



## **SFY 2025-26 Joint Legislative Budget Hearing Testimony**

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New Yorkers for Clean Power (NYCP) is a collaborative campaign in New York State to rapidly shift to a clean energy economy. Through research, education, advocacy, and organizing, the campaign seeks to advance a range of clean energy, building decarbonization, and clean transportation solutions as well as creating jobs in these industries for all communities in New York.

NYCP respectfully submits the following testimony before the Joint Hearing of the Senate Finance and Assembly Ways and Means Committees on the energy and environment proposals, or lack thereof, in the Governor's SFY2025-26 budget.

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### **Introduction**

The energy affordability and climate crises, the health impacts of pollution, the principles of economic and environmental justice, and the mandates of the Climate Leadership and Community Protection Act (CLCPA) demand swift, powerful action by the New York State legislature.

In 2023, Governor Hochul announced her preferred vehicle for funding the implementation of the CLCPA – an economy-wide cap-and-invest program. A market-based program like this, if designed well, can be an essential component of a strategy to steadily reduce climate-destroying pollution from burning oil and gas while improving public health, comfort, and quality of life.

Although, cap-and-invest is just one tool in a broader policy framework for reducing climate pollution and requires synergistic legislative and regulatory actions to be successful, it is the

primary vehicle that Governor Hochul chose to enforce binding greenhouse gas (GHG) emissions limits mandated by the legislature through the CLCPA.

However, in defiance of the CLCPA's statutory requirement to promulgate rules and regulations by January 1, 2025 to ensure compliance with the statewide GHG emissions reduction limits, Governor Hochul recently announced an unlawful pause in the roll out of the cap-and-invest program that she herself championed two years ago. The one-time \$1 billion appropriation to be spent over five years that she offered, presumably in lieu of cap-and-invest, is wholly inadequate relative to the \$54–\$113 billion<sup>1</sup> that the program is expected to generate and invest in its first ten years. Moreover, this one-time appropriation does nothing to implement a statutory GHG emissions cap and will be ultimately funded by taxpayers instead of polluters.

With a federal administration hostile to clean energy and a state administration lacking vision and leadership, it is time for the legislature to rise up to the challenges of addressing the climate crisis, ensuring energy affordability for LMI households, protecting public health, and ensuring cleaner air and water, healthier children, and longer lives for all New Yorkers.

We urge the New York State legislature to keep climate action among its top priorities during budget negotiation and request the inclusion of the following requests in the NYS Senate and Assembly's one-house budget proposals.

## **Article VII TED Bill Requests**

### **1. NY Home Energy Affordable Transition (HEAT) Act**

This popular bill will reform and modernize New York's Public Service Law and align utility regulation with state climate justice and emission reduction goals. Specifically, (a) it will repeal the antiquated 100-foot rule subsidy and amend the costly gas mandate to allow utilities to offer cleaner and more cost-effective home energy alternatives, (b) will implement the state's goal of limiting New Yorkers' home energy burden to 6% of their incomes, (c) reduce ratepayer burden due to continued investments in new gas pipelines, (d) satisfy a key overdue recommendation of the climate scoping plan.

Each provision of this legislation explicitly or implicitly seeks to reduce New Yorkers' energy burdens while rectifying the incongruencies between the state's public service and climate laws and improves the long-term health and well-being of all New Yorkers.

#### ***Health Impact of Gas Appliances***

Although the fracked gas industry misleadingly promotes its product as "clean," numerous studies have shown that gas stoves generate unsafe levels of indoor pollution and pose a

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<sup>1</sup> [Pre-proposal analysis for New York Cap and Invest; https://capandinvest.ny.gov/-/media/Project/CapInvest/Files/NYCI-Preliminary-Analysis-Data-Annex.xlsx](https://capandinvest.ny.gov/-/media/Project/CapInvest/Files/NYCI-Preliminary-Analysis-Data-Annex.xlsx)

serious health risk while avoiding regulatory scrutiny because there are no federal or NY State regulations on indoor air pollution.

Particulate matter, implicated in respiratory and cardiovascular diseases, is the most harmful pollutant released by gas burners. A meta-study combining results from 41 different studies found that children living in homes with gas stoves had a 42 percent higher<sup>2</sup> incidence of asthma, primarily due to nitrogen oxides released by burning gas. A key new study estimates about 18.8% of all childhood asthma cases in New York can be attributed to gas stoves.<sup>3</sup> In 2022, AARP warned<sup>4</sup> its members of elevated dementia risk from exposure to pollution<sup>5</sup> from gas stoves.

The outdoor pollution from burning fossil fuels in buildings accumulates more readily in dense neighborhoods with residents of relatively modest means. This results in nearly 2000 premature deaths in New York and adds about \$21 billion to our healthcare costs each year.<sup>6</sup> Similarly, smaller dwellings suffer higher concentrations of indoor pollution<sup>7</sup> from leakage and combustion of gas, which can be linked to a myriad of health risks. As a result, the adverse health impacts from pollution from gas appliances are inequitable with a disproportionately higher burden borne by low-income communities, people of color, infants and children, pregnant women, the elderly, and those with preexisting health conditions.<sup>8</sup>

### ***Climate & Jobs***

New York's buildings account for more climate-destroying carbon emissions and adverse health impacts from the associated pollution than any other state in the U.S. Buildings are also New York's leading source of greenhouse gases, responsible for 32–40% of its total GHG emissions. At the same time, building electrification and energy-efficiency is the leading segment of New York's growing clean energy jobs.<sup>9</sup>

In 2022, New York passed legislation backing utility thermal networks for district heating and cooling with dramatic energy and cost savings. Replacing old and leak-prone gas pipes with thermal loops could build lasting energy infrastructure and offer a way for union workers with

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<sup>2</sup> Meta-analysis of the effects of indoor nitrogen dioxide and gas cooking on asthma and wheeze in children; <https://academic.oup.com/ije/article/42/6/1724/737113>

<sup>3</sup> Population Attributable Fraction of Gas Stoves and Childhood Asthma in the United States; <https://www.mdpi.com/1660-4601/20/1/75>

<sup>4</sup> Are Gas Stoves Hazardous to Your Health? <https://www.aarp.org/health/healthy-living/info-2022/gas-stove-methane-leak.html>

<sup>5</sup> Association of improved air quality with lower dementia risk in older women; <https://www.pnas.org/doi/10.1073/pnas.2107833119>

<sup>6</sup> What is the health impact of buildings in your state? <https://rmi.org/health-air-quality-impacts-of-buildings-emissions#NY>

<sup>7</sup> Natural Gas Used in Homes Contains Hazardous Air Pollutants; <https://www.hsph.harvard.edu/c-change/news/natural-gas-used-in-homes/>

<sup>8</sup> Gas appliance pollution inequitably impacts health; [https://rmi.org/wp-content/uploads/2022/02/gas\\_appliance\\_equity\\_factsheet.pdf](https://rmi.org/wp-content/uploads/2022/02/gas_appliance_equity_factsheet.pdf)

<sup>9</sup> New York Clean Energy Industries Report, 2024; <https://www.nyserda.ny.gov/About/Publications/New-York-Clean-Energy-Industry-Report>

pipe skills to transition to the all-electric future. The NY HEAT Act would modernize the state's antiquated public service law to enable the deployment of thermal energy networks at scale, a clean energy solution favored by organized labor.

### ***Energy Burden***

The NY HEAT Act would direct the Public Service Commission (PSC) to use all the tools at its disposal to implement the state's goal of limiting families' home energy costs to 6% of their earnings, helping to ensure that struggling New Yorkers can afford to stay warm and keep the lights on. These include but are not limited to improved rate design features such as ascending rate blocks and progressive fixed charges, targeted weatherization programs to reduce energy use in the most inefficient dwellings occupied by low- and middle-income families, and relaxing the 2% cap on funding for energy affordability programs to 3% of utility revenues, etc.

### ***Ratepayer Impact of Gas Investments***

New York's current Public Service Law allows utilities to recover most of the cost of service lines and meters for new gas customers from all ratepayers through delivery charges. This is akin to a regressive tax levied on ratepaying families and small businesses to fund new gas hookups. The current policy also distorts building economics in favor of a polluting fuel and adds more than \$200 million<sup>10</sup> each year to the rate base.

"Natural" gas is mostly methane – an extremely powerful greenhouse gas – and the utilities like to claim that they are advancing the state's climate goals by stemming its leaks. That is just clever paltering though, because New York's climate Scoping Plan<sup>11</sup> emphatically recommends strategic planning and eventual downsizing of the gas network to achieve the state's climate objectives, not wastefully laying brand-new pipes at the cost of \$6 million per mile.<sup>12</sup>

Gas utilities are incentivized to lay new pipes because they're guaranteed a nearly 10% return on capital investments, regardless of whether these investments are cost-effective or in the best interest of utility customers. The NY HEAT Act will allow the PSC to minimize long-term costs to customers by redirecting wasteful investments towards beneficial energy investments such as weatherization and electrification that will materially improve people's health, comfort and safety.

## **2. Clean Deliveries Act, S.1180**

E-commerce mega-warehouses are facilities that are used to facilitate deliveries directly to customers. They are often located in or near urban areas and are used to sort, consolidate, and distribute packages for delivery to customers' homes or businesses. E-commerce

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<sup>10</sup> **New York Spends Millions on Subsidized Gas Line Extensions;** [https://rmi.org/wp-content/uploads/2022/12/new\\_york\\_subsidized\\_gasline\\_extensions.pdf](https://rmi.org/wp-content/uploads/2022/12/new_york_subsidized_gasline_extensions.pdf)

<sup>11</sup> **New York's Scoping Plan;** <https://climate.ny.gov/resources/scoping-plan/>

<sup>12</sup> **Why Passing the NY HEAT Act Will Protect Utility Customers & Affordability;** <https://buildingdecarb.org/resource/the-future-of-gas-in-nys>

mega-warehouses play a critical role in the e-commerce and logistics industry, as they allow for the efficient and timely delivery of goods to customers, but they also generate significant emissions from the large number of delivery trucks that come in and out of the facility, which adversely impact workers and can contribute to poor air quality in surrounding communities. These emissions are not only harmful, but currently unregulated. These mega-warehouses are disproportionately sited near environmental justice communities who experience the most harm from vehicle emissions in and out of these facilities.<sup>13</sup>

In order to meet demand for fast delivery times, these facilities are sited close to major population centers. Unlike traditional warehouses, these warehouses are larger (some are over 1 million square feet), operate 24/7, and some span multiple stories – concentrating emissions and other impacts onto generally overburdened communities where logistics facilities tend to be sited, and onto the workers who support this industry. They require hundreds, sometimes thousands, of vehicle trips per day, including a large number of large heavy-duty trucks. These trucks emit pollutants such as particulate matter, nitrogen oxides, and volatile organic compounds, which contribute to poor air quality and negative health effects in surrounding communities. Delivery vehicles are also a significant source of greenhouse gas emissions, specifically carbon dioxide (CO<sub>2</sub>), which contributes to climate change.

The Clean Deliveries Act addresses the impacts of e-commerce mega-warehouses by establishing an **indirect source rule** for transportation. Key provisions of the bill include:

- A review of emissions from all e-commerce warehouses exceeding 50,000 square feet.
- An air emissions reduction and mitigation plan requiring warehouse operators to minimize pollution by implementing one or more of the following:
  - Acquiring zero-emission vehicles & charging infrastructure
  - Installing solar panels and/or batteries on-site
  - Considering alternative transportation modes for incoming or outgoing trips where appropriate
  - Paying additional fees
- Enhanced protections for warehouses operating in disadvantaged communities or that impact schools and similar facilities
- Ongoing reporting requirements related to truck traffic and emissions mitigation measures
- A zero-emission zones study on the feasibility, benefits, and costs of implementing low and zero emissions designated areas for air pollution and congestion hotspots within New York State

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<sup>13</sup> **When Amazon expands, these communities pay the price;**  
<https://www.consumerreports.org/corporate-accountability/when-amazon-expands-these-communities-pay-the-price-a2554249208/>

## REV Bill Requests

### 3. Enhanced and Refundable Residential Geothermal Tax Credits

In order to transition to carbon-free heating and cooling we need to encourage building owners to replace these systems with non fossil-fuel alternatives. Geothermal or ground source heat pumps are far and away the most efficient heating and cooling technology available today. The legislature was wise to pass a 25% tax credit for geothermal heat pump installations in 2022. However, this highly efficient form of heating and cooling can use further policy support by increasing the maximum allowed tax credit from \$5,000 to \$10,000. The increase reflects both recent inflation and the urgency of addressing climate. In addition, this bill makes the tax credit refundable, so lower-income New Yorkers, including many seniors who have a lower state tax liability, can take advantage of the credits.

There are many reasons why the state should encourage and incentivize ground source heat pumps (GSHPs), but the most important one relates to the future capacity of our electrical grid. GSHPs are highly efficient for both heating and cooling, and their performance does not decrease with falling ambient temperatures.

NYSERDA's Carbon Neutral Buildings Roadmap<sup>14</sup> concludes that an Air Source Heat Pump dominated electrification pathway could cost 90 billion dollars more relative to a Managed Scenario that includes shell improvements and a reasonable penetration of higher efficiency heating with ground-source heat pumps and thermal energy networks. That additional cost includes both the incremental cost of electricity generation and the incremental delivery infrastructure costs. Other high-quality studies<sup>15</sup> have arrived at similar conclusions.

### 4. Enhanced and Refundable Residential Solar Tax Credits

Since 2006, the current \$5,000 personal income tax credit cap (up to 25% of the installation cost) has remained flat without any inflationary adjustment. The tax credit has also been inaccessible to low-income homeowners and seniors with limited tax liability. This tax credit must be expanded in the following ways to help accelerate New York's renewable energy transition while empowering more New Yorkers to participate in and benefit from clean energy.

- Make the tax credit refundable so that low-to-moderate income homeowners and those living in disadvantaged communities, including seniors on fixed incomes, can benefit from this incentive.
- Increase the maximum tax credit amount to \$10,000 for systems installed after 1/1/2023, adjusting for inflation and higher equipment costs, and providing headroom for energy storage expenses.

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<sup>14</sup> Carbon Neutral Buildings Roadmap; <https://www.nyserdera.ny.gov/All-Programs/Carbon-Neutral-Buildings>

<sup>15</sup> Inefficient Building Electrification Will Require Massive Buildout of Renewable Energy and Seasonal Energy Storage; <https://www.nature.com/articles/s41598-022-15628-2>

- Eliminate the arbitrary system size cap that reduces the value of this incentive for homeowners living in co-ops or condos.
- Make energy storage equipment expenses eligible to incentivize resilient solar.

The enhancements outlined above would enable more households to install solar and battery storage systems and will ensure that the tax benefit is accessible to disadvantaged communities through a refundable credit, aligning it with the environmental justice and renewable energy mandates of the Climate Leadership and Community Protection Act (CLCPA).

## **5. Stop Climate Polluters Handouts**

New York State financially incentivizes destructive fossil fuels, exempting the industry from \$1.6 billion of Sales & Use Tax and Petroleum Business Tax every year. This tax was first introduced for infrastructure funding in 1983, but since then the industry has wielded its influence to maintain these tax breaks and inflate profits. With our state now facing a multi-billion dollar budget deficit, it is time to rethink these handouts. Repealing fossil fuel industry tax subsidies will help close the budget gap and signal our opposition to the industry that is a lynchpin in the climate crisis and aggravated environmental injustices.

The Stop Climate Polluter Handouts Act amends the tax code to remove about \$256 million in tax handouts to the climate polluting fossil fuel industry. It pinpoints incentives that benefit the highest-polluting fuels and their most unreasonable uses, including high-emission commercial airline fuel and low-grade shipping "bunker" fuel, the operation of fracked gas infrastructure, industry research and development, and more. The Act preserves tax breaks that benefit the public, so the average lower and middle income New Yorker will not be significantly impacted, and job losses are not expected.

## **Appropriations Request**

### **6. \$200 Million Green Affordable Pre-Electrification (GAP) Fund Pilot**

The budget must begin to address a long-standing problem that is barring too many New Yorkers from accessing cost-saving energy efficiency retrofits. There is an urgent need to fund and provide technical assistance for homes and buildings in need of a wide-range of currently unfunded retrofits that are necessary for healthy indoor space and achievement of New York's climate mandates. Examples of such necessary rehabilitation work include outdated wiring, mold, lead paint, and asbestos removal and repairing leaks and structural issues, etc. These unfunded retrofits prevent many households and building owners from being able to participate in programs to fund energy efficiency, weatherization, and electrification projects because such projects cannot proceed without remediating the pre-existing hazards and addressing the latter is usually too costly for homeowners and building owners to take on themselves.

Low- and moderate-income households often face the biggest barriers to energy efficiency, weatherization, and electrification due to living in older housing stock with a lot of deferred maintenance. These are exactly the homes that would benefit from energy and cost savings, home comfort improvements, and healthier air, yet are locked out of the available funding due to said deferred maintenance.

Programs to remediate older houses and apartments of low- and moderate-income New Yorkers and readying them for weatherization and electrification would address a hole in existing programs and open up access to state and federal clean energy funding that is currently out of reach for many New Yorkers.

A \$200 million program in the state budget to remediate older houses and apartments of low- and moderate-income New Yorkers, readying them for weatherization and electrification, would finally begin to address a hole in existing programs and open up access to state and federal clean energy funding that is currently out of reach for many New Yorkers.