CENTERSTATE
CORPORATION FOR ECONOMIC OPPORTUNITY

New York State Climate Action Council
Draft Scoping Plan Comments
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Comments Presented by
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Members of the Council:
Thank you for the opportunity to present our comments on the Climate Action Council's (CAC) Draft Scoping Plan under New York's Climate Leadership and Community Protection Act (CLCPA). Based in Syracuse, CenterState Corporation for Economic Opportunity (CenterState CEO) is a regional business leadership and economic development organization, with members across a twelve-county region of New York. Our mission is to work continuously to build a region where business thrives and all people prosper.

CenterState CEO recognizes that climate change is a serious issue that requires our attention in New York, across the US and globally. As we work to achieve sustainable solutions, we must acknowledge the impacts these policies will have on our communities. Our ability to remain economically competitive during this period of transition will affect the resources New York must have to address climate change – as well as vital functions including education, healthcare, infrastructure and more.

Recognizing these needs, there are principles we would urge the CAC to incorporate into its final framework to achieve the requirements set forth in the CLCPA. These principles address:

- the continued process of the CAC as well as agencies that will be tasked with implementing and enforcing policies and regulations
- additional information included CAC's final scoping plan
- new opportunities for growth, equity and next-generation technology leadership to address climate change

CAC Process

Increase and Sustain Clarity, Insight and Public Engagement

Since the CAC was formed under New York's CLCPA in 2019, the council has worked diligently toward the goals set forth by this important legislation, however this work remains largely

invisible to the public. We urge the CAC and the State to increase and sustain its efforts to communicate with and engage New York residents. Clarity and insight into this transformative effort are essential to public acceptance and ultimately reaching the CLCPA's goals. This effort must be inclusive across the state.

Additional Information in the Final Scoping Plan

Price and Cost Impacts Must be Transparent

We believe the final scoping report needs to address several important deficiencies, the greatest of these being the lack of information regarding what these policy initiatives will cost, and what the resulting cost of energy will be in New York compared to surrounding states, and those which New York frequently finds itself in competition. Very little information is provided about what the initiatives may cost, for example, in order to de-carbonize the electric generation system, both solar and wind are recommended over the continued use of fossil fuels. That de-carbonization would be a benefit, in terms of reducing negative health impacts and reducing GHG emissions. However, solar and wind have impacts, as well, that must be factored into calculations. For example, solar is land intensive, and increasingly protests are being heard in Upstate New York with respect to the impact of "factory solar" on rural communities "He Set Up a Big Solar Farm. His Neighbors Hated It" New York Times, March 18, 2020" see: https://www.nytimes.com/2020/03/18/nyregion/solar-energy-farms-ny.html

Renewable sources can be land intensive, and that land is often agricultural in current use. The loss of productive farmland in the state also needs to be estimated and considered in the analysis. How much land will be required in order to build the renewable sources proposed? What are the alternative uses of that land? What is the cost associated with land acquisition and lost opportunity for other uses? How does that land requirement compare to building other non-carbon sources of energy, such as nuclear power? Currently, a limited presence of nuclear power stations in New York provide more than 29% of all of the state's electricity (nearly half of all of its non-GHG emitting sources). Might the state be better off in finding a private sector investor to build additional nuclear capacity (particularly given the new transmission sources available, to move the power Downstate), rather than exclusively building solar and wind resources?

Cost Impacts on Business

The Draft Scoping Plan presents a very limited definition of Energy Intensive and Trade Exposed (EITE) Industries. We are concerned that this fails to capture the breadth of businesses sectors that will be affected. In appendix C (pc-1) the Council correctly expresses the concern that increases in the cost of energy, reductions in reliability, or increased costs for the emitting of GHGs could cause businesses to shift existing production away from New York state, or avoid bringing operations to the state altogether, and instead invest in out of state locations. As the appendix notes "The draft Scoping Plan does not define a formal list of industries that should be considered as EITE as it relates to state policies, but in New York, some EITE industries are likely to be in manufacturing-related industries that produce goods like cement, glass, primary metals, gases and semiconductors."

The problem in the subsequent analysis is that it examines individual industries in terms of their energy expenditures to the value of their revenues. In doing so, it overlooks the concept of the supply chain, and how costs all along the supply chain may be impacted by increasing energy costs. For example, for a brewery, their own energy costs may be driven by the cost of what it requires to heat and cool the facility, the process of brewing itself, as well as the cost of operating the conveyors and robotics that fill, place labels on containers, and move the product from their production line to a warehouse or delivery vehicle. That, however, is not the total of the energy cost to their product, because increased energy costs could come all along the supply chain: it takes energy to pump water from a lake to a brewery, it takes energy to make the containers, cans or bottles that the product comes in, it takes energy to drive the trucks or delivery vehicles, it takes energy to refrigerate a product in a grocery store case. The actual cost of that product, even if the industry itself is not considered EITE, can be significantly affected by an increase in the price of energy as it will not only impact the cost of the plant's production, but also the entire cost of the inputs coming into the plant and the product being delivered to customers. Those costs may or may not have the ability to be passed on to customers, and *production* may be moved elsewhere to stay cost competitive for the consumer.

Comprehensive Job Impact Analysis

In addition to a broader understanding of actual costs of production that the Plan's analysis misses, projected job impacts also require a deeper analysis. The Draft Scoping Plan projects a significant net increase in jobs resulting from the transition away from fossil fuels. New York would gain a projected 211,000 jobs and only seven subsectors will lose 22,000 (a ratio of ten gained for everyone lost) and most of that loss will occur in conventional fueling stations (gas stations). This narrow job loss calculation does not take into account how energy price increases might impact employment as a result of *industry shifting their production out of state,* or *avoid the state altogether, and instead invest in out of state locations* (language from Appendix C).

We would assert that the state will have very little direct knowledge when those decisions are made. Among our member businesses who are part of national or international corporations with multi-location facilities, these evaluations are made all the time. Corporations routinely hold internal competitions among their facilities to find the lowest cost locations for production. For many products, particularly those that are commodities, the cost differential that will determine the outcome of where a product is produced is often decided by fractions of a cent per unit. Those decisions are rarely made public in the "losing" communities. All the public may see is an announcement that an out of state plant of that corporation is being expanded, or that a production line from a facility in New York State is being moved to another state. The best measure of this outcome would only show up when statistics are released that show that the New York State's economic growth is lagging the national economy. Perhaps the authors of the report could conduct an analysis examining records from Empire State Development Corporation that could indicate location or expansion projects that the state pursued but lost. Postmortem interviews might lead to some information about what the outcomes of those losses were (where did the production ultimately locate, how many people were hired, were any moved from

New York, was energy availability or price a contributing or determining factor in the decision). From such an analysis, a clearer picture may emerge of what the likely losses would be from an energy price increase in New York State that does not occur in other states. Using this lens, it is likely that job impacts will be considerably greater than the estimates in the Draft Scoping Plan.

Wind and Solar Siting Land Use and Cost Considerations

New York State should institute an incentive-based approach with communities to site land-intensive wind and solar installations and avoid, as far as feasible, over-ruling local zoning decisions on solar or wind investments. The state can negotiate with municipalities to accept such facilities but, recognize that if there is strong public opposition to a proposal, this will diminish the ability of the state to enlist residents as allies in this process. Make state owned property and rights of way available to solar developers, encourage them to focus on brownfields, former industrial sites, and publicly owned property to avoid the loss of agricultural land and open space.

Market-based Solutions are Better than Mandates

New York's primary strategies to reach the targets set forth in the CLCPA should lean into market-based solutions, rather than being driven by individual and business mandates. As we've seen in 64 nations around the world (World Bank, Trends of Carbon Pricing 2021 Report), market-based carbon-pricing policies are the preferred approach to move away from carbon intensive practices and achieve sustainable reductions in GHG emissions. Approaches such as carbon fee and dividend could not only quickly reduce New York's emissions levels, it could ensure an equitable cost impact for the state's residents, small businesses and impacted industries, if proper protections are built into its structure.

Further, market-based approaches are less jarring to business and the public. It is certainly preferable to be financially incentivized by market pricing to move away from a gas clothes dryer, stove or furnace, than to be mandated to do so. Simultaneously, the state could further incentivize the move to, for example, heat pumps, improved insulation, smart building systems, and electric vehicles to enhance and accelerate market dynamics.

Mandates might be more appropriate in spaces where the market has already established accepted and accessible alternatives, for example: phasing out the sale of gas lawn equipment and snow blowers or technology and efficiency mandates related to construction of new homes.

On a systems level, as new renewable generation projects come on line, change the nature of the electric price bid system to allow the NYISO to purchase renewable sourced electricity over fossil fuel driven electricity as long as the renewable energy is no more than 10% more than the cost of fossil fuel derived energy. At the same time, consider eliminating permits for new fossil fuel derived plants.

These are just a few examples, at every level, where market-driven strategies could be more workable and more easily accepted by the public and allow business the flexibility to develop their own solutions

to reduce or eliminate GHG emissions. This approach also allows for a level of adaptability as new information emerges and new technologies arise (e.g. adapting existing natural gas infrastructure for new fossil-free gas uses).

Opportunities for Growth, Equity and New Technologies

Energy Intensive and Trade Exposed Industries are Critical to New York's Future

Central New York is fortunate to host a diverse economy. This region of the state is globally recognized for its range of traditional and advanced manufacturing firms serving an array of industries. When you send off your used paper and cardboard, Westrock recycles it into new products, just a 10-minute drive from downtown Syracuse. In Auburn, Nucor uses some of the world's cleanest and most advanced production techniques to make steel. In Oswego, Novelis produces aluminum alloys that go into lightweight cars and trucks, making them more efficient, while using cost-saving recycled materials. Leading defense firms, including SRC, Saab and Lockheed-Martin produce advanced sensor systems that guide aircraft, ships and defend the nation. Similar technologies are also deployed for commercial uses, including for energy and cleantech purposes. Our region is also positioned to produce some of the world's most advanced semiconductors at companies like NexGen Power Systems and Wolfspeed. We are also home to one of the nation's most attractive sites for large-scale semiconductor manufacturing, which could bring thousands of new jobs to the area.

Together, this describes what an ecosystem of essential manufacturing looks like, employing thousands of New Yorkers at every skill level. Recycled materials, components for cars and trucks, building materials, advanced electronics. They all require large amounts of affordable, reliable energy and they are all drivers of the technologies that will be critical to reach our climate goals. We must find climate change solutions that recognize that they must be part of New York's future. If we drive these businesses to other states, we will fail our economy and our climate change efforts.

Invest in R&D – and Opportunity

The Climate Action Council's final Scoping Plan should contemplate New York's best opportunities to lead in areas to address climate change. The United Nations projects that "shifting to a green economy could yield a direct gain of $26 trillion (worldwide) through 2030 compared with business-as-usual." The very best investment New York can make is in research and development for new climate friendly technologies: building systems, battery technologies, renewable energy generation, and much more. Direct investments in early-stage companies and new technologies, R&D tax credits, creating a climate for further university-industry partnerships, and incentives for companies that lead their industries in the deployment of new, cleantech are just some of the possibilities.

Beyond these suggestions, we urge the CAC to consider these questions in development of the final Scoping Plan:

1. What is the cost of each of the key elements of the plan? The plan would be easier to evaluate if there is transparency around the cost of suggested changes. In addition, the relative benefits from each component could be analyzed, and cost/benefit ratios determined for each recommendation. If the scale of each proposed change could be estimated, that would facilitate a transparent evaluation of actions to prioritize.
2. What is the ability of the renewable energy generation sector to deliver power in the time frame that will be required? The final Scoping Plan would be most valuable if the strategies and types of projects needed, as well as the required amount of power necessary to de-carbonize the grid. Some of those projects, and their capacities are well-documented, such as the offshore wind projects for which NYSERDA has contracted (see: https://www.nyserda.ny.gov/All-Programs/Offshore-Wind/Focus-Areas/NY-Offshore-Wind-Projects#:~:text=The%20South%20Fork%20Wind%20Farm,first%20operational%20offshore%20wind%20farm.). The public might better understand the plan if, to the extent practicable, these projects could be documented in the plan. With the recommended transfer of the transportation sector from fossil fuels to electricity, at the same time that electrification of buildings is underway, some estimation should be made as to how fast these resources will be delivered. It would provide valuable assurance to show that existing fossil fuel resources will not be removed from the system, until there is adequate and reliable renewable sources to supplant them.
3. How will the resiliency of a fully-electric or predominately electric energy system be guaranteed? Will this system be able to withstand increased occurrences of severe weather events? Currently, during extended power outages, homes and buildings continue to receive heat through natural gas and critical buildings (hospitals, skilled care facilities, etc.) use back-up generators powered by natural gas. What happens if this separate source of energy is no longer available?
4. At what price will the renewable energy sources be produced and sold to the Grid? Rather than assert that the costs of these sources are falling, market projections would help public acceptance if current prices paid for renewable sources were demonstrated relative to projections for carbon-based sources.
5. How will key components of the plan be paid for? While prices will vary, costs for insulation of older homes could reach $10,000 to $15,000 per unit, and costs for ground-based heat pumps can cost from $4,000 to $12,000 per unit. If these are essential parts of the plan, the retrofit of older homes could cost over $20,000 per unit. What information exists for the number of older homes will require these treatments? How fast must they be made to achieve the goals of the Draft Scoping Plan? How much of this cost is likely to fall directly on homeowners? How much may be covered by subsidies for those who need them?
6. What is the condition and ability of the existing grid to handle the sale of electricity back to the grid from rooftop solar and other distributed generation? Developers in downtown Syracuse have stated that rooftop solar is not practical as the existing distribution systems need to be upgraded

before power can be sold back to the grid. A National Grid spokesperson confirms this to be the case and similar conditions appear to exist in cities across the state. What types of upgrades to local distribution systems are needed to make distributed solar more acceptable?

The work of the Climate Action Council is vital to achieve the goals of the CLCPA and address climate change. The Council's final Scoping Plan will provide the framework needed to deploy a coordinated, strategic direction and public understanding of how this effort can be successful. We thank you for your efforts and urge your careful consideration of the issues and questions put forth by CenterState CEO and others in this process.