FPI
Fiscal Policy Institute

540 Broadway
Albany, NY 12207
Tel: 917-565-0715
press@fiscalpolicy.org

July 2024

Fact Sheet: Climate Change Superfund Act Needed to Fund New York's Climate Adaptation

Last month, both the Senate and Assembly of the New York State legislature passed the Climate Change Superfund Act. The Act, first introduced during the FY 2024 budget cycle, would require the largest fossil fuel companies to pay a total of $75 billion — to be paid over 25 years in $3 billion annual increments — to New York State. Each of the world's top fossil fuel emitters will be required to pay a share of the total $75 billion based on their proportional contribution to overall emissions.

The revenue received by the State will be used to pay for Climate Change adaptation measures, including measures to adapt to rising sea levels and the increasing frequency of extreme weather events — measures that wouldn't be needed, in theory, but for the high emissions caused by these companies' business activities.

FPI strongly encourages the Governor to sign the Climate Change Superfund Act into law to mitigate the fiscal costs of climate change adaptation and build a more robust and resilient New York.

The Climate Change Superfund is a necessary source of revenue to pay for the steep costs of climate change incurred by New Yorkers.

- Current estimates show that the total cost of climate change adaptation will be about $163 billion in New York City alone, and well over $200 billion for the State as a whole.[1]
- The total revenue from the Climate Change Superfund Act will cover less than 38 percent of estimated NY climate change adaptation costs.
- In the absence of the Climate Change Superfund, New Yorkers will face increased costs of about $4,000 per person over the next 25 years.

[1] Estimates come from NYPIRG (Nov. 2023), the NY Comptroller (April 2023), and the bill text for the Climate Change Superfund Act.

Figure 1. Revenue from the Climate Change Superfund Act compared to estimated climate adaptation costs for NYC.

Billions of US Dollars ($)

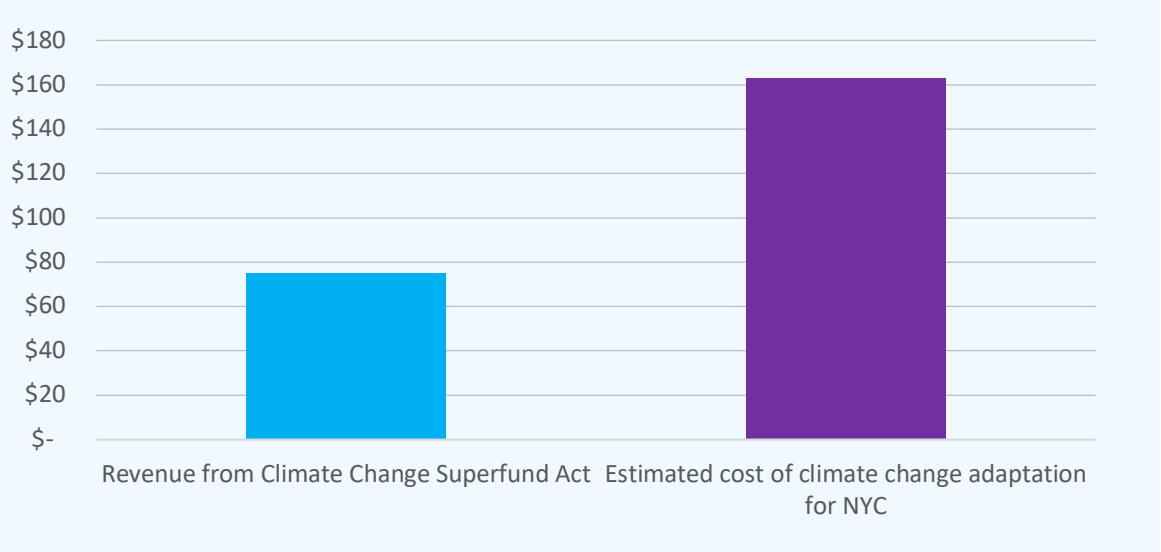
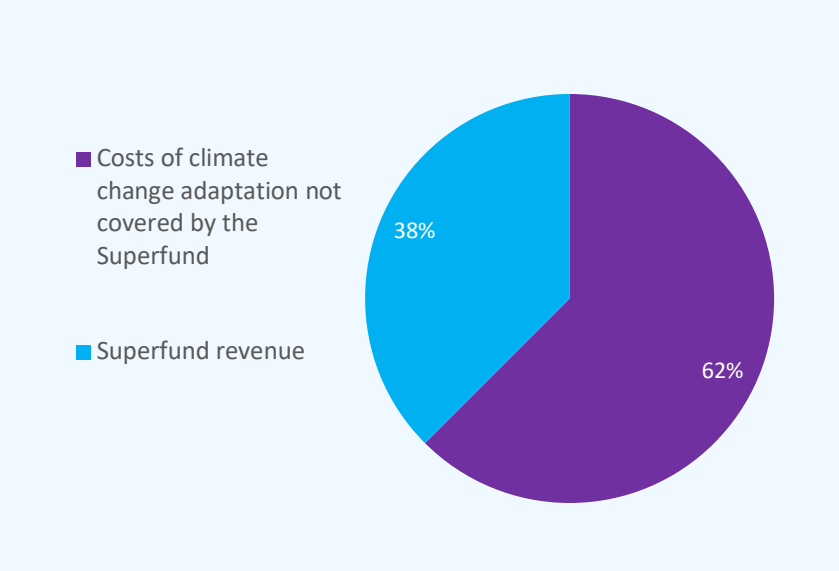


Figure 2. Revenue from the Climate Change Superfund Act as a proportion of estimated climate adaptation costs for New York State.

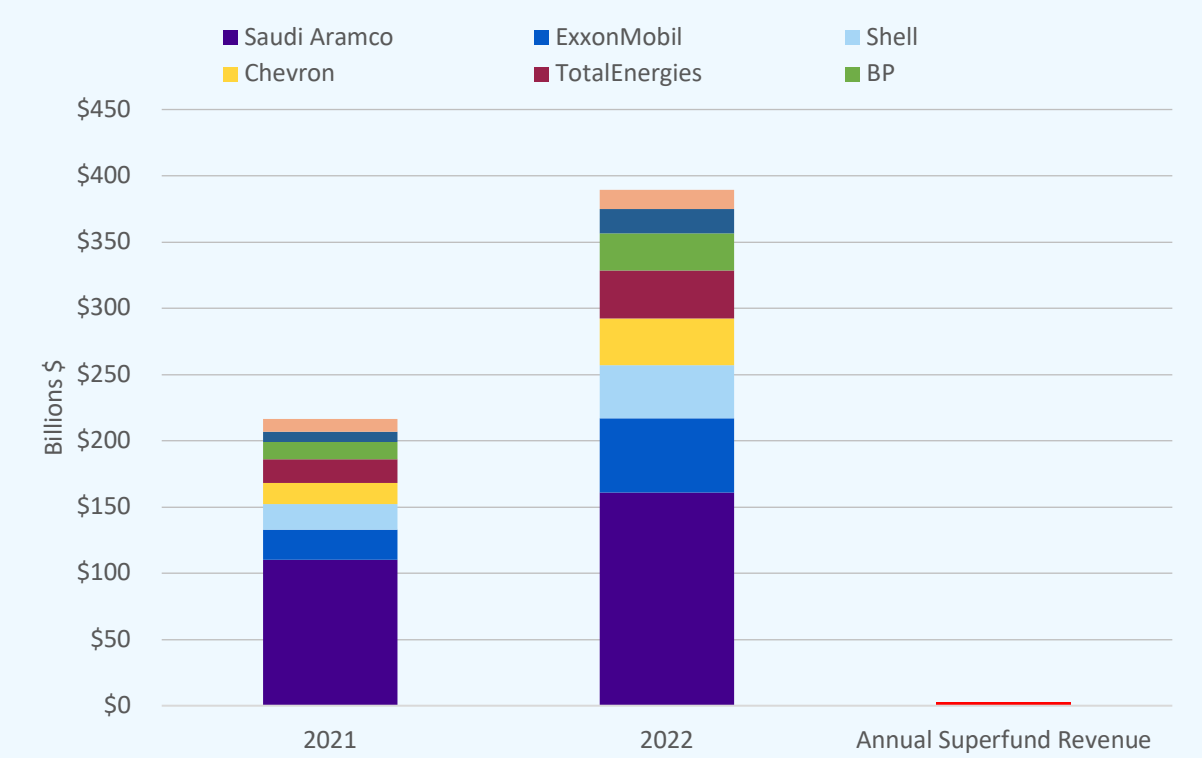


The Climate Change Superfund Act will raise significant revenue for the State without having a significant impact on the fossil fuel industry.

- The Superfund bill only applies to companies that emitted over 1 billion metric tons of CO_2 between 2000 and 2018; this includes only 30 to 40 firms, such as US companies like ExxonMobil and Chevron and foreign companies including Saudi Aramco, Shell, and BP.[2]
- The largest eight of these fossil fuel companies collectively earned $389 billion in profits in 2022 alone, meaning that an annualized fee of $3 billion amounts to less than 0.8 percent of industry profits in some years.[3]

Figure 3. Net profits for large fossil fuel companies that would be impacted by the Climate Change Superfund Act

Billions of US Dollars ($)



[2] NYPIRG, Nov. 2023
[3] NYPIRG, Nov. 2023

The costs imposed on companies by the Climate Change Superfund Act will not be passed on to consumers and will not raise energy costs.

- The Superfund is designed to tax the past actions of mega-emitters. By taxing *previous* behavior, the tax does not influence current or future decisions of these companies.
    - Because the tax is designed to be a fixed cost for these companies, it does not impact their revenue-maximizing price or the quantity of fossil fuels produced. That is, companies would lose additional profit, rather than recover part of the cost of paying the Superfund tax, if they adjusted prices for consumers in response to the tax.
- Taxes can raise prices for consumers when they affect all market participants similarly — for instance, if all businesses paid a 10 percent tax on sales of soft drinks, every soft drink retailer might raise their prices by 10 percent. The Superfund tax, by contrast, affects only a small number of market participants, and each is affected *differently*, so there is no mechanism by which it could raise prices across the board for consumers.
    - Suppose that Company A pays a very large tax to the Superfund and raises its prices to make up for the amount of tax paid. Other companies that are paying either (i) no Superfund tax or (ii) a lower Superfund tax will be able to sell their products for a lower price, thereby outcompeting Company A — forcing it to lower its prices to the market rate.

Sources

Howard, Peter H., & Xu, Minhong. "Enacting the 'Polluter Pays' Principle: New York's Climate Change Superfund Act and Its Impact on Gasoline Prices," Institute for Policy Integrity, November 2022.
https://www.nypirg.org/climatechange/files/Final_Brief_MPP_Economics.pdf

Rabe, Anne. "On the Backs of New York City Taxpayers: The Extreme Costs of Climate Change," New York Public Interest Research Group, November 2023. https://www.nypirg.org/pubs/202311/Report_and_Release_Costs_of_Climate_Change_Nov2023.pdf

New York State Comptroller, "New York's Local Governments Adapting to Climate Change: Challenges, Solutions and Costs," April 2023.
https://www.osc.ny.gov/files/local-government/publications/pdf/climate-change-2023.pdf

NY Department of Taxation and Finance, "Personal income tax: Tabular data," March 2024.
https://www.tax.ny.gov/data/stats/taxfacts/pit-tables.htm#rfbty

Climate Change Superfund bill text, Bill No. S02129B/A03351-B, June 2024.
https://nyassembly.gov/leg/?default_fld=&leg_video=&bn=S02129&term=2023&Summary=Y&Actions=Y&Committee%26nbspVotes=Y&Floor%26nbspVotes=Y&Memo=Y&Text=Y&LFIN=Y&Chamber%26nbspVideo%2FTranscript=Y