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# New York State's Cap-Trade-and-Invest Program Can Financially Benefit Many Households

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## What's the story?

New York State is soon expected to issue a draft rule for its cap-trade-and-invest program, which seeks to reduce the state's greenhouse gas emissions by selling emission allowances to large emitters, such as industrial plants. These sales would then generate revenue for climate action across the state and for New York households. Emitters could pass some or all the costs of these allowances to consumers in the form of higher fossil-fuel prices—an outcome that raises affordability concerns among policymakers and community members.

A [new paper](#) by a team at Resources for the Future (RFF) and the New York City Environmental Justice Alliance (NYC-EJA) finds that these affordability concerns may not loom quite as large as some may fear. In their new analysis, the researchers find that a system of targeted cash payments as well as funds for electrification investments (e.g., heat pumps and electric vehicles) may actually create net financial benefits for many New York households, more so when allowance prices are higher.

## How do we know?

The research team conducted new modeling to analyze the affordability concerns associated with New York's proposed cap-trade-and-invest policy. They used advanced econometric models that estimate electrification and energy use for residential buildings and light-duty transportation. From there, they could assess how different prices associated with the cap-trade-and-invest program could alter household expenditures, and how those expenditure changes compare to potential cash payments and subsidies the program could deliver.

The team assessed the effects of the program on eight income groups and 145 regions. Notably, this analysis only considers the effects of changing fuel, home-heating appliances, and vehicle costs. The modeling does not consider how the cap-trade-and-invest program may affect the costs of other goods and services.

## Who benefits most?

New York plans to set aside money earned from the sale of carbon allowances and return it to New Yorkers in some form of payment.

The new research shows that when cash payments are targeted based on regional energy costs and household income, average fossil fuel cost increases for households that make less than \$200,000 a year could be fully covered by program revenues provided to households. Fully electrified households, which are less exposed to fossil fuel prices, stand to benefit the most from the cap-trade-and-invest program, but many households still operating gasoline vehicles and gas furnaces would receive payments that exceed average cost increases. When subsidies for purchasing heat pumps and electric vehicles are also considered, the picture for households looks even better.

The models find that charging large emitters a higher price for allowances can actually create more benefits for many households, as a higher price means larger revenues for the state and higher cash payments to households. For low- and middle-income households, average cost increases associated with the higher allowance price are outpaced by the boosted cash payments associated with higher program revenues.

## What are the other impacts?

The research also bolsters [previous findings](#) from the same research team that the cap-trade-and-invest program could significantly reduce greenhouse gas and co-pollutant emissions. Pollutants such as sulfur dioxide and nitrogen oxides—which negatively affect public health—would see steep declines. The researchers show that New York could reduce significantly more pollution, and see greater public health improvement, under high allowance prices than under low prices.

## Where can I learn more?

Read the report, “[Analyzing Affordability: Supporting Households under New York’s Cap-Trade-and-Invest Policy](#),” by Molly Robertson (RFF), Alan Krupnick (RFF), Wesley Look (RFF), Eunice Ko (NYC-EJA), Conor Bambrick (NYC-EJA), Celeste Perez (NYC-EJA), and Eddie Bautista (NYC-EJA).

For more work by RFF and NYC-EJA researchers about the NY cap-trade-and-invest policy, [click here](#).

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