

Hochul State of the State Cap-and-Invest Program

This document extracts the Cap-and-Invest section of the [Hochul State of the State](#).

Meet New York's Climate Goals with a "Cap-and-Invest" Program That Prioritizes Affordability

New York State is undertaking the most ambitious and comprehensive effort in the U.S. to address the threat of climate change by reducing harmful pollutants from emissions from every sector of our economy and investing in a renewable energy future that is equitable for all New Yorkers.

As announced in December 2022, New York State's Climate Action Council (CAC) determined that a carefully constructed Cap-and-Invest Program would be the most feasible, efficient, equitable, and affordable method to attain a more sustainable future. In response to the CAC's recommendation, and to ensure we meet our climate goals, Governor Hochul is today directing the Department of Environmental Conservation (DEC) and New York State Energy Research and Development Authority (NYSERDA) to advance an economy-wide Cap-and-Invest Program that establishes a gradually declining cap on greenhouse gas emissions, limits financial impact to New Yorkers, all while investing the proceeds in programs that drive emission reductions in an equitable manner, and maintaining the competitiveness of New York's industries.

At the direction of Governor Hochul, DEC and NYSERDA will design the program with the intent to reduce consumer costs, help businesses succeed in the low carbon economy, and bring program benefits to every community in the state. This process will solicit crucial feedback from consumer, industry, labor, and stakeholder groups to build out a system that works for everyone.

To design a program that can benefit all New Yorkers, Governor Hochul will be seeking legislative partnership on crucial changes that can allow New York's Cap-and-Invest Program to offer universal Climate Action Rebates to families across the state, helping defray their costs. New York will also develop a program that can potentially sync up with other emissions reduction programs across the country, helping to galvanize a nationwide climate movement.

New York's Cap-and-Invest Program will draw from the experience of similar, successful programs across the country and worldwide that have yielded sizable emissions reductions while catalyzing the clean energy economy. Indeed, New York's power sector is already part of a similar regional Cap-and-Invest Program known as the Regional Greenhouse Gas Initiative (RGGI). Since it was established in 2005, RGGI has helped reduce greenhouse gasses from power plants by more than half and raised almost \$6 billion to support cleaner energy solutions.

As required by the Climate Act, DEC and NYSERDA will design a program over the coming year that ensures compliance with statewide emissions reduction limits. To accomplish that, the program will set an annual cap on the amount of greenhouse gas pollution in New York. Every year, New York's pollution cap will be reduced, with the aim of setting the state on a trajectory to meet our greenhouse gas reduction goals of 40 percent by 2030, and at least 85 percent below 1990 levels by 2050, as mandated by New York State law.

Large-scale emitters of greenhouse gasses and distributors of heating and transportation fuels in the state will be required to purchase allowances — via auctions hosted by the State — for the emissions associated with their activities. Over time, as the cap on emissions declines and allowances become scarcer, their auction value will increase. By applying a price to the amount of pollution associated with certain fuels, New York’s Cap-and-Invest Program will incentivize and support consumers and businesses in implementing strategies that lower energy bills and transition to lower-carbon alternatives such as electric vehicles or electric heating systems. Proceeds from allowance auctions will support the State’s critical investments in climate mitigation, energy efficiency, clean transportation, and other projects, in addition to funding a Climate Action Rebate distributed to all New York families.

In directing DEC and NYSERDA to develop a Cap-and-Invest Program, the Governor today lays out five core principles that will shape the program’s design:

- **Affordability:** A Cap-and-Invest Program must put the wellbeing of New York families first. Governor Hochul will propose legislation to create a universal Climate Action Rebate that, subject to a stakeholder and rulemaking process, is expected to drive more than \$1 billion in annual cap-and-invest proceeds to New Yorkers.

The Climate Action Rebate will be designed to mitigate costs for New Yorkers, while preserving crucial funding for consumer-led decarbonization efforts, including energy efficiency measures that reduce energy and transportation costs, and create new job opportunities. These rebates will help offset the costs of energy use and, in combination with investments made possible by the program, help households reduce their energy use and switch to clean energy. Many New York families will, for the first time, be able to afford energy efficient investments, electric vehicles and more, which will allow some of these households to come out ahead—and with more money in their pockets. Furthermore, Governor Hochul will seek program design features that can help ensure potential cap-and-invest costs are predictable and manageable for all consumers and businesses.

- **Climate Leadership:** New York’s Cap-and-Invest Program will not only help achieve our climate goals at home, but also catalyze a nationwide movement to expand Cap-and-Invest markets that cross state borders, which could collectively minimize price pressures, and advance the climate movement. To that end, Governor Hochul is specifically directing DEC and NYSERDA to design a program with the capacity to join other current or future cap-based programs, which can lower the price of the overall transition across multiple jurisdictions.
- **Creating Jobs and Preserving Competitiveness:** The Cap-and-Invest Program will be designed to launch new investment in industries that will create tens of thousands of well-paying, family-sustaining jobs that can lift up entire communities. From home retrofits to green manufacturing, cap-and-invest proceeds can jumpstart the entire clean energy economy. The Governor is further directing DEC and NYSERDA to take every precaution in program design to ensure New York industries are not put at a competitive disadvantage and emissions are not pushed out of state. This will help businesses, especially energy-intensive industries that provide good jobs to New Yorkers, decarbonize in a way that is compatible with economic growth. Furthermore, cap-and-invest proceeds will support just transition initiatives to ensure no worker is left behind in New York’s green economy.

- **Investing in Disadvantaged Communities:** Cap-and-invest will prioritize the disadvantaged frontline communities across New York State that have suffered from pollution and environmental injustice for far too long. The program will not allow high-emitting sources to utilize offsets that would allow them to further pollute and expand, but will instead be designed to ensure pollution burdens are reduced. Under Governor Hochul's leadership, at least 35 percent — and with a goal of 40 percent — of investments will directly benefit disadvantaged communities. These investments will fund crucial programs to improve air quality, reduce reliance on polluting power plants, retrofit green schools, and clean up our public transportation systems, among other vital efforts.
- **Funding a Sustainable Future:** Cap-and-invest will provide the funding needed to achieve our climate goals. From helping business owners electrify their operations and make energy efficiency investments that will reduce energy bills, to funding electric vehicle (EV) chargers on Main Street, cap-and-invest proceeds will deliver benefits across New York State — enhancing livability, cutting transition costs for consumers, and creating a better New York. Achieving these principles requires both a rigorous and transparent regulatory process led by DEC and NYSERDA, and crucial reforms made together with legislative partners, to ensure New York's Cap-and-Invest Program benefits all consumers, keeps our economy's competitive advantage while maximizing economic returns, and allows for linkages with other jurisdictions. Therefore, Governor Hochul will advance legislation that enables New York to distribute Climate Action Rebates to all.