowances and utilize the proceeds to promote and reward investments related to energy conservation technologies similar to the stated purposes of the EE&CET Account.

NYSERDA's authority to auction the CO_2 allowances and CCR allowances is enumerated in their powers:

"10. To enter into any contracts and to execute all instruments necessary or convenient for the exercise of its corporate powers and the fulfillment of its corporate purposes under this title."

"14. To accept any gifts or grants or loans of funds or property or financial or other aid in any form from the federal government or any agency or instrumentality thereof or from the state or from any other source and to comply, subject to the provisions of this title, with the terms and conditions thereof."

"17. To do all things necessary or convenient to carry out its corporate purposes and exercise the powers given and granted by this title."

LEGISLATIVE OBJECTIVES

Through numerous legislative enactments, the Legislature has directed and empowered the Department to promote the safety, health and welfare of the public, protect the State's natural environment, and also help assure a safe, dependable, economical, and cleaner supply of energy to the people of the State. The changing climate represents an enormous environmental challenge for the State, because unabated, climate change will continue to have serious adverse impacts on the State's natural resources, public health and infrastructure. Power plants that burn fossil fuels emit significant quantities of CO_2, a chief contributor to the unnatural warming of our climate. New York power plants represent approximately 12% of all GHG emissions in New York State's emissions

report.[6] In 2024, New York power plants subject to the Program emitted approximately 30.1 million short tons of CO_2 into the atmosphere.[7] By continuing to impose emissions limitations on fossil fuel-fired electric generating sources under a revised flexible cap-and-invest program, the Department is acting to preserve and protect the State's environment while maintaining a reliable supply of electricity. These air quality improvements would further mitigate the impacts of climate change in New York, thereby contributing to public safety, health and welfare.

NYSERDA's proposed revisions to Part 507 are similarly grounded in legislative enactments. The legislation in place, including both the PAL and the Climate Act, make clear that the proposed revisions are well within NYSERDA's statutory objectives. The regulatory flexibility provided under the revisions to the CO_2 Allowance Auction Program and the Program, particularly the expansion of the CCR, helps to ensure continued reliability and adequacy of the State's electricity supply, assists in the furtherance of public health, and is necessary for continued industrial development and preservation of physical property. NYSERDA's continued role as auction administrator and administrator of programs supported by auction proceeds support legislative objectives established for NYSERDA in the PAL.

Stakeholder Outreach

The Department and NYSERDA 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. New York and the Participating States had committed to a comprehensive program review during the initial development of RGGI and agreed to evaluate: program success; program

[6] 2024 New York Statewide GHG Emission Report Table ES.3 sum of Electricity Fuel Combustion and Imported Fuels https://dec.ny.gov/sites/default/files/2024-12/summaryreportnysghgemissionsreport.pdf
[7] RGGI COATS NY annual emissions average 2022 through 2024.

impacts; additional emissions reductions; imports and emissions leakage; and offsets.

The Participating States initiated the most recent program review in February 2021, with the release of a statement announcing the plan for the Third Program Review. The Participating States and RGGI Incorporated (RGGI, Inc.) conducted six stakeholder meetings and webinars during this Third Program Review period, during which they obtained public input on program elements. Prior to each stakeholder meeting, agency staff and RGGI, Inc. distributed pertinent material to participants via email and posted meeting documents on the RGGI, Inc. website. The stakeholder meetings were open to the public and all interested parties were encouraged to provide comments. All stakeholder comments were ultimately considered in the development of the updated RGGI Model Rule, which contained detailed model regulatory text, and was released to the public on July 3, 2025.

NEEDS AND BENEFITS

Introduction

The primary need for this rule making is to protect the health and welfare of New York State residents and resources by reducing GHG emissions, in support of the Climate Act. Climate change is one of the most serious environmental threats facing humankind, and New York State is already feeling its effects. The last 10 years have been the hottest on record globally, with 2024 surpassing 2023 as the hottest on record at 1.55 °C above pre-industrial levels.[8] Despite the commitment by national governments to limit global warming to under 1.5 °C, global temperatures temporarily exceeded 1.5 °C for a 12-month period for the first time in 2023[9] and

[8] WMO (2025) " WMO confirms 2024 as warmest year on record at about 1.55°C above pre-industrial level," *World Meteorological Organization*, January 10, 2025. https://wmo.int/news/media-centre/wmo-confirms-2024-warmest-year-record-about-155degc-above-pre-industrial-level

[9] Ibid.

again in 2024. As discussed in the most recent New York State Climate Impacts Assessment[10] and United Nations Adaptation Gap Report,[11] the world has seen ocean heat on the rise, increased extreme weather and climate events that have led to massive economic and human losses, with detrimental impacts on human health, sustainable development, and widening inequalities.[12] Disadvantaged communities are hardest hit and continue to bear the brunt of the harmful effects of human-caused climate change.[13]

More specifically, some of these impacts include increased heat illnesses and mortality, respiratory illnesses from increased ground-level ozone, and the introduction or spread of vector-borne illnesses.[14] Climate change adversely impacts New York State's shoreline, drinking water sources, agriculture, forests, and wildlife diversity.[15] Climate change trends such as rising temperatures, rising sea levels, and increased frequency of intense precipitation, storm, and extreme heat events have already been observed. These trends are expected to continue and increase and will have an increasing impact to human health and the environment.

Furthermore, there is an urgent need for careful tracking and monitoring of GHG emissions at a state level, as well as for communicating this information and understanding the increasing risk from climate change. CO_2 concentrations in 2024 set a new record high of 422.1 parts per million (ppm), an increase in atmospheric CO_2 concentrations of 2.9 ppm over the previous year.[16] GHG concentrations of CO_2, methane (CH_4), and nitrous

[10] Stevens, A., & Lamie, C., Eds. (2024). New York State Climate Impacts Assessment: Understanding and preparing for our changing climate. https://nysclimateimpacts.org.
[11] United Nations Environment Programme. 2024. *Adaptation Gap Report 2024: Come hell and high water - As fires and floods hit the poor hardest, it is time for the world to step up adaptation actions*. https://wedocs.unep.org/20.500.11822/46497.
[12] WMO (2024) "Greenhouse gas concentrations surge again to new record in 2023," World Meteorological Organization, October 28, 2024. https://wmo.int/news/media-centre/greenhouse-gas-concentrations-surge-again-new-record-2023.
[13] Allen, M.R. et al. 2018: Framing and Context. In: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty. Cambridge University Press, Cambridge, UK and New York, NY, USA, pp. 49-92. https://doi.org/10.1017/9781009157940.003.
[14] e.g., As described in the Intergovernmental Panel on Climate Change Sixth Assessment Report (https://www.ipcc.ch/assessment-report/ar6/) and US Fourth National Climate Assessment (https://nca2018.globalchange.gov/).
[15] e.g., As described in the most recent New York State Climate Assessment (https://nysclimateimpacts.org/).
[16] Copernicus Climate Change Service (C3S), Global Climate Highlights 2024, climate.copernicus.eu/global-climate-highlights-2024, Last

oxide (N_2O) have increased by approximately 151%, 265%, and 125% above preindustrial levels, respectively.[17] CO_2 is accumulating in the atmosphere at a faster rate than ever before in human existence, and the long life of CO_2 in the atmosphere amplifies future temperature increases. The world is on track to maintain temperatures 1.5 °C above pre-industrial levels and to see the impacts of climate tipping points. These tipping points include increases in mean precipitation in the Northern Hemisphere, extreme changes in water availability, and increased sea-level rise.[18] Moreover, ecosystems are likely to not only lose their ability to absorb carbon but rather become net sources of GHGs as the climate changes.[19,20] Ninety percent of accumulated energy is stored in the ocean,[21] which is reaching capacity for carbon absorption.[22,23] The loss of heat and carbon sinks in ocean and land ecosystems increases the amount of CO_2 that will stay in the atmosphere, increasing and accelerating the radiative forcing that drives increased warming, creating a cycle where the effects of climate change will drive even more extreme changes in climate and temperature.[24]

Mitigating the impacts of a changing climate represents a pressing environmental challenge for the State. Extensive scientific data demonstrates the need for immediate worldwide action to reduce emissions from burning fossil fuels and supports the conclusion that great benefits would accrue if fossil fuel-fired emissions are further reduced through programs like RGGI. This section outlines the Department's analysis of the need for the Program revisions, principally the reduction in the CO_2 emissions, cap and budget adjustments, and discusses the Program's considerable benefits.

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updated 17th , January 2025

[17] WMO, October 28, 2024 op cit.

[18] Allen, M.R. et al. 2018 op cit.

[19] WMO, October 28, 2024 op cit.

[20] World Meteorological Association, Greenhouse Gas Bulletin No. 20- The State of Greenhouse Gases in the Atmosphere Based on Global Observations through 2023, WMO 2024 https://library.wmo.int/idurl/4/69057.

[21] Ibid.

[22] Gruber, N., Bakker, D.C.E., DeVries, T. et al. Trends and variability in the ocean carbon sink. Nat Rev Earth Environ 4, 119–134 (2023). https://doi.org/10.1038/s43017-022-00381-x.

[23] United Nations Climate action, "1.5C: what it means and why it matters," https://www.un.org/en/climatechange/science/climate-issues/degrees-matter.

[24] WMO, October 28, 2024 op cit.

Air Quality and Public Health Benefits

Scientific projections of the Northeast climate show an increase in the number of extreme heat days and humidity,[25] which contributes to poor air quality and potentially puts larger numbers of people in the region at risk for adverse health effects.

Higher temperatures, resulting from increased levels of GHG emissions and atmospheric concentrations, contribute to conditions that enhance the formation of ground-level ozone. The presence of strong ultraviolet radiation (sunlight), stable air masses, and ozone precursors such as volatile organic compounds (VOCs) and oxides of nitrogen (NO_x) promote ozone formation. The increased concentrations of ground-level ozone contribute to respiratory illness in children, the elderly, and those with pre-existing illnesses. Higher CO_2 concentrations, temperatures, humidity and longer growing seasons may increase pollen quantity and other environmental allergens which in turn may exacerbate asthma and other chronic respiratory illnesses. Increased temperature and precipitation levels also produce conditions favorable to the introduction or spread of vector-borne illnesses such as Lyme disease, equine encephalitis, West Nile virus, and other diseases spread by mosquitoes, ticks, and wild rodents.[26]

Air quality protection programs must account for the predicted changes in pollution levels and achieve the public health benefits associated with the reduction of CO_2 emissions from stationary source categories[27]. In addition to contributing to a 50% reduction in CO_2 from affected power plants in New York, it is estimated that the RGGI program has provided $1.7 billion in avoided public health costs in New York. Across the RGGI region,

[25] New York State Climate Impacts Assessment Chapter 02: New York State's Changing Climate, https://doi.org/10.1111/nyas.15240
[26] New York State Climate Impacts Assessment Chapter 07: Human Health and Safety, https://doi.org/10.1111/nyas.15244
[27] NYS ECL Article 19

it is estimated that the RGGI program helped avoid 16,000 respiratory illnesses, up to 390 heart attacks, and 300 to 830 deaths.[28] These modeled results draw attention to the broad range of more immediate air pollution benefits to public health that mitigating GHG emissions can provide. The regulation ensures significant ancillary public health benefits by simultaneously reducing CO_2 and other harmful pollutants.

Components of the Program Revisions

The reduction in the CO_2 emissions cap trajectory toward alignment with emissions levels represents a critical step to combat the significant challenges presented by climate change and to advance sound energy policies that foster energy efficiency, a reduction in reliance on fossil fuels, and energy independence.

The Program revisions would cap regional emissions at approximately 69.8 million tons beginning in 2027 and would reduce that level by about 8.5 million tons per year through 2033, then decline by about 2.4 million tons per year through 2037. The proposed cap decline between the existing 2027 cap of 75 million tons and the 2037 cap of about 9 million tons is roughly 88%. The proposed 2037 cap is 66 million tons lower than the existing 2027 cap. The reduction in emissions is about the same as removing 13.9 million cars from the road for one year.

After 2037, the regional cap would remain at about 9 million tons annually absent future revisions to the Program. Any such future revisions would follow a regional Program Review process and updates to New York's Program would be implemented in New York through a subsequent rule making.

To provide flexibility and cost containment the Program revisions would expand the CCR program feature

[28] Abt Associates. 2017. Analysis of the Public Health Impacts of the Regional Greenhouse Gas Initiative. Available at https://www.abtassociates.com/insights/publications/report/analysis-of-the-public-health-impacts-of-the-regional-greenhouse-gas

by adding an additional tier of allowances, increasing the number of allowances in the CCR, and establishing prices for these new allowances. While the revisions to the Program retain the CCR program feature, the revisions would increase the regional volume of allowances in the first CCR tier, CCR 1, to approximately 11.75 million allowances and establish the second CCR tier, CCR 2, also at 11.75 million allowances starting in 2027. The trigger price of CCR 1 would match the existing price of $19.50 in 2027 and increase 7% annually. The Trigger Price for CCR 2 would be established at $29.25 in 2027 and increase 7% annually. Consistent with the existing Program if the trigger price for CCR allowances is not reached then the allowances would not be auctioned or offered for sale.

The proposed Program revisions eliminate the Emissions Containment Reserve (ECR) and increase the minimum reserve price to the value of the existing ECR. The new minimum reserve price would be $9.00 in 2027 and increase 7% annually. No allowances would be auctioned below the minimum reserve price.

The proposed model rule revisions eliminate all offset categories. The proposed revisions to the Program would remove the one remaining offset project type, for avoided methane emissions from agricultural manure management operations. Any existing offset allowances awarded by a participating state prior to January 1, 2027, are fully fungible within the constraints of the program. As of this proposal approximately fifty thousand offset allowances had been awarded. Additional offset allowances are not anticipated to be awarded before January 1, 2027.

New York is proposing revisions to remove eligible biomass considerations from the Program. Following the removal, no budget source would be able reduce their compliance obligation for CO_2 emissions by burning eligible biomass. Additionally, the proposed revisions would remove the eligible biomass provisions from the

Voluntary Renewable Energy and Eligible Biomass (VREEB) set-aside as the only applicant to this set-aside closed in 2023. The set aside would then be referred to as the Voluntary Renewable Energy Market (VREM) set aside. These updates address a long-standing stakeholder concern that the burning of biomass without a compliance obligation was contrary to the goals of the program and to address the elimination of the demand for allowances under the set-aside. The proposed set-aside allocation would change from a flat annual amount (900,000 tons) to an amount that reduces over time in alignment with New York's decreasing budget. In the event that demand for this set-aside exceeds the allowances available in a given year, the remaining set-aside allowances from previous years may be retired on the behalf of the applicant. Under the program revisions, the Department would also retain the right to proportionally distribute less VREM allowances than were applied for, if the amount exceeded the available set-aside allowances.

New York is also proposing to reduce the annual volume of the LTC set-aside allocation over time and stop setting aside allowances after the 2036 allocation year. The proposed revisions are anticipated to provide adequate allowances for the one remaining applicant to complete its long-term contract in 2036. The annual allocation of allowance trajectory would eventually fall below the expected annual demand, so the Department proposes to address the shortfall by allocating allowances to the applicant from unallocated allowances remaining in the set-aside from previous allocation years.

The Department would continue to be able to transfer any unallocated allowances from either set-aside to the EE&CET account.

The Program revisions would retain the interim compliance obligation. This program feature helps to address the potential for a budget source to avoid its compliance obligation as a result of the business closing or falling into bankruptcy prior to the third-year compliance obligation. In addition to demonstrating full compliance

at the end of each three-year compliance period, regulated entities must also demonstrate that they are holding allowances equal to at least 50% of their emissions at the end of the first two years in each three-year compliance period.

The Program revisions would include clarification on reporting requirements. In the event of losing Federal reporting requirements, the emission sources would be required to submit emissions data, using the existing Federal reporting criteria, guidelines, and standards, to the Department[29]. Additionally, the proposed Program revisions include other minor clarifying edits and minor updates to all references. These updates are recorded in updates to 6 NYCRR Part 200.

Benefits from the Program Revisions

Significant economic opportunities and environmental and health co-benefits such as reduced air pollution and improved public health are expected from programs that mitigate GHG emissions. The proposed reduction of the regional emissions cap by almost 90% from 2027 to 2037 would result in substantial CO_2 emission reductions, within the Participating States. The societal impact of emission reductions in New York could range between $2.6 and $15.8 billion cumulatively between 2027 and 2037. These estimates are derived by multiplying the value of carbon[30] for CO_2 by the modeled emission changes between reference and policy cases described in the Costs section and other areas of this RIS. Table 1 below shows those emissions estimates and value of carbon from specific years[31].

Table 1. Value of CO_2 and Emission Reduction Estimates

Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total

[29] NYS ECL Article 3 and 19.
[30] https://dec.ny.gov/sites/default/files/2023-12/vocguide23final.pdf
[31] Emission reduction values between modelled years are interpolated. Emissions reductions are in short tons.

Value of CO_2 $ per Metric Ton	219	223	226	230	234	237	241	245	248	252	256	N/A
Policy Case B Emissions Reduction (million tons)	0.45	0.64	0.82	1.0	1.27	1.54	1.39	1.24	1.09	0.91	0.73	12.2
Value of Case B reduction (millions $)	99	142	185	230	297	366	335	304	270	229	186	2,641
Policy Case A Emissions Reduction (million tons)	0.95	2.54	4.13	5.72	6.08	6.44	6.92	7.41	7.89	8.35	8.80	71.9
Value of Case A reduction (millions $)	209	566	933	1,315	1,422	1,527	1,669	1,815	1,957	2,103	2,253	15,768

In New York, auction proceeds continue to support additional GHG emission reductions through investments in energy efficiency, renewable and clean energy and innovative carbon-abatement technologies, as guided by the RGGI Operating Plan, which is updated annually.[32] Further, ECL Section 75-0117 will continue to have a goal that 40%, and a requirement that no less than 35%, of the overall benefits from such investments be realized in DACs as highlighted in Appendix 2 of the RGGI Operating Plan Amendment.[33] Per NYSERDA regulations, NYSERDA would continue to annually convene an advisory group of stakeholders representing a broad array of energy and environmental interests to provide advice on how best to utilize auction proceeds to implement the goals of the Program. The most recent version of the New York State Regional Greenhouse Gas Initiative-Funded Programs Status Report for the quarter ending June 30, 2024, estimates cumulative annual customer bill savings of $751.[34]

[32] New York State Energy and Research Development Authority (NYSERDA). New York State's Regional Greenhouse Gas Initiative Investment Plan. https://www.nyserda.ny.gov/About/Funding/Regional-Greenhouse-Gas-Initiative/Useful-Documents.
[33] New York State Energy and Research Development Authority (NYSERDA). 2025 Final RGGI Operating Plan Amendment. https://www.nyserda.ny.gov/About/Funding/Regional-Greenhouse-Gas-Initiative/Useful-Documents.
[34] New York State Energy and Research Authority, "New York State Regional Greenhouse Gas Initiative-Funded Programs Status Report," Quarter Ending June 30, 2024. https://www.nyserda.ny.gov/About/Publications/Program-Planning-Status-Reports/RGGI-Reports

Projected benefits from the revisions are detailed in a study completed by ICF International (ICF) that estimates the macroeconomic impacts of the Program in the RGGI region. The study uses the Regional Economic Models, Inc. Policy Insight™ (REMI) model, a multi-state structural economic forecasting and policy analysis model that produces projections of employment, gross state product, and personal income.[35] The macroeconomic results reflect the potential impacts associated with the revisions to the Program (including the investment of auction proceeds in an estimated portfolio of energy efficiency, clean energy and carbon abatement programs). As with other analysis that supported the program review, REMI modeling included two policy cases, one of which assumes full on-time achievement of state clean energy deployment targets (Case B), and one of which assumes clean energy additions are mostly limited to currently contracted renewables (Case A), though the model also allowed for some renewable energy additions when it is economic to do so.[36] The study estimates that the cumulative changes in New York's Gross State Product and Personal Income associated with the revisions to the Program will be about $7 billion and $2.7 billion, respectively, for Case A (2022 dollars, calculated as the present value of estimated annual changes over the period 2025 to 2040, discounted at 3% per year to account for the time-value of money). The study estimates that the cumulative changes to New York's Gross State Product and Personal Income associated with revisions to the Program will be about $777 million and $1.7 billion, respectively, for Case B. In the context of New York's total Gross State Product and total Personal Income these changes represent small but positive changes.

While the Operating Plan and macroeconomic modeling provide estimates of future benefits associated with the investment of projected auction proceeds in New York, NYSERDA will continue to prepare quarterly status reports that will include: a summary of program activities and implementation; an estimate of program

[35] RGGI Program Review: Economic Impact Modeling Results (ICF), August 2025. https://www.rggi.org/sites/default/files/Uploads/Program-Review/Release/RGGI_Econ_Modeling_Results.pdf

[36] While the 2025 Federal Budget Reconciliation Bill passed in July 2025 made significant adjustments to the Inflation Reduction Act (IRA) tax credits for some energy technologies, the REMI modeling was already significantly underway and therefore does not reflect revised tax credit availability.

benefits; and an accounting of program costs and expenditures associated with the actual receipt of proceeds through that point in time. The last quarterly progress report of the year also serves as an annual evaluation and status report. The annual report would also provide information on the geographic distribution of Program funding and benefits across the State.[37]

The report for the quarter ending June 30, 2024, reflects benefits associated with spending through that date.[38] Table 2 below illustrates the estimated cumulative annual benefits (as of June 2024) at the portfolio and program levels from all currently operational projects installed since the start of the existing Program. These metrics, prepared by NYSERDA, represent the State's best estimate of Program benefits to date and are adjusted over time as individual programs are evaluated and results are adjusted based on those evaluation studies.

Table 2. Summary of Cumulative Annualized Portfolio Benefits through June 30, 2024[39,40]

Benefits	Results through June 2024
Net Greenhouse Gas Emission Savings (Annual Tons CO_2e)	2,003,108
Net Electricity Savings (Annual MWh)	1,787,167
Renewable Energy Generation (Annual MWh)	637,002
Net Natural Gas Savings (Annual MMBtu)	2,097,370
Net Fuel Oil Savings (Annual MMBtu)	2,390,030

[37] https://www.nyserda.ny.gov/-/media/Project/Nyserda/Files/EE/RGGI/2024-RGGI-Operating-Plan.pdf
[38] https://www.nyserda.ny.gov/-/media/Project/Nyserda/Files/Publications/Energy-Analysis/RGGI/RGGI-StatusReport-Q2-24-final.pdf
[39] New York State Energy and Research Authority, "New York State Regional Greenhouse Gas Initiative-Funded Programs Status Report," Quarter Ending June 30, 2024. https://www.nyserda.ny.gov/-/media/Project/Nyserda/Files/Publications/Energy-Analysis/RGGI/RGGI-StatusReport-Q2-24-final.pdf
[40] https://data.ny.gov/Energy-Environment/Fuel-Savings-by-Type-from-RGGI-Funded-Projects/3dbk-8jiw

Net Propane Savings (Annual MMBtu)	75,543
Net Steam Savings (Annual MMBtu)	108,134
Net Wood Savings (Annual MMBtu)	25,885
Net Kerosene Savings (Annual MMBtu)	15,503
Net Gasoline Savings (Annual MMBtu)	8,203,655
Net Residual Oil Savings (Annual MMBtu)	1,528,231
Net Diesel Savings (Annual MMBtu)	N/A
Net Coal Savings (Annual MMBtu)	536,745
Total Fuel Savings (Annual MMBtu)	14,981,097
Annual Energy Bill Savings to Participating Customers ($ Million)	732.5

NYSERDA projects the lifetime savings of the cumulative values in the table to result in expected fuel savings of 240,936,879 MMBtu; electricity savings of 24,336,658 MWh; bill savings of $11.7 billion; and CO_2e emission reductions of 36,501,708 tons. The annual values were converted to lifetime savings by including all operational projects, projects under a signed contract, and projects with an application received that are not yet operational.

Complementary GHG Programs in New York

The Program and the proposed revisions to the Program, along with Greenhouse Gas Exhaust Emission Standards (6 NYCRR Part 218-8), CO_2 Performance Standards for Major Electric Generating Facilities (6 NYCRR Part 251), Oil and Natural Gas Sector (6 NYCRR Part 203), Ozone Season Oxides of Nitrogen (NO_x)

Emission Limits for Simple Cycle and Regenerative Combustion Turbines (6 NYCRR Part 227-3) and the State's clean energy and energy storage commitments are part of a suite of components of New York's comprehensive GHG reduction policy. While not all target GHG emissions, working together, these programs benefit New York by reducing GHG emissions.

Most notably, New York laws establish Statewide GHG emission reduction levels and renewable and clean energy generation targets. In particular, ECL Section 75-0107 seeks a 40% reduction in Statewide GHG emissions from 1990 levels by 2030, and an 85% reduction from 1990 levels by 2050. Moreover, Public Service Law Section 66-p establishes a target to generate 70% of the State's electricity from renewable energy sources by 2030, and to generate 100% of the State's electricity from carbon-free sources by 2040. The proposed revisions to the Program, including the additional reduction in the CO_2 emissions budget and raising the minimum auction price, further the objectives of these laws. Finally, the Climate Act also includes multiple provisions that recognize that historically disadvantaged communities often suffer disproportionate and inequitable impacts from climate change.

The Department established CO_2 emission standards for new and non-modified existing fossil-fuel fired major electric generating facilities under 6 NYCRR Part 251 (CO_2 Performance Standards for Major Electric Generating Facilities). The Program and Part 251 work together - RGGI sets an overall cap on CO_2 emissions from all new and existing fossil fuel-fired sources 25 MW and larger, as well as the smaller 15 MW sources included after the second program review, while Part 251 sets a specific source-level CO_2 emission rate limit on all fossil-fuel fired sources 25 MW or larger.

Emissions Leakage

Emissions Leakage means a reduction in emissions of GHGs within the State that is offset by an increase in emissions of GHGs outside of the State.[41] Emissions leakage relevant to the proposed revisions would be an increase in CO_2 emissions outside the RGGI region that may "net out" (or partially eliminate) a portion of the emissions reductions made within the RGGI region. Emissions leakage is an important concept because electricity is routinely transmitted across regional boundaries to meet economic and reliability objectives.

The RGGI Electricity Monitoring Staff Working Group (Staff Working Group) continues to analyze potential emissions leakage and has issued 14 annual monitoring reports. The most recent report, issued on February 27, 2025, summarized data for electricity generation, net electricity imports, and related CO_2 emissions for the Participating States during the three-year period of 2020-2022 relative to 2006 to 2008, a three-year base period prior to the implementation of the RGGI program. Overall, according to the report, there was a decrease in CO_2 emissions and the CO_2 emission rate (pounds of CO_2 per megawatt hour, or lb CO_2/MWh) from non-RGGI electric generation serving load in the 10-state RGGI region as compared to the base case (2006-2008) period.[42] Past RGGI Electricity Monitoring reports have either found no significant change or slight decreases in CO_2 emissions and the CO_2 emissions rate from non-RGGI electric generation service load in Participating States. In other words, the RGGI Electricity Monitoring reports have provided no clear evidence of emissions leakage since the start of the RGGI Program.

In order to estimate the amount of potential leakage associated with the revisions to the Program including

[41] Environmental Conservation Law Article 75 section 0101

[42] https://www.rggi.org/sites/default/files/Uploads/Electricity-Monitoring-Reports/2022_Elec_Monitoring_Report.pdf

the cap reduction, the electricity sector modeling analysis estimated CO_2 emissions in and outside of the region. Cumulative CO_2 projected emissions reductions were compared between the RGGI region and the Eastern Interconnection[43] (which includes the RGGI region) plus the eastern Canadian provinces. Similar to the last Program review, the modeling analysis looked at cumulative emissions within the Participating States from 2025 to 2040 as compared to cumulative projected reductions in the entire Eastern Interconnect regions were used to guide New York and the other Participating States in making the policy decisions under this Program review.

In addition to projections made through electricity sector modeling efforts, New York and the other Participating States would continue to monitor for potential emissions leakage, by continuing to prepare additional electricity monitoring reports. A number of Participating States including New York (see previously cited Climate Act), are already moving to implement significant clean energy programs, including additional energy efficiency investments, which help mitigate the effects of any emissions leakage if any were to occur. Another means to address any emissions leakage, particularly in the form of leakage to sources located outside of the RGGI region, is to include additional Participating States in the Program. New York has been closely monitoring the efforts in both Pennsylvania and Virginia to become or continue to be Participating States. The RGGI Participating States would expand coverage under the electricity monitoring portion of the Program to include any new participating states.

Participating States envision continuing to engage in collaborative efforts supported by RGGI state staff and informed by discussions with their respective Independent System Operators (ISOs), to monitor and track relevant data to evaluate potential emissions leakage, and to work to address any emissions leakage that may be identified through this tracking.

[43] The Eastern Interconnection (EI) includes the eastern two-thirds of the continental United States (excluding most of Texas and Florida). The Canadian portion includes Ontario east to the Maritime Provinces.

Benefits Associated with the Program Revisions with Respect to the Auction and Allocation of Allowances to Energy Efficiency and Clean Energy Technologies.[44]

Like the current Program, the proposed revisions would require the Department and NYSERDA to continue to auction almost 100% of the allowances to ensure that the value of the cap-and-invest program inures to the consumers who pay for the Program, while at the same time allows for the rapid distribution of allowances into the marketplace, where generators subject to the Program may purchase them. In further support of these goals, the auctions would continue to achieve, but would not be limited to the following objectives: achieving fully transparent and efficient pricing of allowances; promoting a liquid allowance market by making entry and trading as easy and low-cost as possible; being open to participation by the categories of bidders determined by NYSERDA in consultation with the Auction Advisory Committee which meet the minimum financial requirements; monitoring for and guarding against the exercise of market power and market manipulation; being held as frequently as is needed to achieve design objectives; avoiding interference with existing allowance markets; aligning well with wholesale energy and capacity markets; and not acting as a barrier to efficient investment in relatively clean existing or new electricity generating sources.

NYSERDA's New York CO_2 Allowance Auction regulation, found at 21 NYCRR 507, establishes the rules for conducting auctions of CO_2 allowances to be administered by NYSERDA as part of the Program. While NYSERDA is revising this regulation to align Part 507 with the revisions to the Program, New York intends to continue to participate in uniform regional auctions for the allowances that it would be offering for sale. As part of the regional auction process, New York and the Participating States would continue to follow specific design

[44] The Program is designed to allocate most of the CO_2 allowances to the EE&CET Account (the "EE&CET Allocation"). The EE&CET Allocation is administered by NYSERDA, which currently administers similar energy efficiency and clean energy technology programs, and allowances in the account are sold in transparent allowance auctions. This allocation achieves the emissions reduction goals of the Program and reduces impacts on consumers by promoting or rewarding investments in energy efficiency, renewable or non-carbon-emitting technologies, innovative carbon emissions abatement technologies with significant carbon reduction potential, and/or the administration of the Program.

elements for: reserve price; auction structure and format; allowance sale schedule; level of participation; treatment of unsold allowances; notice of auctions; monitoring; and auction results. Additional details and rules for each regional CO_2 allowance auction are provided in the Auction Notice issued by New York and the Participating States for each auction.

The Reserve Price is the minimum acceptable price for each CO_2 allowance in a specific auction. The reserve price at an auction is either the Minimum Reserve Price (MRP) or the Cost Containment Reserve (CCR) trigger price, depending on the level of demand for allowances at the auction. The MRP is important for mitigating the potential for auction prices to clear significantly below current market prices, due to tacit or explicit collusion, weak competition, or to maintain a minimum rate of progress in reducing emissions below business as usual. The revisions would add a second tier of CCR allowances known as CCR 2 allowances, while the CCR 1 trigger price would match the trajectory of the current single-tier CCR starting in 2027, increasing 7% annually thereafter (see Table 3 below). The CCR 2 trigger price would be set at $29.25 for 2027, 50% higher than the CCR 1 trigger price, and would also increase 7% annually thereafter (see Table 3 below).

Table 3. CO_2 CCR Trigger Price

Year	Tier 1	Tier 2
2027	$19.50	$29.25
2028	$20.87	$31.30
2029	$22.33	$33.49
2030	$23.89	$35.83
2031	$25.56	$38.34
2032	$27.35	$41.02
2033	$29.26	$43.89
2034	$31.31	$46.96
2035	$33.50	$50.25
2036	$35.85	$53.77

2037	$38.36	$57.53

The proposed Program revisions would also remove the ECR and raise the minimum reserve price to $9.00 in 2027. The minimum reserve price would then increase by 7% annually and match the existing ECR trigger price trajectory as shown in Table 4 below.

Table 4. Minimum Reserve Price (previously ECR trigger price trajectory)

Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Price	$9.00	$9.63	$10.30	$11.02	$11.79	$12.62	$13.50	$14.45	$15.46	$16.54	$17.70

Allowance Apportionment

Apportionment is the term used to describe the process by which the Participating States propose to distribute the regional emissions cap to individual state budgets. Under the proposed revisions, New York's budget is about 31.4% of the regional cap from 2027 through 2037 and subsequent years. This percentage is calculated based, in part, on ten participating states and would change if additional states participate in the Program. However, if additional states participate in the program New York's numerical budget would not change without regulatory revisions to the Program.

Allowance Set-Asides

The Department proposes to reduce, over time, the amount of CO_2 allowances allocated to the LTC set-aside accounts to align with decreasing demand for this set aside. The Department additionally proposes to end this set-aside with the 2036 allocation year. The LTC set-aside was created when the Program began to address

those sources that were already committed to long term contracts prior to the initial promulgation of the Program and could not account for Program obligations within their existing contracts. As those preexisting contracts end those sources are no longer eligible for the LTC set-asides. The Department also proposes to remove the eligible biomass portion of the VREM set-aside and reduce the number of allowances for the set-aside over time. The allocations to these set-asides would decrease in number to remain roughly the same percent of the budget over time. The LTC set-aside would be roughly 8% of the budget, and the VREM set-aside would be reduced to less than 1%. Allowances will be distributed to these set-asides as shown in Tables 5 and 6.

Table 5. VREM Set-Aside Allocation by year

2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037 and each year thereafter
200,000	175,000	150,000	125,000	100,000	75,000	50,000	42,857	35,714	28,571	21,429

Table 6. LTC Set-Aside Allocation by Year

2027 and preceding years	2028	2029	2030	2031	2032	2033	2034	2035	2036
1,500,000	1,451,836	1,411,095	1,175,912	940,730	705,547	470,365	403,170	335,975	246,032

The Department is proposing to reduce the size of the VREM set-aside as specified in subdivision 242-5.3(c) to account for the updated base budget trajectory. If the current program allocation of 900,000 allowances is maintained over the next ten years, this set aside would represent an increasing portion of the budget, growing to almost 40% of the 2037 budget. Demand for this set-aside[45] has consistently been below the set-aside amount

[45] The Department has retired about 180,000 allowances each year for applicants to allocation years 2021, 2022, and 2023.

resulting in a substantial bank of allowances. The proposed annual allocation of allowances to the VREM set-aside and bank of allowances is anticipated to cover demand for allowances from this set-aside. The eligible biomass portion of this set-aside would be discontinued in part due to the closure of the only applicant for this portion of the set-aside which accounted for between 400,000 and 500,000 allowances each year from the set-aside, when it was operating. Additionally, other eligible biomass provisions in the regulation would be removed from the Program as proposed in response to stakeholder concerns that those provisions were inconsistent with the State's efforts to seek emission reductions.

The proposed revisions to the Program would maintain the existing provisions for voluntary renewable energy purchases. A voluntary renewable energy purchase is a purchase of electricity from renewable energy generation or from renewable energy attribute credits by a retail electricity customer on a voluntary basis. Renewable energy includes electricity generated from renewable energy systems as identified in Public Service Law Section 66-p. The renewable energy generation or renewable energy attribute credits related to such purchases may not be used by the generator or purchaser to meet any regulatory mandate, such as a Renewable Portfolio Standard (RPS). The Department plans to evaluate the emission factor used in determining the number of allowances to retire on behalf of each voluntary renewable energy purchase applicant when evaluating each application in any year. If the applications for this set-aside exceed the allocation in any year, the Department would maintain the proportional retirement provision in the set-aside, as well as the option to retire allowances in the set-aside account from previous allocation years. Additionally, the Department would retain the option to return any undistributed allowances from the set-aside to the EE&CET account or keep them in the set-aside account for future retirement.

The LTC set-aside allocation as specified in subdivision 242-5.3(e) is proposed to be reduced to align with

reduction of the base budget and eventual end of long-term contracts eligible under the provisions of the set-aside. Since the long-term contract must have been entered into before March 2006 to be eligible, and the one remaining applicant's contract will expire in 2036, there would no longer be a need to maintain the set-aside. The current demand of roughly a million allowances from this set-aside has recently been less than the annual allocation, creating a bank of LTC set-aside allowances. As the proposed annual allocation decreases on the new trajectory through 2036, the demand would exceed the annual allocation, at which point excess allowances could be allocated from the bank to meet the demand. The allocation trajectory and bank are anticipated to contain adequate allowances to cover the final applicant's demand through the end of their contract. The Department is not proposing any changes to eligibility for this set-aside. The Department may retain allowances in this set-aside for future allocation to applicants or transfer allowances to the EE&CET account.

Summary of Needs and Benefits

New York's climate is changing, in part as a result of emissions from the burning of fossil fuels to generate electricity; reducing emissions now will help reduce the risk and magnitude of future climate change. The proposed revisions to the Program would reduce the emissions from New York power plants that cause and contribute to global climate change, while at the same time promote energy efficiency and clean renewable energy in the State. The projected societal benefits for avoiding emissions due to the Program revisions range between $2.6 and $15.8 billion. The EE&CET Allocation would ensure that electricity consumers in a deregulated market receive the maximum benefits from the revised Program at the least possible cost, and the investment of proceeds from the auction of allowances would provide further economic and environmental benefit. The revisions to the Program are anticipated to continue the historical benefits from the investment of proceeds that have resulted in annual bills savings of more than $732 million. The proposed revisions are anticipated to continue to provide avoided public health costs due to reduced pollutants. Additionally, the Program helps to improve the region's energy security and reduce its exposure to higher energy prices. By creating a market incentive for low-carbon

and non-carbon electricity technologies and by promoting increased supply-side and demand-side efficiency, the Program revisions reduce the Northeast's long-term exposure to high fossil fuel energy prices. Efficiency improvements and advances in new energy technology fostered by the Program revisions can help buffer the region from the considerable economic risks associated with continued dependence on these fuels.

COSTS

Introduction

In addition to the needs analysis, the Department, NYSERDA and the New York State Department of Public Service (DPS) analyzed costs and impacts associated with compliance with the proposed revisions to the Program. This section explains NYSERDA's analysis and includes a summary of the Integrated Planning Model (IPM®) analysis conducted by ICF International (ICF). IPM® is a nationally recognized modeling tool used by the EPA, state energy and environmental agencies, and private sector firms such as utilities and generation companies. This section also discusses the Department's analysis of the costs associated with State and local government compliance and impacts from the revisions to the Program on the New York economy and customer bills.[46,47,48] It should be noted that the costs evaluated in this section reflect the revisions contemplated by the then-Participating States at the end of the ten-state RGGI Program review.

[46] "RGGI Program Review: Economic Impact Modeling Results" by ICF, August 2025. https://www.rggi.org/sites/default/files/Uploads/Program-Review/Release/RGGI_Econ_Modeling_Results.pdf
[47] Bills Analysis (Analysis Group). July 2025: https://www.rggi.org/sites/default/files/Uploads/Program-Review/Release/Program_Review_Bills_Analysis.pdf
[48] IPM Electricity Sector Modeling (ICF). July 2025. https://www.rggi.org/sites/default/files/Uploads/Program-Review/Release/RGGI_Program_Review_IPM_Results.xlsx

Costs to the Regulated Sources and the Public

Reference Scenarios v. Policy Cases

Modeling analysis and review was coordinated by RGGI Inc. and New York staff and included input from energy and environmental representatives from the Participating States and each regional ISO. To estimate the potential impacts of the revisions to the Program, IPM® compared two versions of a future with several potential policy revisions to the Program (Policy Cases) against two versions of Reference Cases (business as usual scenario) that project how the electricity system would look if the Program remained unchanged and revisions were not implemented. Both Reference Cases assume no further cap reductions after 2030, meaning the cap remains flat after 2030. The modeling assumptions and input data were developed through a stakeholder process with representatives from the electricity generation sector, business and industry, environmental advocates, and consumer interest groups. Modeling results were then presented to stakeholders for review and comment throughout the development of the revisions to the RGGI program.

IPM Modeling Framework

This Program Review utilized two “framings” for the analysis due to the uncertainty related to the pace of clean energy resource deployment caused by a variety of factors.

Case B Framing

As a starting point, the Case B framing assumed that all RGGI participating states’ clean energy program goals are achieved and assumed that the Inflation Reduction Act (IRA) of 2022 provides tax credits to incentivize clean energy adoption.

Case A Framing

To provide a range of outcomes related to clean energy resource deployment, Case A framing was developed to serve as a "bookend" to the Case B paradigm since it assumes that only currently contracted renewables (at the time of analysis) would be added to the system through state clean energy programs. The IRA was assumed to be in effect, and the IPM model could add more clean energy resources, if it was economic to do so. The Case A paradigm also includes less beneficial electrification, so load growth is considerably lower with this framing.

A Reference scenario and a Policy scenario were modeled using each of these framings, resulting in the creation of a Reference Case A, Policy Case A, Reference Case B, and Policy Case B. Key IPM modeling results for these cases are described below.

Development of Reference Cases

Assumptions and sources of input data are specified in detail in the "IPM Electricity Sector Modeling" released by Participating States on July 3, 2025.[49] Key assumptions and data include regional electricity demand, load shapes, transmission system capacities and limits, generation unit level operation and maintenance costs and performance characteristics, fuel prices, new capacity and emission control technology costs and performance characteristics, reserve margins and local reserve requirements, RPS requirements, national and state environmental regulations, and financial market assumptions. All estimates are based on 2022 dollars. Regional electricity demand growth projections, transmission capacities and limits, and near-term expected infrastructure additions/retirements were obtained from regional ISO sources and augmented with input from the Participating States.

[49] https://www.rggi.org/sites/default/files/Uploads/Program-Review/Release/RGGI_Program_Review_IPM_Results.xlsx

For the Henry Hub natural gas price forecast assumption, a volume-weighted set of futures for 2024 and 2025 were used as the starting point; the 2030-2050 price projection from the U.S. Energy Information Administration's (EIA) 2023 Annual Energy Outlook Reference Case was used as long-term forecast, with linear interpolation applied between 2025 and 2030. The price starts at $3.37/MMbtu (2022$) in 2025 and ends at $4.12/MMbtu (2022$) in 2040.

A number of assumptions were used to develop the model, including:

1. the construction of new coal-fired plants was precluded to meet projected capacity shortfalls in the United States unless they include carbon capture. There are no coal units in New York;
2. nuclear lifetimes were assumed to be 80 years, with plants allowed to retire earlier if firmly planned or if they are not economically competitive in the model;
3. a national 3-pollutant policy (SO_2, NO_x, and mercury) that approximates the Cross-state Air Pollution Rule (CSAPR) and the Mercury and Air Toxics Rule (MATS) is assumed, as well as the New Source Performance Standards for GHG Emissions from New, Modified, and Reconstructed Fossil Fuel-Fired Electric Generating Units (EGUs); Emission Guidelines for GHG Emissions from Existing Fossil-Fuel Fired EGUs.

Reference Case B Results

In 2028, solar, wind and other renewables represent 45% of in-state generation in Reference Case B, which includes the assumption of timely achievement of New York's clean energy targets. Fossil-fueled generation represents 20% of in-state generation, while nuclear and hydroelectric generation represent 18% each. By 2037, in-state fossil-fueled generation is down to 8%. Nuclear and hydroelectric each provide 12%; the absolute level of generation in GWh is stable from these resources over this timeframe, but load grows significantly during the modeled time horizon. The penetration of renewable generation in the state increases significantly to support the achievement of the state's clean energy targets, with solar, wind, and other renewables representing 68% of in-

state generation in 2037.

Additionally, New York increases its electricity exports gradually during the modeled time horizon, but net imports also generally increase over time. Overall, New York has net imports of 15 TWh in 2028 and 12 TWh in 2037.

New York CO_2 emissions in Reference Case B are projected to decrease from approximately 10.3 million tons in 2028 to about 5.9 million tons in 2037. This decrease is primarily due to the change in generation mix driven by clean energy policies, as described above.

This generation data was based on the IPM output for Reference Case B, displayed below. The generation data in Table 7 below include generation from Linden and Bayonne, plants located in New Jersey.

Table 7. New York Reference Case B Net Generation (GWh)

Year	2028	2030	2032	2035	2037
Combined Cycle	25,872	22,193	21,886	23,091	19,256
Combustion Turbine	204	116	113	32	79
Oil/Gas	4,026	2,361	2,105	97	97
Nuclear	26,550	26,319	25,665	25,000	26,550
Conventional Generation Total	**56,652**	**50,989**	**49,769**	**48,220**	**45,982**
Hydro	27,089	27,156	27,116	28,361	27,405
Onshore Wind	12,092	24,137	28,160	34,202	37,894
Offshore Wind	17,151	25,609	33,656	45,727	52,208
Solar	36,242	40,686	46,793	54,694	63,904
Other Renewable	2,344	2,269	2,289	3,224	3,115
Renewable Generation Total	**94,918**	**119,856**	**138,013**	**166,208**	**184,525**
Total NY GWh	**151,570**	**170,845**	**187,782**	**214,428**	**230,508**

The emissions data for the Reference Case B is displayed in Table 8 below.

Table 8. Reference B Case CO_2 Emissions (Million Tons)

Year	2028	2030	2032	2035	2037

CT	7.4	4.9	4.6	3.6	3.6
DE	1.5	1.7	0.9	1.1	1.4
ME	0.7	0.3	0.4	0.6	0.4
MD	4.0	3.8	4.2	4.2	4.3
MA	5.5	5.0	5.1	5.4	3.0
NH	1.2	1.0	1.1	1.7	0.8
NJ	16.6	16.0	13.2	16.4	17.8
NY	10.3	7.7	7.4	6.8	5.9
RI	2.4	2.2	1.9	2.5	1.4
VT	-	-	-	-	-
Total Emissions at Affected Plants	49.7	42.6	38.8	42.3	38.7
Eastern Interconnect without RGGI	914.9	702.5	550.5	522.8	463.2
Total Eastern Interconnect	965	745	589	565	502
Canada Eastern Interconnection and Quebec	14.2	14.3	15.6	13.5	14

Reference Case A Results

Again, the Case A framing assumes that only currently contracted renewables (at the time of analysis) would be added to the system through the states' clean energy programs. The IRA was assumed to be in effect, and the IPM model could add more clean energy resources, if it was economic to do so.

In 2028, fossil-fueled generation accounts for 32% of in-state generation. Hydro-electric and nuclear represent 21% and 19% of in-state generation, respectively. Solar, wind, and other renewables account for 28%

of in-state generation. By 2037, in-state fossil-fueled generation has risen to 40% of in-state generation. Hydro-electric provides 18% and nuclear provides 17% in 2037. The level of renewable generation in GWh is fairly consistent through 2037, but load grows over this timeframe, so renewables represent 25% of in-state generation in 2037 (see Table 9 below).

Table 9. New York Reference Case A Net Generation (GWh)

Year	2028	2030	2032	2035	2037
Combined Cycle	39,334	40,882	41,198	49,758	53,320
Combustion Turbine	388	434	410	633	677
Oil/Gas	2,442	3,565	5,233	4,909	6,283
Nuclear	25,754	25,693	26,391	25,831	25,791
Conventional Generation Total	**67,918**	**70,573**	**73,232**	**81,131**	**86,071**
Hydro	27,957	28,125	27,896	27,674	27,741
Onshore Wind	11,964	12,292	12,976	12,717	12,749
Offshore Wind	7,604	7,430	7,244	7,679	7,552
Solar	15,330	14,655	16,342	15,973	15,340
Other Renewable	2,564	2,554	2,545	2,543	2,512
Renewable Generation Total	**65,419**	**65,056**	**67,003**	**66,586**	**65,895**
Total NY GWh	**133,337**	**135,629**	**140,236**	**147,716**	**151,966**

The emissions data for the Reference Case A is displayed in Table 10 below.

Table 10. Reference A Case CO_2 Emissions (Million Tons)

Year	2028	2030	2032	2035	2037
CT	7.8	6.9	5.8	4.4	4.5
DE	1.5	2.9	2.0	3.1	3.1
ME	0.8	0.1	0.2	0.5	0.3
MD	4.0	4.0	4.3	4.8	4.3
MA	5.7	5.5	5.2	5.6	5.2

NH	1.2	1.0	1.3	1.6	1.3
NJ	16.5	15.4	14.3	17.4	17.1
NY	15.0	16.5	17.7	21.2	22.7
RI	2.5	2.5	2.6	2.9	2.5
VT	-	-	-	-	-
Total Emissions at Affected Plants	54.9	54.8	53.5	61.4	61.1
Eastern Interconnect without RGGI	936.4	674.3	548.6	522.2	457.8
Total Eastern Interconnect	991	729	602	584	519
Canada Eastern Interconnect and Quebec	14.8	15	16.1	13.3	13.4

Program Design Assumptions for Policy Cases

The RGGI Program design for the Policy Cases sets the regional emissions cap in 2027 to 69,806,919 tons, which declines by 8.54 million tons per year on average thereafter through 2033. From 2034 through 2037, the cap declines by 2.39 million tons per year on average to 7,479,313 tons in 2037. The 2025 Model Rule contains provisions for two tiers of Cost Containment Reserve (CCR), which provide up to 11.75 million allowances each per year. The CCR tier 1 trigger price matches the current CCR's price trajectory of $19.50 in 2027, increasing by 7% per year thereafter. The CCR tier 2 trigger price is set at $29.25 in 2027, also increasing by 7% per year thereafter. If the entire first tier of CCR allowances is sold each year, the regional cap results in a 74% reduction in 2037 relative to the 2025 cap; if both tiers of CCR allowances are exhausted each year, the regional cap results in a 60% reduction. The Model Rule also removes the Emission Containment Reserve (ECR) while increasing the minimum reserve price to match the previous ECR trajectory, which is $9.00 in 2027, increasing 7% annually thereafter. The proposed 7% annual increase for the minimum reserve price is up from 2.5% under current regulations. Lastly, the Policy Cases assume no use of offsets since their use is removed in the 2025 Model Rule.

In order to obtain New York specific results, several components between the Policy Cases and the Reference Cases are compared, including generation mix, net electricity imports, changes in generation capacity, CO_2 emissions, CO_2 allowance prices, and wholesale and retail electricity price impacts.

Policy Case B vs. Reference Case B

Generation from fossil fuel units decreases in both cases, partially driven by the State's clean energy target achievement. Generation from renewables is essentially the same in both cases to support achievement of New York's clean energy targets. In Reference Case B, New York is a net importer of 12 TWh in 2037. In Policy Case B, New York is a net importer of 14 TWh in 2037. This generation data was based on the differences between IPM output for the Reference Case B and Policy Case B, which are displayed in Tables 11 and 12 below.

Table 11. New York Reference Case B Net Generation (GWh)

Year	2028	2030	2032	2035	2037
Combined Cycle	25,872	22,193	21,886	23,091	19,256
Combustion Turbine	204	116	113	32	79
Oil/Gas	4,026	2,361	2,105	97	97
Nuclear	26,550	26,319	25,665	25,000	26,550
Conventional Generation Total	**56,652**	**50,989**	**49,769**	**48,220**	**45,982**
Hydro	27,089	27,156	27,116	28,361	27,405
Onshore Wind	12,092	24,137	28,160	34,202	37,894
Offshore Wind	17,151	25,609	33,656	45,727	52,208
Solar	36,242	40,686	46,793	54,694	63,904
Other Renewable	2,344	2,269	2,289	3,224	3,115
Renewable Generation Total	**94,918**	**119,856**	**138,013**	**166,208**	**184,525**

Total NY GWh	**151,570**	**170,845**	**187,782**	**214,428**	**230,508**

Table 12. New York Policy Case B Net Generation (GWh)					
Year	2028	2030	2032	2035	2037
Combined Cycle	24,639	20,296	18,363	20,673	16,974
Combustion Turbine	246	124	161	63	83
Oil/Gas	3,818	1,924	1,892	97	97
Nuclear	26,550	26,341	25,666	25,000	26,550
Conventional Generation Total	**55,253**	**48,685**	**46,081**	**45,833**	**43,704**
Hydro	27,086	27,160	27,116	28,361	27,436
Onshore Wind	12,092	24,137	28,160	34,202	37,894
Offshore Wind	17,151	25,609	33,656	45,727	52,208
Solar	36,242	40,686	46,793	54,694	63,904
Other Renewable	2,321	2,269	2,267	3,046	2,939
Renewable Generation Total	**94,891**	**119,860**	**137,992**	**166,031**	**184,380**
Total NY GWh	**150,144**	**168,545**	**184,073**	**211,864**	**228,083**

CO_2 emissions in New York are projected to be 0.9 million tons lower in Policy Case B than in the Reference Case B in 2037. Over the 2028-2037 time period, cumulative CO_2 emission reductions from New York are projected to be 12 million tons lower in Policy Case B as compared to Reference Case B. Emissions from affected sources across the RGGI region are estimated to be 111 million tons (26%) lower under Policy Case B than under Reference Case B for the 2028-2037 period. This emissions data is based on the differences between IPM output displayed in Tables 13 and 14 below.

Table 13. Reference B Case CO_2 Emissions (Million Tons)

Year	2028	2030	2032	2035	2037
CT	7.4	4.9	4.6	3.6	3.6
DE	1.5	1.7	0.9	1.1	1.4
ME	0.7	0.3	0.4	0.6	0.4
MD	4.0	3.8	4.2	4.2	4.3
MA	5.5	5.0	5.1	5.4	3.0
NH	1.2	1.0	1.1	1.7	0.8
NJ	16.6	16.0	13.2	16.4	17.8
NY	10.3	7.7	7.4	6.8	5.9
RI	2.4	2.2	1.9	2.5	1.4
VT	-	-	-	-	-
Total Emissions at Affected Plants	49.7	42.6	38.8	42.3	38.7
Eastern Interconnect without RGGI	914.9	702.5	550.5	522.8	463.2
Total Eastern Interconnect	965	745	589	565	502
Canada Eastern Interconnect and Quebec	14.2	14.3	15.6	13.5	14

Table 14. Policy Case B Case CO_2 Emissions (Million Tons)					
Year	2028	2030	2032	2035	2037
CT	7.1	3.2	3.3	3.6	3.4
DE	1.3	1.1	0.3	0.5	0.4
ME	0.5	0.2	0.4	0.5	0.2
MD	3.0	3.1	3.2	4.0	1.9

MA	5.3	3.7	4.2	5.1	2.3
NH	1.0	0.8	1.0	1.6	0.7
NJ	11.4	9.9	7.1	8.9	7.4
NY	9.6	6.6	5.7	5.6	5.1
RI	2.4	1.7	1.9	2.5	1.3
VT	-	-	-	-	-
Total Emissions at Affected Plants	41.6	30.5	27.2	32.3	22.7
Eastern Interconnect without RGGI	923.5	715.6	559.2	534.1	465.4
Total Eastern Interconnect	965	746	586	566	488
Canada Eastern Interconnect and Quebec	14.8	15	16.3	13.8	14.2

Under Reference Case B, CO_2 allowance prices (the cost of complying with RGGI) are fairly constant throughout the modeling timeframe and are at $2.52/ton (2022 dollars) in 2037, which is the Minimum Reserve Price (MRP). The allowance price is at the MRP because the emissions cap is not binding under this scenario. Under Policy Case B, CO_2 allowance prices are projected to increase from approximately $8.55/ton (2022 dollars) in 2028 to about $13.03/ton in 2037. The allowance price data is based on the IPM output for the Reference and Model Rule Policy Cases and is displayed in Table 15 below.

Table 15. RGGI CO_2 Allowance Price (2022$)

Year	2028	2030	2032	2035	2037
Reference Case B	$2.50	$2.51	$2.52	$2.52	$2.52
Policy Case B	$8.55	$9.39	$10.31	$11.86	$13.03

Under the Policy Case B, New York's wholesale electricity prices are projected to be $2.05/MWh (2022

dollars) higher in 2037 than in Reference Case B. Additional information about estimated bill impacts are described below.

Policy Case A vs. Reference Case A

Renewable generation stays relatively constant in Reference Case A, since State clean energy programs are assumed not to foster significant additional resources beyond what is currently contracted. As a result, fossil-based generation increases 43% from 42,164 GWh in 2028 to 60,280 GWh in 2037 under this scenario. In Policy Case A, generation from solar, wind, and other renewables grows 37% from 37,442 GWh in 2028 to 51,113 in 2037. Hydro-electric output is largely constant but declines as a share of total generation in both Reference Case A and Policy Case A. Generation from fossil fuel units grows 5% from 2028 to 2037 in Policy Case A but 43% in Reference Case A. As a result, fossil-based generation is 22,363 GWh lower in 2037 in Policy Case A than in Reference Case A, and renewable generation (including hydro-electric) is 13,154 GWh higher in the Policy Case A in 2037. In Reference Case A, New York is a net importer of 25 TWh in 2037. In Policy Case A, New York is a net importer of 36 TWh in 2037. This generation data was based on the differences between IPM output for the Reference Case A and Policy Case A, which are displayed in Tables 16 and 17 below.

Table 16. New York Reference Case A Net Generation (GWh)

Year	2028	2030	2032	2035	2037
Combined Cycle	39,334	40,882	41,198	49,758	53,320
Combustion Turbine	388	434	410	633	677
Oil/Gas	2,442	3,565	5,233	4,909	6,283
Nuclear	25,754	25,693	26,391	25,831	25,791
Conventional Generation Total	**67,918**	**70,573**	**73,232**	**81,131**	**86,071**
Hydro	27,957	28,125	27,896	27,674	27,741
Onshore Wind	11,964	12,292	12,976	12,717	12,749
Offshore Wind	7,604	7,430	7,244	7,679	7,552
Solar	15,330	14,655	16,342	15,973	15,340
Other Renewable	2,564	2,554	2,545	2,543	2,512
Renewable Generation Total	**65,419**	**65,056**	**67,003**	**66,586**	**65,895**
Total NY GWh	**133,337**	**135,629**	**140,236**	**147,716**	**151,966**

Table 17. New York Policy Case A Net Generation (GWh)					
Year	2028	2030	2032	2035	2037
Combined Cycle	34,085	28,632	28,801	34,391	34,549
Combustion Turbine	357	641	766	707	731
Oil/Gas	1,677	2,094	2,664	1,889	2,637
Nuclear	25,794	25,690	26,259	25,831	25,823
Conventional Generation Total	**61,913**	**57,057**	**58,490**	**62,818**	**63,741**
Hydro	28,029	28,157	27,887	27,636	27,936
Onshore Wind	11,987	24,175	25,294	24,916	24,844
Offshore Wind	7,589	7,365	7,240	7,750	7,711
Solar	15,387	14,522	16,225	15,857	16,127
Other Renewable	2,479	2,325	2,393	2,556	2,432
Renewable Generation Total	**65,471**	**76,543**	**79,038**	**78,715**	**79,049**
Total NY GWh	**127,384**	**133,600**	**137,529**	**141,533**	**142,790**

CO_2 emissions in New York are projected to be 9.8 million tons lower in Policy Case A than in the Reference Case A in 2037. Over the 2028-2037 time period, cumulative CO_2 emission reductions from New York are projected to be 74 million tons lower in Policy Case A as compared to Reference Case A. Emissions from affected sources across the RGGI region are estimated to be 277 million tons (48%) lower under Policy Case A than under Reference Case A for the 2028-2037 period. This emissions data is based on the differences between IPM output displayed Tables 18 and 19 below.

Table 18. Reference Case A CO_2 Emissions (Million Tons)					
Year	2028	2030	2032	2035	2037
CT	7.8	6.9	5.8	4.4	4.5
DE	1.5	2.9	2.0	3.1	3.1

ME	0.8	0.1	0.2	0.5	0.3
MD	4.0	4.0	4.3	4.8	4.3
MA	5.7	5.5	5.2	5.6	5.2
NH	1.2	1.0	1.3	1.6	1.3
NJ	16.5	15.4	14.3	17.4	17.1
NY	15.0	16.5	17.7	21.2	22.7
RI	2.5	2.5	2.6	2.9	2.5
VT	-	-	-	-	-
Total Emissions at Affected Plants	54.9	54.8	53.5	61.4	61.1
Eastern Interconnect without RGGI	936.4	674.3	548.6	522.2	457.8
Total Eastern Interconnect	991	729	602	584	519
Canada Eastern Interconnect and Quebec	14.8	15	16.1	13.3	13.4

Table 19. Policy Case A CO_2 Emissions (Million Tons)					
Year	2028	2030	2032	2035	2037
CT	7.1	4.0	4.7	3.0	3.0
DE	0.3	0.3	0.3	0.3	0.3
ME	0.3	-	0.2	0.2	-
MD	0.8	0.5	1.2	1.6	1.0
MA	5.0	3.7	4.2	4.3	3.1
NH	0.7	0.7	0.9	0.9	0.2
NJ	6.0	5.5	5.1	5.9	5.8

NY	12.2	10.2	10.6	12.5	13.0
RI	2.4	2.1	2.5	2.4	1.6
VT	-	-	-	-	-
Total Emissions at Affected Plants	34.6	27	29.8	31.2	28
Eastern Interconnect without RGGI	958.4	695	567.1	541.7	474.1
Total Eastern Interconnect	993	722	597	573	502
Canada Eastern Interconnect and Quebec	15.4	15	16.7	13.6	14.9

Under Reference Case A, CO_2 allowance prices are relatively constant throughout the modeling timeframe and are at $2.52/ton (2022 dollars) in 2037, which is the MRP. Again, the allowance price is at the MRP because the emissions cap is not binding under this scenario. Under Policy Case A, CO_2 allowance prices are projected to increase from approximately $19.40/ton (2022 dollars) in 2028 to about $28.20/ton in 2037. The allowance price data is based on the IPM output for the Reference and Model Rule Policy Cases and is displayed in Table 20 below.

Table 20. RGGI CO_2 Allowance Price (2022$)

Year	2028	2030	2032	2035	2037
Reference Case A	$2.50	$2.51	$2.52	$2.52	$2.52
Policy Case A	$19.40	$20.99	$22.71	$25.57	$28.20

Under Policy Case A, New York's wholesale electricity prices are projected to be $6.20/MWh (2022 dollars) higher in 2037 than in Reference Case A. Additional information about estimated bill impacts are described below.

Estimated Bill Impacts

Bill impact estimates for the 2028-2037 period were developed for the participating RGGI states by the Analysis Group (AG).[50] Under this analysis, AG calculated consumer bills under the RGGI program update (Policy Cases A and B) and compared them with estimated bills associated with current allowance and energy price trajectories (Current Allowance Price Case).

IPM modeling provided information about wholesale energy and allowance prices and allowance proceeds for the Policy Case A and B. The allowance prices for the Current Allowance Price Case were calculated using the volume-weighted average of the twelve most recent auctions. A price trajectory through 2037 was then created by scaling this value up by a discount rate of 5.59% (the rate used in the EPA IPM V6 modeling standard). This allowance price trajectory was fed into the IPM model to create corresponding energy prices for the Current Allowance Price Case. Prices in the Current Allowances Price Case are provided in the Table 21 below.

Table 21. RGGI CO_2 Allowance Price (2022$)

Year	2028	2030	2032	2035	2037
Current Allowance Price Case	$16.72	$17.88	$19.13	$21.16	$22.63
Policy Case A	$19.40	$20.99	$22.71	$25.57	$28.20
Policy Case B	$8.55	$9.39	$10.31	$11.86	$13.03

AG collected state-level data from the Energy Information Administration on electricity consumption and T&D rates by customer class. IPM modeling additionally provides state-level projections of load growth to model changes in electricity consumption over the modeling period. Net bill impacts are inclusive of the benefits associated with the re-investment of proceeds. Investment dollars in energy efficiency, beneficial electrification, and GHG abatement activities are modeled as a volumetric credit to electricity customers' bills. Additionally, the analysis accounts for the net cost impacts of indexed Renewable Energy Credits (RECs). Under indexed RECs,

[50] https://www.rggi.org/sites/default/files/Uploads/Program-Review/Release/Program_Review_Bills_Analysis.pdf

increases in energy costs result in reduced REC costs, as REC prices are responsive to market conditions, moving inversely with reference prices in energy or capacity markets. The proportion of renewable generation that is served by indexed RECs in New York was determined and accounted for in the bill impacts analysis, which resulted in relative reductions in bill impacts in most cases, as differences in energy costs were partially offset by reductions in REC costs.

Comparison of Current Market Price Case vs. Policy Case B

This analysis compares the Current Allowance Price Case with Policy Case B, which reflects a future with the updated RGGI policy, as reflected in the proposed revisions, and the full achievement of states' clean energy policies. When accounting for the benefits associated with the re-investment of proceeds, bill impacts are forecasted to show an insignificant change and are estimated to decrease $0.24/month (-0.27%) for a representative residential customer. Similarly, representative commercial and industrial customers are estimated to experience a decrease of $2.17/month (-0.44%) and $82.67/month (-0.57%), respectively.

Comparison of Current Market Price Case vs. Policy Case A

This version of the analysis compares the Current Allowance Price Case with Policy Case A, which reflects the updated RGGI policy, and proposed revisions, and a more pessimistic deployment of clean energy resources. When accounting for the benefits associated with the re-investment of proceeds, bill impacts are again forecasted to show an insignificant change and are estimated to decrease $0.10/month (-0.14%) for a representative residential customer. Similarly, representative commercial and industrial customers are estimated to experience a decrease of $0.93/month (-0.24%) and $35.50/month (-0.31%), respectively.

Sensitivity Runs

Sensitivity analyses were performed to assess the impact of updated price stability mechanisms that were

adopted in the Model Rule at the conclusion of program review. As discussed previously in this section, and elsewhere in this document, the Minimum Reserve Price (MRP) has been updated to match what was previously the ECR's price trajectory, while the CCR was expanded to two tiers activated at two different trigger prices. Accordingly, the two policy scenarios were modified to remove the ECR/minimum reserve price and two CCR tiers, resulting in Policy Case A without ECR/CCR and Policy Case B without ECR/CCR.

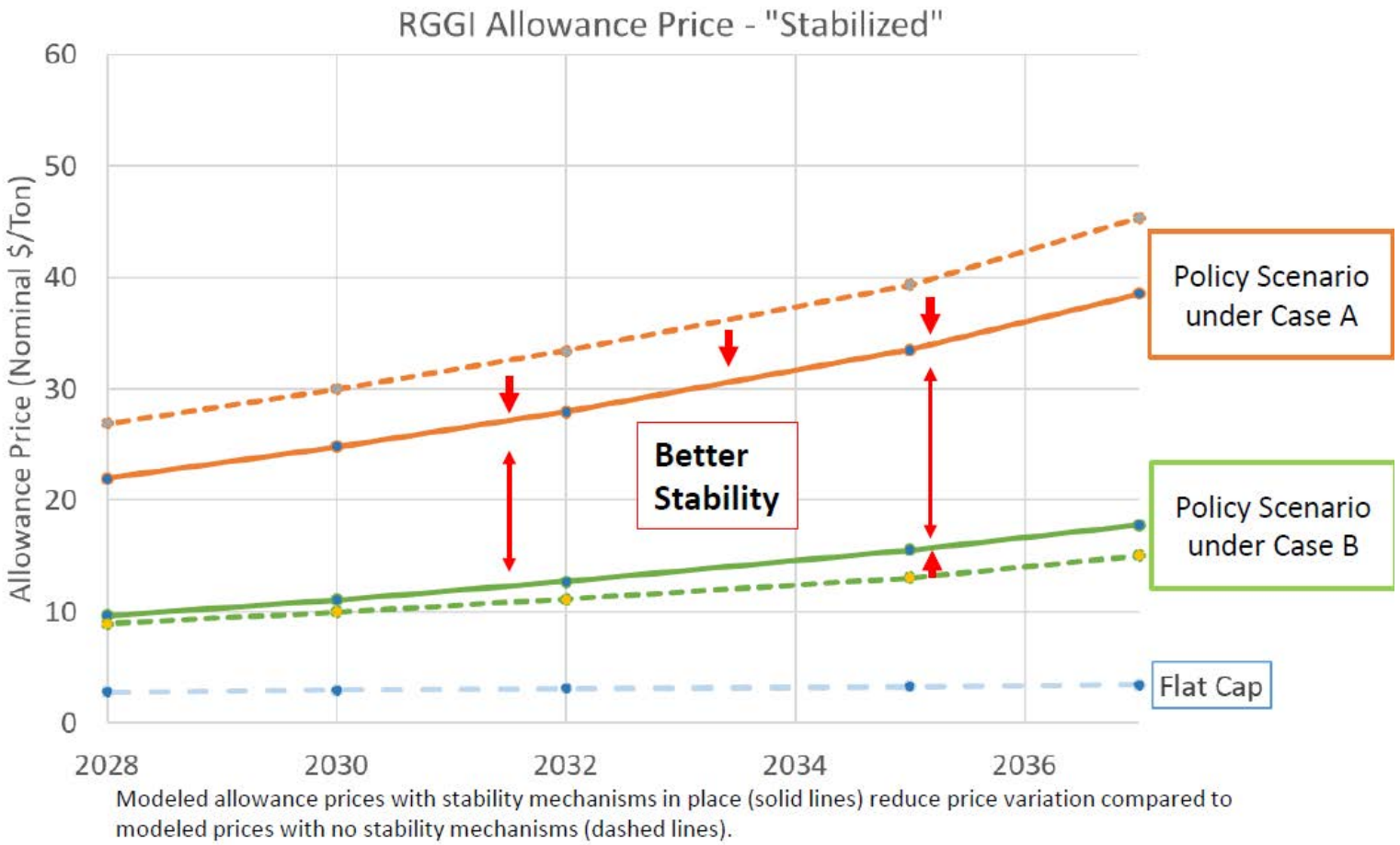
The sensitivity analysis clearly demonstrates the benefits of the price stability mechanisms included as part of the program review. Notably, the price stability mechanisms reduce price variance between the two scenarios, as observed in the figure below. Without a CCR, allowance prices in Policy Case A were 22% higher in 2028 and 18% higher in 2037. Without a MRP, allowance prices in Policy Case B were 8% lower in 2028 and 15% lower in 2037. The sensitivity also reinforces the key differences between the policy cases: Policy Case A reflects a more pessimistic level of renewable deployments that results in higher allowance prices that could trend even higher in the absence of the updated CCR, while Policy Case B reflects more optimal renewable deployment

outcomes that results in lower allowance prices that could trend even lower in the absence of the MRP.[51]

For a more precise comparison of the different allowance prices resulting from the sensitivity analyses, see the Table 22 below.

Table 22. RGGI CO_2 Allowance Price (2022$)

Year	2028	2030	2032	2035	2037
Policy Case A	$19.40	$20.99	$22.71	$25.57	$28.20
Policy Case A without ECR/CCR	$23.74	$25.38	$27.14	$30.00	$33.19
Policy Case B	$8.55	$9.39	$10.31	$11.86	$13.03



Modeled allowance prices with stability mechanisms in place (solid lines) reduce price variation compared to modeled prices with no stability mechanisms (dashed lines).

[51] https://www.rggi.org/sites/default/files/Uploads/Program-Review/Release/Modeled_Stability_Mechanisms.pdf

Policy Case B without ECR/CCR	$7.89	$8.43	$9.02	$9.97	$11.03

Macro-economic Impacts

A macro-economic impact study of the Program was also conducted at the direction of the Participating States through ICF to estimate the potential impact of the Program on the economies of Participating States. The study used the REMI computer model. The macro-economic impacts were assessed for both Case A and Case B relative to the Current Allowance Price Case that was also used for the analysis of bill impacts described earlier in this section. As mentioned previously, the study concluded that the economic impacts of RGGI on the economies of the Participating States, including New York, were generally positive, albeit small.

Under the Case B framing, the cumulative change in employment in New York associated with the revisions to the Program is estimated to be about 646 additional job-years (less than 0.001%) over the period 2025 to 2040. A job-year is equivalent to one person employed for one year. Under the Case B framing, incremental gross state product and personal income are estimated at $777 million (0.003%) and $1.7 billion (0.009%), respectively (in fixed 2022 dollars with a 3% annual discount rate).

Under the Case A framing, the cumulative change in employment in New York associated with the revisions to the Program is estimated to be about 54,928 additional job-years (0.025%) over the period 2025 to 2040. Under the Case A framing, incremental gross state product and personal income are estimated at $7 billion (0.023%) and $2.7 billion (0.015%), respectively. The positive macro-economic benefits of Case A are generally higher than Case B because Case A generates significantly more revenue for reinvestment relative to the Current Allowance Price Case.

Costs to State and Local Governments

State and local governments incur costs associated with compliance with the existing Program. The Jamestown Board of Public Utilities (JBPU), a municipally owned utility, owns and operates the S.A. Carlson Generating Station (SACGS). The Village of Freeport owns and operates Freeport Power Plant No. 2. Emissions monitoring at SACGS and Freeport Power Plant No. 2 currently meets the monitoring provisions of the Program. No additional monitoring costs would be incurred under the proposed revisions to the Program. Notwithstanding this, just like any other owner or operator of any source subject to the Program, the JBPU and the Village of Freeport would continue to need to purchase CO_2 allowances equal to the number of tons of CO_2 emitted. The Department limited the analysis of costs to the purchase of allowances to comply with the Program and assumed that the costs of allowances would be between $8.55 in 2028 and $28.20 in 2037 (in 2022 $) per ton for CO_2 under the Program Case. To estimate total costs for SACGS under the Program, the Department reviewed 2022 through 2024 emissions from JBPU affected units. During that time period, Jamestown's CO_2 emissions ranged from a low of 19,410 tons to a high of 41,731 tons. An estimate of compliance costs, based on these emissions values, indicates that purchasing allowances to cover emissions would result in estimated costs between a low of $165,955 and a potential high of $1.2 million annually. To estimate total costs for Freeport Power Plant No. 2 under the Program, the Department reviewed 2022 through 2024 emissions from Freeport's affected units. During that time period, Freeport's emissions ranged from a low of 14,646 tons to a high of 34,421 tons. An estimate of compliance costs, based on these emissions values, indicates that purchasing allowances to cover emissions would result in estimated costs between a low of $125,223 and a potential high of $970,672 annually. The estimated compliance costs in this paragraph are costs associated with compliance with the Program overall, meaning that the incremental cost of compliance associated with the revisions to the Program would be less. The auctions conducted from 2022 through 2024 averaged $15.61 per allowance. If SACGS and Freeport Power Plant No.2 acquired allowances at auction, the cost to cover their emissions under the existing program would range from

$302,990 to $651,420 and $228,624 to $537,311 respectively for each year based on the range of emissions described earlier. These existing program costs are within the range of modeled costs for the program revisions. These incremental costs would eventually be passed on to the consumers of electricity from the JBPU and the Village of Freeport similar to how the existing costs of the Program are passed along. The JBPU and the Village of Freeport will also continue to incur costs associated with the administration of the revised Program. The program administration costs are not anticipated to change due to the program revisions currently being proposed.

The JBPU and the Village of Freeport can utilize the flexibility inherent under the Program to comply. Since the program has a three-year control period with the full compliance obligation at the end of the control period and 50% compliance obligation after each of the first two years of the control period, the emission peaks associated with electricity generation would be averaged out and more long-term planning options would be available to SACGS and Freeport Power Plant No. 2.

Department Costs

The Department would continue to incur staff costs associated with the implementation of the proposed Program, including staff resources to review monitoring plans submitted by generators and to analyze data submitted to EPA to determine emissions and compliance obligations. Specifically, the Department requires sufficient staff to: review and process set-aside applications; submit set-aside award requests for execution; modify permits and inspect generator facilities, including the continuous emission monitors; and analyze the Program's effectiveness. It should be noted that the Department's costs are expected to remain unchanged as a result of the proposed Program revisions.

NYSERDA would also continue to incur costs to administer and evaluate the use of auction proceeds. The Operating Plan is reviewed and revised on an annual basis by NYSERDA, informed by an advisory group of

stakeholders and includes: 1) portfolio development criteria; 2) an anticipated schedule for implementation of the programs; 3) descriptions of the measurement, verification, and evaluation methods that will be used to judge the impacts and success of the programs; and 4) a quantification of NYSERDA's costs for administration and evaluation of the programs. It should be noted, that NYSERDA's administrative and evaluation rates are not expected to change as a result of the Program revisions. A significant portion of Program costs are allocated to the operation and administration of the CO_2 Allowance Tracking System (COATS) and conducting allowance auctions. It is anticipated that these costs would not materially change in the future.

LOCAL GOVERNMENT MANDATES

This proposal is not a mandate specifically on local governments. The proposed Program would continue to apply equally to any entity that owns or operates a subject source. Local governments would have no additional compliance obligations as compared to other entities subject to the revised Program. The JBPU, a municipally owned public utility, owns and operates the SACGS and the Village of Freeport owns and operates Freeport Power Plant No. 2. JBPU contains three emission units at the SACGS and Freeport Power Plant No. 2 contains two simple cycle turbines that are currently subject to the Program and would remain subject to the proposed Program; no other additional record keeping, reporting, or other requirements would be imposed on local governments.

PAPERWORK

Under the existing Program and the proposed revisions to the Program, the owners and operators of each source and each unit at the source would retain the following documents for a period of 10 years from the date the document is created:

1) account certificate of representation form;
2) emissions monitoring information. CO_2 budget sources are required to report emissions and allowance

transfers via electronic means which will minimize the paperwork burden on sources;

3) copies of all reports, compliance certifications, and other submissions and all records made or required under the program;
4) copies of all documents used to complete a permit application and any other submission under the program or to demonstrate compliance with the program;
5) copies of all documents used to complete a consistency application and monitoring and verification report to demonstrate compliance with the offset provisions of the program; and
6) copies of all documents required as part of an auction application.

For each control period in which one or more units at a source are subject to the CO_2 budget emission limitation, the CO_2 authorized account representative of the source would submit to the Department, a compliance certification report for each source covering all such units. This would be submitted by the March 1st following the relevant control period for all units subject to the Program.

DUPLICATION

The emissions monitoring and reporting requirements of the proposed Program revisions are unchanged from those of the existing Program and are consistent with or identical to those of the Title IV program, 6 NYCRR Parts 243, 244, 245 and 251. Since these requirements are identical, monitoring and reporting done for the Federal program can be used to comply with the monitoring and reporting requirements of the revised Program. In the event that Federal regulations for emissions monitoring are removed, reporting of this information to the Department would remain and requirements would not be greater than in the existing CO_2 Budget Trading Program regulation.

ALTERNATIVES

Alternatives Considered

No Action Alternative

The No Action alternative would leave the current Program in place. During program review, the Department, along with DPS and NYSERDA, participated in a rigorous and comprehensive regional evaluation of the Program supported by an extensive regional stakeholder process that engaged the regulated community, environmental nonprofits, consumer and industry advocates, and other interested stakeholders. Through this process, which started in 2021, the Department sought to ensure RGGI's continued success - effectively reducing CO_2 emissions while providing benefits to consumers and the State. In the summer of 2025 New York along with the other Participating States completed this comprehensive program review and announced a proposal to lower the regional emissions cap through 2037, along with the other revisions as discussed above. Since the No Action alternative would leave the Program unchanged, would not address the results of the regional Program Review announced in July 2025, and would forgo the climate and health benefits from reducing emissions, it was not selected.

Modeling Different Cap Alternatives

The Department as part of the Third Program Review considered different regional emissions cap levels as additional alternatives, rather than the regional emission cap that will continue to be implemented under the proposed Program. In order to determine the difference in the Program's impact and to support program review, the Participating States conducted REMI macroeconomic modeling, customer electricity bill analysis, and revised electricity sector modeling using the IPM. Comprehensive electricity sector modeling and economic analysis was considered to support evaluation of potential modifications to the Program. The most critical of these evaluations was the assessment of different cap levels to identify the best path forward for reducing CO_2 from the electricity sector. Based on a review of all modeling iterations and after careful consideration, New York and the

Participating States decided to propose to lower the regional CO_2 emissions cap toward a trajectory that aligns with each Participating States' emission levels while maintaining flexibility features to ensure reliability and affordability.

CCR, CCR Tiers and Program Flexibility Alternatives

Flexibility provided under the proposed Program maintains environmental integrity and provides compliance alternatives for regulated sources. As previously described, compliance flexibility is inherent under a cap-and-invest program as compared to traditional command-and-control regulation. Under the existing Program, flexibility was provided through the CCR and offset provisions. The proposed revisions to the Program include revisions to the CCR and removal of future offset projects.

Sensitivity runs were conducted to identify the price impacts of the program with CCR and without CCR as described in the Sensitivity Run portion of this document. The design of the CCR reduced price impacts of the program while maintaining emission reduction trajectory. The CCR allowances would be made available immediately in any auction in which demand for allowances at prices above the CCR trigger price exceeded the supply of allowances offered for sale in that auction prior to the addition of any CCR allowances. If the CCR is triggered, the CCR allowances would only be sold at or above the CCR trigger price. The proposed revisions to the Program would establish two tiers of CCR allowances. Both tiers of CCR would be establish at about 11.75 million allowances. New York's portion of the total would be about 3.69 million allowances. The CCR trigger price for tier 1 would be $19.50 in 2027 and tier 2 would be $29.25 in 2027, both trigger prices would increase at 7% per year.

In addition to the CCR, the existing flexibility provisions were reviewed. The proposed Program revisions would retain the fungibility of existing offset allowances up to the compliance limit of 3.3%, while removing the

eligibility of future offset projects. This selected alternative reflects the historic lack of RGGI program offset projects while keeping the created offset allowances as a flexibility mechanism for budget sources.

FEDERAL STANDARDS

In December 2009, EPA issued findings concluding that current and projected concentrations of GHGs in the atmosphere endanger the public health and welfare of current and future generations (the Endangerment Finding).[52] Following the Endangerment Finding, EPA has taken numerous additional actions under the CAA regarding the regulation of GHG emissions. As a result of these actions, according to EPA, GHGs became "subject to regulation" under the CAA as of January 2, 2011.

In 2024, the EPA adopted the New Source Performance Standards for Greenhouse Gas Emissions from New, Modified, and Reconstructed Fossil Fuel-Fired Electric Generating Units; Emission Guidelines for Greenhouse Gas Emissions from Existing Fossil Fuel-Fired Electric Generating Units; and Repeal of the Affordable Clean Energy Rule[53]. In June 2025, the EPA proposed repealing all GHG emissions standards for fossil-fuel-fired power plants[54] and while this proposed repeal is not final, the Department has not seen adequate justification for such a repeal. While the repeal process is ongoing, the fact remains that it would have little impact on New York State facilities and is not expected to have a meaningful impact in the State. Therefore, the proposed revisions to the Program do not conflict with any Federal requirements under Section 111(d) of the CAA and would offer greater certainty to the regulated community.

While stationary sources may be subject to Title V and Prevention of Significant Deterioration (PSD)

[52] Endangerment and Cause or Contribute Findings for Greenhouse Gases Under Section 202(a) of the Clean Air Act, 74 FR 66496, December 15, 2009
[53] Docket ID No. EPA-HQ-OAR-2023-0072-8913
[54] Docket ID No. EPA-HQ-OAR-2025-0124

permitting requirements for GHGs under the CAA, there are currently no specific CO_2 emission standards for stationary sources in the Federal regulations. In addition, PSD covers only new or modified sources. The revisions to the Program are protective of public health and the environment in the absence of similar Federal emission standards. The potential adverse impact to global air quality and New York State's environment from CO_2 emissions necessitates that New York State take action now to minimize CO_2 emissions that contribute to climate change.

Due in part to the lack of a Federal program, the Department has determined that fossil fuel-fired electricity generators must continue to reduce emissions of CO_2 now. As discussed previously in this document, the proposed revisions to the Program - including most notably the reduction in the CO_2 emission cap - help to further this objective. Although national and international action is needed, the efforts undertaken by New York and the Participating States as part of revising the RGGI program will slow the rate and magnitude of climate change thereby reducing the risk of injury to the State and its citizens.

As an environmental leader, New York has participated in efforts to develop national emissions reduction programs for CO_2. The Department recognizes the benefits of a national program and will continue to advocate for Federal programs and participate in national and regional initiatives to encourage the development of such programs. In the event that a national market-based trading program is developed, it would be rigorously reviewed for consistency with and timing of the Program.

COMPLIANCE SCHEDULE

The control periods and applicability under the Program would remain unchanged, with a CO_2 allowance transfer deadline of March 1st of each year for interim compliance and every third year for control period compliance. The proposed revised Program would require affected sources already subject to the Program to

continue to comply.

The proposed revisions to the Program retain the interim compliance periods, which are defined as each of the first two years of a three-year control period. The first interim control period under the existing Program was in 2015. Accordingly, at the end of each control period, the owners and operators of each source subject to the Program must hold a number of CO_2 allowances available for compliance deductions, as of the CO_2 allowance transfer deadline (midnight of March 1st or, if March 1st is not a business day, midnight of the first business day thereafter), in the source's compliance account that is not less than the total tons of CO_2 emissions for the control period, less the CO_2 allowances deducted for the previous two interim control periods. In the first two calendar years of each three year control period (interim control period), the owners and operators of each source subject to the Program shall hold a number of CO_2 allowances available for compliance deductions, as of the CO_2 allowance transfer deadline (midnight of March 1st or, if March 1st is not a business day, midnight of the first business day thereafter), in the source's compliance account that is not less than 50% of the total tons of CO_2 emissions for that interim control period. A unit is subject to the control period requirement starting on the later of January 1, 2009, or the date the unit commences operation. A unit is subject to the interim control period requirements of the Program starting on the later of January 1, 2015, or the date the unit commences operation. Units 15 MW and larger that were located at an existing RGGI facility or two or more co-located 15 MW or larger units were subject to both the interim control period and control period requirements on the later of January 1, 2021, or the date the unit commenced operation.

For each control period in which a CO_2 budget source is subject to the Program, the CO_2 authorized account representative of the source must submit to the Department by the March 1st following the relevant control period, a compliance certification report for each source covering all such units.