TO: Jackie Bray, Director of State Operations

FROM: Doreen M. Harris, President and CEO

RE: Likely Costs of CLCPA Compliance

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If fully implemented with regulations to meet the 2030 targets, CLCPA's original design—differing accounting standards from the internationally-accepted approach and inflexible near-term targets—would combine to yield high costs to New York households and businesses. Addressing this cost escalation is essential to deliver a policy that supports affordability and economic competitiveness and is necessary to ensure continued progress on decarbonization policy.

Absent changes, by 2031, the impact of CLCPA on the price of gasoline could reach or exceed $2.23/gallon on top of current prices at that time; the cost for an MMBtu of natural gas $16.96; and comparable increases to other fuels. Upstate oil and natural gas households would see costs in excess of $4,000 a year and New York City natural gas households could anticipate annual gross costs of $2,300. Only a portion of these costs could be offset by current policy design.

Estimated near term compliance costs with CLCPA

In order to fully comply with CLCPA's current emissions targets with a cap-and-invest program, such a regulation would omit limits on potential allowance prices. Leveraging previous analysis, NYSERDA is able to provide an updated, conservative estimate for likely allowance prices and estimate the compliance costs to differently situated households and businesses.

The estimated allowance price would begin in the neighborhood of $120/ton and rise to $179.80/ton by 2031 in real terms. There are reasons to believe that this cost is an underestimate. The first of these is that the modeling was carried out prior to the updates incorporated in the State Energy Plan, meaning that the model doesn't reflect the current hostile and disruptive federal government, which is revoking essential tax credits and regulations, as well as implementing costly tariffs and increasing inflation.

Also, the acceleration of clean energy deployment represented by the model as required to achieve the CLCPA's targets is infeasible today. In particular, there is a lack of market capacity to deliver the volume of renewable energy, electric vehicle (EV) sales, heat pump and building shell deployments, etc. that would be called for, and it is also difficult to envision how all actors in the State could adequately ramp up to spend the $28 billion that such a policy would generate annually quickly after program launch.

Notwithstanding these cautions, the modeled price would lead to high burdens to New York households, especially those unable to install lower emissions technologies. Included below are

estimated price impacts for common energy units. We arrive at these costs by multiplying the emissions intensity of each fuel by the forecasted price of allowances.

2031 Cost per Unit of Energy (Real 2025$)

	Estimated allowance price	Metric tons per unit of fuel[1]	Additional cost per unit of fuel
Impact to unit cost for natural gas ($ per MMBtu)	$178.47	0.095	$16.96
Impact to unit cost for diesel ($ per gal)		0.0135	$2.41
Impact to unit cost for gasoline ($ per gal)		0.0125	$2.23

A complete table is provided below for moderate income households, but current estimates indicate that the most impacted households—upstate, two car households that rely on heating oil—would likely experience gross cost impacts in excess of $4,100 annually. Even after affordability benefits, this amount remains above $2,400. Even households switching to newer, more efficient fossil fuel equipment could expect to see substantial costs, with net savings emerging only among the lowest income households and those that have largely eliminated all fossil fuel use.

2031 Total Moderate Income Household Annual CAI Impact by Energy Profile (Real 2025$)

	Current Equipment		Conventional Replacement		High Efficient Electrification	
Starting Point Household Profile	*Gross CAI Impact*	*Net CAI Impact*	*Gross CAI Impact*	*Net CAI Impact*	*Gross CAI Impact*	*Net CAI Impact*
Upstate (heating oil)	$4,152	$2,460	$3,012	$1,320	$120	($1,560)
Upstate (natural gas)	$4,260	$2,580	$3,036	$1,344	$120	($1,560)
NYC (natural gas)	$2,340	$1,548	$1,656	$864	$0	($804)

Likewise, similarly burdensome costs should be anticipated for small and medium commercial businesses. Depending on the utility and size of the facility, such entities could expect utility costs to increase by as much as 46%. Costs for operating a delivery truck would increase by over 60%.

[1] To understand costs per unit of fuel, the allowance price should be multiplied by the factors in the table. Notably, an underappreciated challenge of CLCPA's GHG accounting method is that emissions factors for fossil fuels can change year to year due to changes in estimates of upstream emissions, so New York State never knows with certainty its true emissions under statute. In particular, in 2025, DEC reduced the emissions factor for natural gas to 0.088/MMBtu. While this would reduce the price per unit of a fuel given an allowance price, modeling described here was done under the previous emissions factor and so remains the basis of these calculations.

2031 Total Annual CAI Impact for Small and Medium Commercial Entities (Real 2025$)

	CAI gross costs	Current utility or fuel cost annually		Premium compared to current energy bills	
		Low Range	*High Range*	*Low Range*	*High Range*
Cost for small commercial ratepayer (4,000 Ccf; 12,600 kwh)	$6,950	$36,084	$54,235	13%	19%
Cost for large commercial ratepayer (400,000 Ccf; 720,000 kwh)	$695,036	$1,517,004	$2,589,602	27%	46%
Cost of diesel for avg. delivery truck per year	$3,837	$6,255		61%	

Notably, while difficult to estimate at this time, the ability to extend Energy-Intensive, Trade-Exposed (EITE) protections to industrial businesses would likely be muted or impossible if seeking to comply with current CLCPA targets, so high costs would also be anticipated to all sizes of manufacturing entities. For some entities, this would reach millions of dollars per year.

Current CLCPA targets escalate costs for New Yorkers as a result of a combination of factors. Primarily, the greenhouse gas accounting approach incorporated in statute and regulation, in combination with current emission reduction targets, mean that current law attributes higher emissions to New York than other leading jurisdictions do for the same activity, as well as higher emissions than under accepted science. This includes emissions from out-of-state fossil fuel production, which is not incorporated in jurisdictional inventories by the IPCC; attributing to bioenergy its combustion emissions and thus ignoring the treatment of the short carbon cycle by scientists and the IPCC; and the use of Global Warming Potential 20 (GWP-20), which the IPCC states is not standard practice in the scientific community and doesn't comport with the Paris Agreement Rulebook. In addition, the targets as adopted in 2019 could not have foreseen the substantial reversal in the federal policy landscape, the disruptive and lingering impacts of COVID-19 and the subsequent supply chain crisis, the return of an inflationary economy, and the influence of geopolitical events on energy costs generally.