

# Comments on the CAC Draft Scoping Plan

I want to first commend the CAC and its associated advisory panels, working groups and staff on developing a truly impressive, sector-by-sector plan to address the goals set out in the CLCPA. I greatly appreciate the thought and care that was clearly put into creating this draft scoping plan.

I am also pleased that the draft plan includes a section on potential economy-wide strategies (Chapter 17). As the plan itself acknowledges, even a full implementation of all the initial sector-specific Advisory Panel recommendations would not achieve the CLCPA goals. Economy-wide action will close the gap and help ensure we meet those goals.

In particular, the state should adopt carbon pricing, which is widely supported by both scientists and economists as the single most effective policy for quickly reducing emissions of greenhouse gases. The [second installment of the IPCCs Sixth Assessment Report](#) specifically calls out carbon pricing, saying in chapter 18 that “of the various mitigation strategies to reduce fossil fuel CO2 emissions, carbon taxes are the most powerful and efficient, because they allow firms and households to find the lowest-cost ways of reducing energy use and shifting toward cleaner alternatives.”

Well-designed carbon pricing legislation also mitigates inflation concerns by including a carbon cashback dividend returned to most or all households to address the resulting rise in energy costs. Inflation creates problems when prices rise and household incomes don't increase commensurately, but a dividend program can overcome that problem by sending the carbon cashback to households. In fact, a recent CEPR review of carbon pricing systems, entitled “[Carbon Taxation and Inflation: Evidence from European and Canadian Experience](#),” found that contrary to predictions that carbon fees would cause inflation, carbon fees have actually had the opposite effect in the real world.

The state of Hawaii [recently completed a study](#) entitled, “[Carbon Pricing Assessment for Hawaii: Economic and Greenhouse Gas Impacts](#),” which found that if carbon tax revenues are given back to households in equal shares, a carbon tax is progressive, and even a low-carbon-tax scenario results in a 40% reduction in greenhouse gases from 2019 levels. Likewise, the aforementioned IPCC report notes that “risks from mitigation costs could also be severe if no progressive redistribution from carbon pricing revenues is applied...using tax revenues to issue payments back to taxpayers that are disproportionately impacted...may be one of the most important features of carbon tax policies.”

Carbon pricing is preferable to other economy-wide approaches because it is straightforward to understand, non-regulatory so it cannot be tied up in endless court challenges, and provides the price certainty that is needed by both businesses and consumers.

One warning: New York's electricity sector already has carbon pricing through the Regional Greenhouse Gas Initiative, or RGGI, which increases the cost of electricity, but only electricity. In the absence of economy-wide carbon pricing, this imbalance puts electricity at a cost disadvantage compared to oil and gas for such things as powering transit and heating buildings. So, without an economy-wide price on carbon, RGGI could actually impede electrification of other sectors while we transition the state to renewable sources of electricity.

What should the price on carbon be? Ideally, carbon prices should start low and rise gradually but meaningfully every year. This approach reduces initial friction in the system and sends clear, predictable pricing signals that provide both individuals and businesses time to transition to cleaner energy sources.

A Columbia University study entitled, “[A near term to net zero alternative to the social cost of carbon for setting carbon prices](#),” identifies one methodology for identifying an appropriate and effective price on carbon, that starts with policymakers selecting a net-zero CO2 emissions target, then “near-term to net zero CO2 prices combined with a broader policy strategy to achieve an emissions pathway consistent with the net-zero target in the near term, when projections of energy-economic models are most useful.” It allows CO2 prices to be estimated with more precision because uncertainties are minimized by focusing on the most important (and better understood) aspects of the problem.

A final, more general point on the Draft Scoping Plan overall: throughout the plan, mention is made of many legislative and regulatory measures that will be required. It would likely be helpful to lawmakers if an appendix was included that summarized this long list of proposed actions.

Scott Loveland

██████████ Wappingers Fall, NY, 12590

██