# Report says carbon pricing could boost new state energy goals

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ALBANY — The state's new climate law requiring aggressive decarbonization of the electric sector and the rest of the economy strengthens the case for carbon pricing in the electric market, a new analysis by a Boston-based consulting firm argues.

The Analysis Group's review of a proposal to add a cost for carbon emissions from generators into the wholesale electricity price was released Thursday morning and is set to be discussed at a New York Independent System Operator committee meeting. The report focuses primarily on the implications of the state's new goals and how carbon pricing would support them.

"New York has a home-grown policy tool — a proposed carbon pricing mechanism — that, embedded in well-functioning electric markets, can help New York meet its climate goals at lowest cost," states the report, authored by the Analysis Group's Sue Tierney and Paul Hibbard. "Without the carbon price, New York policy makers may be inadvertently tying one hand behind the market's back, at a time when New York's aspirations for a clean energy economy call for all hands to be clapping together in unison. "

Previous efforts to analyze the impacts of NYISO's carbon pricing push were completed before this year's passage of the Climate Leadership and Community Protection Act, which set a goal of 70 percent renewables by 2030 and carbon free electricity by 2040. That's a heavy lift, with "unprecedented increases" in new renewables required, the report highlights.

Gov. Andrew Cuomo's administration has not indicated full-throated support for the carbon pricing proposal. The Analysis Group's report is intended to bolster the NYISO's case and persuade policymakers to back it. Since the plan calls for the state to set the carbon price, the NYISO will not move to a vote by market participants without agreement from New York's regulators.

As for the measurable benefits of carbon pricing, the Analysis Group finds a relatively negligible net positive benefit ranging from $280 million to $850 million between 2022 and 2040. But the report emphasizes that the state has clearly prioritized emissions reductions over potential costs, arguing that carbon pricing would be an efficient and complementary policy to drive those outcomes for electricity generation.

Without carbon pricing, consumers would simply be paying for the goals through higher costs for renewable energy or zero-emissions credits. The report notes those out-of-market subsidies place the state at risk of federal interventions in the capacity market, a potential issue the Public Service Commission is examining.

"It will be no secret to [the Federal Energy Regulatory Commission] that the magnitude of resources stemming from the Act will overwhelm market operations over the next 5–15 years, unless they are made harmonious with markets through an internal market mechanism," the Analysis Group report states.

The market signal of a locationally-based carbon charge would, among other benefits, provide incentives for the construction of new renewable resources close to load centers, support transmission projects to bring low-carbon resources downstate and drive additional innovation, the report says. Emissions reductions would also benefit environmental justice communities in particular.

Carbon pricing could also “provide incentives for owners of upstate nuclear units to make investments to keep those units operating for as long as possible,” the report states.

While nuclear energy provides roughly a quarter of the electricity used in the state, that number is expected to drop to 11 percent in 2030 and 6 percent in 2030, based on the current closure agreement for Indian Point and licenses for the upstate plants.

Nearly all of the enumerated resources in the CLCPA — 6,000 MW of solar, 3,000 MW of storage, and half of the 9,000 MW of offshore wind — would be needed in 2030 to replace the lost generation from nuclear, according to Analysis Group’s calculations.