

GREEN SHEET | New York

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**ENVIRONMENTAL
ADVOCATES OF NEW YORK**

YOUR GOVERNMENT WATCHDOG

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NYS FISCAL YEAR 2008-2009

\$1.5B—Projected state budget deficit

10%—State agency budget cuts

200+—Projected DEC staff lost to retirement under hiring freeze

\$38.9M—Projected 2008 revenue loss due to bunker fuel tax exemption

\$8M—New York's investment in Jamestown "clean-coal" plant

\$650M—State investment to build technology center on designated wetlands

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- Director's Chair
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- OSI Citizen Action Program

Saving Green

As the clouds of a worldwide economic recession gather in the distance, New York State lawmakers returned to Albany for a second "emergency" session to address the state's burgeoning fiscal crisis. Facing a \$1.5 billion deficit, Governor David Paterson asked legislators to consider another round of budget amendments to close the gaping hole in the state budget in mid-November.

During the 2008 Legislative Session, Governor Paterson called on lawmakers to reduce spending by 3.35 percent. In July, legislators were asked to reduce state spending by an additional seven percent. By summer's end, agency budgets were cut more than 10 percent and the Governor instituted a hiring freeze.

Environmental Advocates of New York has long documented the negative impacts of staff reductions at the state's Department of Environmental Conservation (DEC). And earlier this year, we released our first report on the intersection of the state budget and environmental health, *Wa\$ted Green: How Lost Revenue & State Spending Shortchange New York Taxpayers & the Environment*.

In response to the most recent round of cost cutting, Environmental Advocates is releasing *Saving Green: Addressing New York State's Fiscal Crisis & Protecting the Environment*. Our second look at state fiscal policy highlights questionable spending, misaligned tax credits that promote pollution, an energy boondoggle in the making, and a power subsidy program that removes any incentive to conserve energy.

TAX BREAKS FOR DIRTY FUELS

State law requires New York to maintain a "reasonable degree of purity of the air resources." To achieve this goal, the state has enacted a comprehensive system of laws and regulations to control pollution. However, we've found that the state's clean air laws are at odds with tax incentives for dirty fuels.

Under state tax law bunker fuel sales are exempt from tax. Bunker fuel is what remains after the oil refining process is completed and crude oil has been transformed into gasoline and other fuels. This left-over, high sulfur content sludge is burned by cargo ships and other marine vessels. And it's polluting the air New York strives to keep clean.

Over the last five years, New York has lost an average of \$34.5 million annually as a result of the bunker fuel tax exemption—more than \$300 million since 1994. The state is projected to lose \$38.9 million in 2008.

"CLEAN COAL"

In what would be New York's first new coal plant in 25 years, the Jamestown Board of Public Utilities has proposed a "clean coal" power plant the community simply does not need. The municipal utility currently relies on the New York Power Authority to meet 80 percent of its electric needs and has an under-utilized natural gas turbine sitting idle.

But in 2007, Jamestown officials proposed building an experimental plant that would capture and sequester carbon dioxide, and they

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STAFF NEWS

Environmental Advocates' assistant director Patti Kelly is leaving us at the end of this year to pursue new challenges. Patti joined us in March of 1999, and leaves a legacy of hard work, commitment and shoes impossible to fill.

Patti's many responsibilities included board development and managing all of our fundraising. She produced our annual Advocate Awards gala, and thanks to her leadership and dedication, the awards are an enormous success—introducing us to thousands of New Yorkers who want to protect the state's air, land and water and reinforcing the collegiality of the environmental community while bringing in precious revenue to carry on our work.

Over the span of her 10-year career with Environmental Advocates, Patti has served as liaison to the board's Development, Event and Executive committees and its Committee on Directors.

After taking a week or two to recharge her batteries, Patti looks forward to working in her beloved town of Saugerties in the Hudson Valley and spending more time as voluntary chair of its Green Energy Task Force. She also plans to continue as a loyal member of Environmental Advocates of New York.

Patti will be missed by all of us for years to come.



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DIRECTOR'S CHAIR

Environmental Advocates of New York is proud of the fact that we don't just identify problems, we propose solutions.

With the state's budget deficit growing larger by the day, Environmental Advocates is proposing solutions that would both address the budget crisis and enhance environmental protection efforts. As you may read in our cover story, we released *Saving Green* in November, a report that sheds light on how the state can save green, in terms of both its financial and natural resources.

Saving Green is the latest report from our new Fiscal Policy Program. Environmental Advocates has long recognized the importance of looking beyond state laws and regulations for solutions to environmental problems. Such is the case with *Saving Green*, and our earlier report, *Wa\$ted Green*, which we released back in February (both reports are available at www.eany.org/reports).

Some people believe that responsible environmental protections will result in a weaker economy. If anything, the opposite is true.

That's one of the reasons I'm so excited about the work being done by our Fiscal Policy Program. We have a lot of win-win opportunities available to us with regard to the intersection of the environment and the economy. The current economic crisis has created an atmosphere in which the nation may

finally recognize this to be true, whether we're talking about our energy future or the problems of Detroit automakers.

The U.S. auto industry has fallen hard times, partly because of its reluctance to embrace a changing market, one that is increasingly driven by environmental concerns and consumers' desire for more fuel efficient vehicles. American automakers chose not to adapt to the new market and now they're suffering the consequences. In the future, the same might be said of power companies if they continue to ignore New Yorkers' desire for clean energy.

Our Fiscal Policy Program was designed to encourage conversations like these. We're committed not only to making "green" environmental arguments, but also to ensuring state policy makers understand how responsible decisions to protect our natural resources are good for New York's bottom line.



Robert Moore

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\$AVING GREEN

found a buyer—New York State. This past June, Governor Paterson announced an agreement to pursue development of this science project.

Arguments for pursuing clean coal in New York are weak given its cost. Because as much as 30 percent of the plant's output will be required to operate the oxy-fire carbon capture process, costs to operate the facility will increase by as much as 40 percent. New York has plans to conditionally invest up to \$8 million in Jamestown's clean coal facility. Earlier in the year, the state earmarked \$400,000 for the project.

Rather than investing in clean coal, New York should show the world how to generate electricity from truly clean energy resources such as solar and wind. State investment in coal research may make sense for states that produce coal, but New York has no active coal mines and no extra resources to spend on an unproven technology such as this.

These are just two examples of the wasteful and environmentally detrimental state spending we uncovered in *Saving Green*. Copies will arrive in mailboxes statewide before year's end. To read the full report online, visit www.eany.org.

Back in September, governors from the 10 states participating in the Regional Greenhouse Gas Initiative met at the New York Mercantile Exchange to ring in the first auction of carbon dioxide pollution allowances. Every last allowance, or "carbon credit," found a buyer. Which begs the question, how much does carbon cost?

At the September auction, bids on allowances resulted in a clearing price of \$3.07 per ton. This price was well above the \$1.86 reserve price, reflecting a robust demand for carbon credits. Each auction will set its own clearing price, which could be higher or lower than the September price. However, the \$3.07/ton price is a great starting point and will help ease power plants' transition to a federal program, under which carbon will likely be much more expensive.

The \$3.07 per ton price could generate as much as \$200 million in new revenue for New York. It's important now more than ever that the money generated goes to clean and green energy efficient technologies. With the state budget deficit now estimated to be \$1.5 billion, it would be easy for decision makers to use auction revenue to plug the fiscal hole. But if put to best use, auction revenue generated by the regional climate plan will save New Yorkers money while reducing energy use and power plant pollution.

With New York primed to participate in the December 17 auction, the stage is set for the state to become a national leader among climate change programs. The success or failure of the regional climate plan is directly linked to how auction revenues are invested. And our hope is for a cleaner, greener New York State.

Citizen Action Program

Open Space Institute's Citizen Action Program offers fiscal sponsorship for start-up and volunteer organizations working on all types of environmental and historic preservation issues.

What is fiscal sponsorship? Through Citizen Action, Open Space Institute functions as a "home" for activists so they can focus on the issues they are passionate about while the Institute deals with the IRS, state, city and related accounting and financial management issues. Open Space Institute is the fiscal sponsor to more than 30 groups and is actively expanding the program.

Open Space Institute sponsors diverse projects united by missions focused on protecting natural habitats and historic places, making cities and communities more livable, and connecting people with the land; and by the incredible volunteers who provide the leadership for these efforts.

For more information about the Citizen Action Program, go to www.osiny.org.

BOARD NEWS

Environmental Advocates welcomes two new members to our Board of Directors.

- Robert Bourque is Partner in the Litigation Department and Intellectual Property Practice Group at Simpson Thatcher & Bartlett LLP. In recent years, his primary area of concentration has been representing pharmaceutical, health care and biotechnology companies. He has also represented the Natural Resources Defense Council in Internet, intellectual property and environmental matters.

- Peter Stavros is a member of the Health Care industry team at Kohlberg Kravis Roberts & Co., where he is responsible for overseeing the management of a portfolio of health care companies. Part of his work includes looking for ways to "green" these companies' operations, such as improving energy efficiency and integrating renewable on-site power generation.

We extend a warm welcome to Bob and Peter and look forward to working with them.



New Board member Bob Bourque with Louise Middleton and Mark Gallogly at the 2007 Advocate Awards.

BECOME AN ENVIRONMENTAL ADVOCATE TODAY!

Stay up-to-date on statewide environmental issues by becoming a member of Environmental Advocates of New York for just \$35. Membership includes a subscription to our bi-monthly *Green Sheet New York* newsletter and a copy of EPL/Environmental Advocates' annual *Voters' Guide*.

Please be sure to include your address with your payment. For more information, contact **Margaret Fandrich at 518.462.5526, ext. 236.**

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