

Carbon Fee and Dividends

Economy-wide carbon pricing could help ensure that we meet CLCPA's goals and are able to fund its implementation without an undue burden on our economy. I strongly urge the council to recommend adopting a price on carbon in its final plan. Countless economists and scientists say that it is the single most effective policy to quickly reduce emissions of greenhouse gasses. Carbon pricing would also complement or increase the effectiveness of many other recommended policies and programs.

I recommend a carbon fee and dividend program as the framework for an economy-wide strategy, where a fee or tax is imposed at the source of any fossil fuel generated or imported into the state, with most of the revenue returned to low- and middle-income households, and perhaps certain businesses, to offset higher energy costs. The remainder of the revenue can help support the initiatives such as electrification and weatherization of LMI residences and public EVSE installations, etc.

Carbon pricing is preferred over many other alternatives because it is straightforward, non-regulatory, and more price-certain, which is better for businesses and individual consumers.

I strongly recommend that carbon pricing in NY must apply to more than the electricity sector through RGGI. Absent a price on carbon in other sectors, electricity costs would be higher relative to fossil energy costs. This will have the undesirable impact of actually discouraging other key CAC recommendations on the electrification of New York's building and transportation sectors, resulting in slower adoption of sector-based recommendations for accelerated electrification of buildings and transportation.

Eliminating Fossil-Fuel Subsidies

I commend the Council for suggesting a carbon fee in its Draft Scoping Plan (DSP), and I strongly urge the council to include a price on carbon in its Final Scoping Plan. Unfortunately, the DSP is mostly silent on another avenue for funding the implementation of the CLCPA by aligning New York State tax policy with the goals of the CLCPA. Our climate goals will not be achieved if we do not fund them. Investing in our green energy economy means investing in jobs and public health. By contrast, leaving our climate mandates unfunded or underfunded threatens to put our workers and our communities further at risk.

New York State spends over \$1.5 billion every year on fossil fuel related tax expenditures, distorting the market and subsidizing the use of greenhouse gas-emitting fossil fuels. Some of these tax expenditures may serve a compelling public interest such as offering heating assistance to low-income New Yorkers. However, a significant proportion of the spending serves to prop-up outdated industries or reward energy inefficiencies leading to a double cost to taxpayers - once for the direct tax expenditure and again for the environmental damage resulting from the continued burning of fossil fuels.

I strongly urge the Council to recommend, at the very least, the following actions to reduce the fossil-fuels' unfair competitive advantage and direct the savings towards building electrification and public electric vehicle charging infrastructure in a revenue-neutral manner.

- Repeal an exemption from Petroleum Business Tax for manufacturing using non-highway diesel fuel and residual petroleum products.
- Repeal exemptions from Petroleum Business Tax for kerosene, kero-jet fuel, aviation gasoline, residual petroleum product (bunker fuel), liquefied petroleum gasses, and non-highway diesel motor fuel used for nonresidential heating purposes.
- Repeal an exemption from Petroleum Business Tax for sales to the government of New York state. Also repeal a reimbursement for Petroleum Business Tax paid for non-highway diesel motor fuel used for non-residential heating purposes, and for motor fuel and diesel motor fuel sold to the government of New York state.
- Repeal a reimbursement for Petroleum Business Tax paid for commercial gallonage, manufacturing gallonage, and gallonage used in mining and extracting. Also repeal an exemption from Petroleum Business Tax for commercial gallonage.
- Repeal a credit or reimbursement for Petroleum Business Tax paid for residual petroleum product and non-highway diesel motor fuel used by electric corporations.
- Repeal an exemption from Petroleum Business Tax for all airlines. Also repeal an exemption from Sales and Use Tax for airline fuel.
- Repeal an exemption from Sales and Use Tax for oil and gas production services. Also repeal an exemption from Sales and Use Tax for fuel and gas used in production of tangible personal property.
- Repeal an exemption from Sales and Use Tax for gas used to maintain gas distribution infrastructure.

Scenario #3

The Climate Action Council put forth three scenarios for our climate future. I am advocating for Scenario #3, which includes low-to-no bioenergy and hydrogen and the simultaneous acceleration of electrification of both buildings and transportation to ensure clean air and a healthy environment.