

Summary of Comments

Value of Carbon Guidance

Comments received from October 28, 2020 through November 27, 2020

The New York State Department of Environmental Conservation (DEC or Department) provided a draft guidance document titled, ‘Establishing a Value of Carbon: Guidelines for Use by State Agencies’ (or Guidance), to meet the requirements of the Environmental Conservation Law (ECL) 75-0113, as added by the Climate Leadership and Community Protection Act, Chapter Laws of 2019 (CLCPA). DEC held a public webinar on July 24, 2020 and accepted comments on the draft Guidance from October 28 through 5pm on November 27th, 2020. The Department received comments from 34 parties on the draft Guidance.

The Department received comments from individuals, elected officials, municipal officials, environmental advocacy groups, community groups, academic and other nonprofit research institutions, and private businesses particularly those related to the electricity sector. Most commenters responded to DEC’s specific request for input on the selection of a central discount rate or commented on three other areas: the use of a range of discount rates, the application of other approaches such as marginal abatement, or technical details of the damages-based or marginal abatement approaches. As discussed in the Guidance, DEC is providing guidelines regarding the use of the damages-based approach to enable New York State agencies to use this tool, where needed. DEC is not seeking to develop guidelines for the use of other approaches, such as marginal abatement, at this time.

The majority of commenters who responded to DEC’s request for feedback on the selection of a central discount rate support the lower of the two suggested values, i.e., 2% rather than the 2.5% that was previously established as the lower bound of discount rates by the federal government. Some of these commenters suggested that the central rate should be no higher than 2%. Other commenters requested a rate that is lower, such as zero or 1%, or suggested that the DEC should adopt higher rates that would be consistent with that previously used by other New York State agencies and the federal government.

While DEC maintains that the public is best informed by reporting a range of discount rates, given the responses received, DEC has revised the Guidance to apply a central 2% discount rate. However, as many commenters pointed out, the damages-based approach is continually refined and improved and DEC will continue to consider incorporating new research. DEC will also consider additional ways to address uncertainty and intergenerational equity issues raised by the commenters, such as through a declining discount rate or the incorporation of a 95th percentile on the central discount rate, as the research continues to improve. While not specifically raised in the public comments, one issue with applying a non-standard discount rate, such as 2%, is that this affects the applicability of published analyses, because the analyses are unlikely to apply the same discount rate.

Several commenters took issue with the use of a range of discount rates and stated a preference that DEC require all State entities to use one discount rate. DEC has revised the Guidance to clarify the initial intent of the Guidance. Namely, DEC's guidance follows the federal government's approach to using the damages-based value of carbon, under which agencies use the central rate, but also report the results for a higher and lower rate. DEC did not intend to suggest that State entities use any discount rate within the range. Instead, DEC suggests that, if State agencies apply a damages-based value of carbon as a part of their decision-making, they should use the 2% discount rate to estimate the value (as opposed to the federal government's central rate of 3%) and also report the values estimated using the 1% and 3% discount rates. This enables the public to see the effect of the discount rate and, in the case of the 3% rate, compare their assessment to federal actions and previous State policies.

The remaining comments covered a diverse set of topics, including topics beyond the scope of the Guidance. DEC will use all relevant feedback in refining the Guidance and in developing future guidance. An example is to provide additional guidance on how to consider public health impacts and the social costs for co-pollutants. The CLCPA specifically refers to the social cost of emitting greenhouse gases into the atmosphere, but the Guidance does discuss how the damages-based approach can be used to assess other impacts and other pollutants. The Guidance is a complement to other, more standard methods used

for estimating the value of avoided air pollution. Finally, as stated in the Guidance, DEC is not imposing a compliance obligation on any entity or seeking to establish a price or fee through this Guidance.