



Avoiding Local Law 97 carbon tax fines and immediate steps for existing building owners - by Michael Steinweiss

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Local Law 97, also known as the Climate Mobilization Act, established a first of its kind “carbon tax” on the Greenhouse Gas Emissions of all buildings larger than 25,000 s/f in New York City. As awareness of this tax increases the question building owners and managers should be asking themselves is how to reduce their greenhouse gas emissions. Failure to comply with this law comes with harsh financial penalties. This law authorizes annual fines of \$268 per ton when a building exceeds its emissions limit. For example, a 250,000 s/f commercial office building will have a proposed limit of 2,115 tons beginning in 2024. If this building were to achieve only half of the city’s desired 40% savings goal and exceed the limit by 20% then the projected fine would be \$113,364 a year. Additionally, failure to file the mandated compliance reports will come with penalties of \$0.50/s/f per month.

The first step for any existing building is to utilize its existing data sources from the Local Law 84 Benchmarking and Local Law 87 Energy Audit processes. If performed properly, compliance with these laws will identify your current carbon footprint for Local Law 97 purposes and provide you with a pathway to reducing it. While Local Law 87 energy audits are a good first step, investment grade level III energy audits will provide more accurate energy savings calculations and the necessary level of detail to implement any proposed measure. In addition to energy audits, utilizing a continuous commissioning and real time energy management platform will allow building operators to identify O&M related savings opportunities. Also, by taking immediate action and not waiting for 2024 to begin work, building owners and managers can take advantage of existing incentive programs that may not be available in the future.

Unfortunately, many older buildings will not be able to avoid carbon tax penalties through retrofits alone or will have to implement measures with unfavorable financial payback schedules. To help these older buildings reach the goal of zero carbon tax there are three alternatives: onsite power generation, renewable energy and the purchase of renewable energy credits.

Onsite power generation such as combined heating and power (CHP) plants that utilize reciprocating engines or micro-turbines should be the top priority for applicable buildings. Ideal candidates are those with large year-round domestic hot water heating needs such as hotels and multi-tenant residential spaces. Healthcare facilities or those with a year-round demand for hot water or steam for process equipment are also ideal. Efficient Energy Compliance can assist in all stages from initial project feasibility screening to post construction measurement and verification. Properly designed CHP projects will have short payback periods and internal rates of return (IRR) that can

exceed 20%. Additionally, CHP capacity can be sized to eliminate a buildings carbon tax entirely thus negating the need for retrofits that will disturb your buildings occupants or tenants.

Renewable energy generation is another option to offset greenhouse gas emissions in a profitable manner. Solar photovoltaic and solar domestic hot water arrays are excellent options for those buildings with available roof space or open parking lots. Vertical axis wind turbines are ideal for buildings adjacent to coastlines and waterways. Additionally, thanks to the provisions in the law regarding renewable energy credits, these systems don't have to be installed on your building. Simply, install these systems on any building in NYISO Zone J which includes New York City and several neighboring counties and transfer the savings utilizing renewable energy credits. Self-generated renewable energy credits will need to be certified by a qualified independent party before they can be used to offset your greenhouse gas consumption. Local Law 97 also effectively places additional requirements on energy procurement strategies as one must now analyze the renewable sources utilized by the provider.

Eliminating your building's carbon tax penalties may seem like an impossible and intimidating task. However, the goal of zero carbon tax penalty can be profitably achieved through proactive planning and design.

Please contact me to learn how Efficient Energy Compliance can help at msteinweiss@eecnyc.com.

Michael Steinweiss is principal at Efficient Energy Compliance, New York, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540