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Governor Hochul's budget proposal is surprisingly quiet about New York's most far-reaching and expensive public policy, the Climate Leadership and Community Protection Act (Climate Act). This act shapes nearly all other state actions by making them subsidiary to reducing carbon emissions statewide.

The Climate Act itself is ill-conceived and should be repealed. New Yorkers do support clean energy, and that's why market forces are already working to reduce greenhouse gas emissions. The state should continue to let the market work rather than artificially forcing change faster than is economically and technically realistic.

The Climate Act is an enormously expensive project. The state's official cost projection, which is almost certainly too low, is equal to two or three years of the entire state operating funds budget. But it's not clear who will pay that cost, and how much of it will be paid with state funds. What is clear is that the cost is approximately twice the benefit that New Yorkers will receive. The governor's budget proposal, then, leaves many key questions about the Climate Act unanswered. However, what the budget proposal does tell us is concerning:

1. the state has not yet made clear to the public what it is they will be paying for.
2. nor has it spelled out where that money will come from, despite it being obvious that much of the cost will be passed on to consumers and taxpayers, or how much the various individual policies under the Climate Act will cost. In the few instances where the governor makes specific proposals, the proposed spending does not match the cost of the policy.
3. the governor proposes to pick an untried and unproven energy source as the winner to meet the state's future energy needs. This is a risky and ill-conceived strategy, when what is required are proven firm energy sources to ensure a reliable energy supply in the years ahead.

What are we paying for?

It is important to understand what this project will cost, and what that money is and is not buying. The Climate Action Council has estimated the cost at \$280 to \$340 billion, or \$17,000 per New Yorker.

Those hundreds of billions of dollars are not buying a decrease in global greenhouse gas emissions or a meaningful reduction in the rate of global warming. New York's greenhouse gas emissions are a mere four-tenths of one percent of the global total, and China and India are both substantially increasing their emissions in the near term, while Africa may be beginning to develop significant amounts of coal power as well. One year's increase from these sources will be greater than the elimination of all of New York's emissions.

Nor are those hundreds of billions of dollars buying a net economic benefit for New Yorkers that exceeds the cost. Of the \$430 billion in estimated benefits from the Climate Act, \$170 billion is direct benefits while \$260 billion is a global benefit from avoided economic costs of carbon that would have been pumped into the atmosphere. This number is based on the social cost of carbon, which per the requirements of the Department of Environmental Conservation

considers global, rather than merely domestic benefits. That is, the benefits accrue not just to New York but also to countries that are currently increasing their share of emissions.

If New York's share of that \$260 billion global benefit is proportionate to its share of greenhouse gas emissions, then the state's avoided economic costs will only be around \$1 billion. Adding that to the \$170 billion of direct benefits yields a total benefit to New York of \$171 billion, in exchange for spending up to \$340 billion – a net cost of \$169 billion.

What New York is buying at a net cost of at least \$169 billion is exactly what the title of the climate law references: leadership, or at least a vain attempt at it. Whether others follow New York's lead in sufficient numbers to positively affect global greenhouse gas emissions remains unknown, but is doubtful.

If New Yorkers want to spend a net of \$169 billion in an improbable attempt at leadership, that is certainly their right. But they deserve to know just how much they're spending on that effort.

Who's paying for it and how?

Two years after the Climate Act was adopted, the state has still not given consumers and taxpayers enough information to know how the Act's costs will affect them and their wallets. The Act intrudes into a broad array of policy areas, including electricity production, transportation, buildings, agriculture and land use. What New York residents have not been told is what the changes in each of these sectors will cost, nor how the costs in each sector will be paid for. Among the possible payment methods are ratepayer fees for transitioning to renewables, direct consumer costs for building-shell upgrades, electrification of heating and cooking, heat pumps, zero-emission vehicles, higher energy costs and government use of tax dollars for subsidies.

In the interests of transparency in democratic governance, the public has a right to know what is expected of them. The governor's budget does not provide that.

The governor does make a few concrete proposals of varying degrees of specificity. For instance, she requests \$500 million for ports and infrastructure for the development of offshore windpower. It is this sort of itemization of costs residents deserve to see for all aspects of Climate Act implementation.

But even when the governor makes specific proposals, the numbers do not meet the necessary costs. She wants the legislature to mandate that all 50,000 of the state's school buses be electric by the year 2035. At a price premium of around \$200,000 per bus, this is a \$10 billion policy over and above the cost of buying diesel buses. Given her announced plan for ten-year financing and considering interest costs, the additional cost will be over \$430 million per year.

Some of that will be recovered by school districts due to the lower cost of maintaining electric vehicles. But they will also have to pay the cost to develop charging infrastructure.

If the math straightforwardly showed a positive return on investment, then neither a mandate nor subsidies would be necessary. School districts would happily act on their own volition. That the governor sees the need for mandates and subsidies indicates that all else being equal school

districts see a net cost of making this transition. It is not clear from the budget proposal whether the state subsidies cover that net cost or whether a portion is off-loaded onto school districts as an unfunded mandate that obscures the true cost of the transition.

There is similar lack of clarity about achieving the Climate Act goals of retrofitting 92 percent of the state's building supply with new shells by 2050, and the electrification of heating, cooling and cooking. These are two distinct policy goals, and neither the Climate Action Council nor the governor's budget provides a break-out cost analysis of either one.

The governor proposes to spend \$250 million per year over five years to weatherize and electrify New York's housing stock. That sum is insufficient to meet Climate Act goals.

The American Council for an Energy-Efficient Economy has estimated the cost of residential deep energy retrofitting at \$50,000 to \$100,000 per building.^{li} In the program it studied, incentives of \$35,000 were offered for single-family residences of under 2,000 square feet, with greater incentives for larger single-family residences, duplexes, and multi-family buildings. Assuming subsidies of \$35,000 were granted for weatherizing and electrifying, \$250 million per year would renovate just over 7,000 buildings. But in New York City alone, it will be necessary to renovate over 30,000 buildings per year to meet the Climate Act goal, never mind the rest of the state.

Tens of thousands more buildings annually must be renovated if we are to make a serious attempt at achieving Climate Act goals. That will require a huge redirection – or increase – in tax receipts, unless homeowners are expected, and perhaps mandated, to pay for these improvements directly.

What the residents of the state need and deserve is a more comprehensive breakdown of the costs of the Climate Act and the proposed funding mechanism. To date they have received only an aggregate cost-benefit analysis that fails to examine the costs of the Act in detail and that doesn't take into account the specific plans of the Climate Action Council. The Council identifies 72 specific strategies,^{lii} each of which has associated costs, but none of which are specified

The advantage of such a breakdown is that citizens would have a better understanding of the various aspects of Climate Act implementation and the cost of each. They would then be in a better position to know whether they favor the various elements that are necessary to implement the Climate Act, and better understand how they will be personally impacted, including which elements they must pay for directly, and how much they will be expected to pay for them. Transparency and accountability in democratic governance require nothing less.

Because much of the Act must be funded by the state, such an accounting should appear in Governor Hochul's budget proposal.

What about other options?

The governor plans to invest millions of dollars in green hydrogen, in an effort to attract potential billions in federal research dollars. As an investment strategy, this is a smart move.

But it risks locking the state into hydrogen as its preferred path toward a future source of firm, dispatchable, reliable energy.

The New York Independent System Operator has estimated that by 2040 10 percent of the state's energy needs will be unmet.^{[liii](#)} The Climate Action Council has estimated the gap at 15 to 25 gigawatts of energy, more than enough to power every home in the state.^{[liiv](#)} To meet Climate Act goals, this gap needs to be filled by dispatchable low-emissions sources.

Currently, the alternative that best meets that requirement are the state's unprofitable nuclear power plants. But in the future, it may also be met by advanced nuclear power, by renewable natural gas, by natural gas with carbon capture and sequestration, or perhaps by hydrogen.

We do not yet know which solution or solutions will turn out to be both technologically and economically feasible, so the state should think beyond its investment in hydrogen and encourage competition among all potential sources of dispatchable low-emissions energy sources.

Meanwhile, the governor should ensure the state a reliable energy supply by not prematurely rejecting applications for cleaner burning natural gas plants. The state's primary energy goal must be to ensure a reliable source of energy for the state's residents. Shuttering natural gas facilities to pursue global climate leadership before firm sources of energy are ready to replace them could result in the deaths of hundreds of poor and elderly New Yorkers if energy supplies are insufficient to meet demand during an extreme weather event.

Finally, the Climate Act is, overall, a quixotic attempt at global leadership given New York's minuscule contributions to global greenhouse gas emissions. Ideally, the governor should reject this costly burden on New York's residents. Market forces are increasingly working to reduce greenhouse gas emissions as the public factors environmental concerns into their consumer decision-making. In country after country, top-down attempts to control and direct the complex structures of economies and societies has failed and made people poorer, while markets have succeeded and made people wealthier.

The authors of the state's Climate Act assumed the people of New York are solidly behind the goal of reducing greenhouse gas emissions. If they are, then they will express that goal through the market. It is far less certain that a government-directed timetable can be economically or technologically realistic. But even if New Yorkers want the government to give them a push, there's no reason to believe they don't want to know how this will be paid for, or by whom.

^[i] Cluett, Rachel, and Jennifer Amann. *Residential Deep Energy Retrofits*. Report Number A1401. 2014. American Council for an Energy-Efficient Economy. <https://www.aceee.org/sites/default/files/publications/researchreports/a1401.pdf>.

^[ii] *Initial Draft Scoping Plan*. New York State Climate Action Council. 2021. <https://climate.ny.gov/Our-Climate-Act/Draft-Scoping-Plan>.

^[iii] New York State Independent System Operator. *Power Trends 2021: New York's Clean Energy Grid of the Future*. 2021. <https://www.nyiso.com/documents/20142/2223020/2021-Power-Trends-Report.pdf/471a65f8-4f3a-59f9-4f8c-3d9f2754d7de>.

^[iv] *Initial Draft Scoping Plan*. New York State Climate Action Council. 2021. <https://climate.ny.gov/Our-Climate-Act/Draft-Scoping-Plan>.