

A Preview of Potential Significant Impacts to Buildings from State Climate Goals

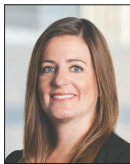
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Recent extreme weather events continue to highlight the threat to our economy and society posed by climate change. Indeed, most experts agree that dramatic action is required now to avoid catastrophic future impacts. To this end, the Biden administration has made tackling climate change one of its most important goals. Even prior to this renewed focus at the federal level, some states had already begun implementing legislation to combat climate change.



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Most notably, in 2019, New York State enacted the Climate Leadership and Community Protection Act (CLCPA), which has been called the most ambitious and comprehensive clean energy law in the United States. Among the CLCPA's aggressive targets is a reduction in greenhouse gas (GHG) emissions by 40% by 2030 and 85% by 2050. The CLCPA also mandates that 70% of all energy used in the State come from renewable sources by 2030, and 100% of the State's electricity supply be carbon-free by 2040.

In furtherance of these rigorous goals, changes are envisioned across multiple sectors of New York State's economy. These changes will be guided by the recommendations of the Climate Action Council (CAC), a 22-member committee tasked with creating a scoping document that will establish the framework for the CLCPA's implementing regulations. The CAC is expected to issue its draft scoping document by January 1, 2022, and it will likely have vast and far-ranging impacts to a number of sectors throughout the State.

Keeping an eye on the work of the CAC and its advisory panels can provide insight as to what potential impacts to each sector may look like. Recently, the CAC's Energy Efficiency and Housing Advisory Panel ("EE&H Panel") has been developing recommendations to the CAC to tackle one of the largest sources of GHG emissions—buildings—which produce approximately 30% of all GHG emissions through energy usage for heating, cooling, lighting and power. Some of the measures being considered by the EE&H Panel include energy efficiency benchmarking and performance standards, mandates for the increased electrification of existing buildings and even the complete electrification of new construction in the next 5-10 years. Building "electrification," as used in this context, means that building owners and developers would have to move away from fossil fuels as a source of energy. For example, this might require new or existing buildings to use electric space heaters, heat pumps and electric hot water heaters instead of gas, propane or oil heating, as well as energy-efficient electric appliances instead of gas-powered appliances, like a gas stove.

In addition to the EE&H Panel's development of recommendations, on March 16, 2021, Governor Andrew Cuomo proposed the Advanced Building Codes,

Appliance and Equipment Efficiency Standards Act of 2021. The Act is meant to strengthen the State's building and energy codes, and to improve appliance efficiency to help achieve the goals of the CLCPA.

Of course, increased energy efficiency and electrification of buildings alone will not result in attainment of the aggressive CLCPA targets, as these changes will likely result in a significant increase in demand for electricity, especially in the winter months. As a result, the electric grid must itself be upgraded, and move away from its reliance on fossil fuels and towards renewable energy sources, to meet

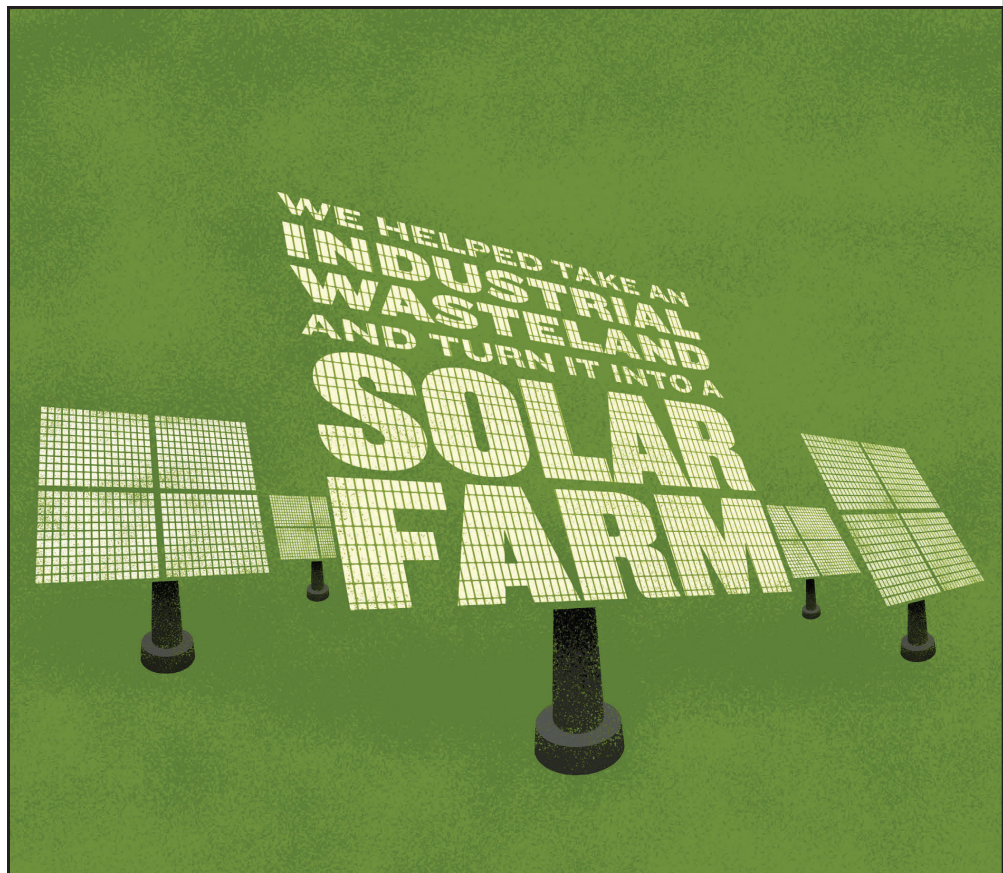
the CLCPA's climate targets. The EE&H Panel has engaged in discussions with the Power Generation Advisory Panel to evaluate the interplay between its recommendations and the ability of the power generation sector to adapt.

The EE&H Panel anticipates sending its formal recommendations to the CAC for review in May. It will be important for building owners and developers to monitor these recommendations – and, eventually, their inclusion in the scoping document – to understand what compliance obligations, as well as economic and other impacts to

buildings, may be included in the forthcoming regulations.

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