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March 19, 2025

Hon. Kathy Hochul  
Governor of New York  
NYS State Capitol Building  
Albany, NY 12224

Hon. Charles E. Schumer  
United States Senator  
Hart Senate Office Building, 322  
Washington, DC 20510

Dear Governor Hochul and Senator Schumer:

On March 10, 2025, you requested that our agencies assess the impact of President Trump's tariffs on energy imports from Canada to provide you with an initial report within seven days. Specifically, you requested:

1. A comprehensive analysis of how these tariffs will increase costs for electricity, natural gas, heating fuels, and other essential energy sources across the state.
2. An assessment of supply chain vulnerabilities, particularly for communities in the North Country and other areas with limited alternatives.
3. A clear evaluation of the impact on ratepayers and businesses, including expected price increases and affordability concerns.
4. A review of New York's contingency plans in the event Canada retaliates by restricting energy exports.
5. An examination of the feasibility of adding a one-line "Trump Tariff" cost indicator on utility bills, ensuring that New Yorkers can see exactly how much this federal policy is costing them each month.

The fluidity and uncertainty surrounding President Trump's trade policy makes it difficult to accurately forecast the precise impacts of the tariffs. It is still unclear whether the tariffs are meant to include electricity sales. While the 10 percent energy tariff has been in place since March 4, and energy imports have continued unchanged since they took effect, the tariffs have not yet appeared on invoices from suppliers.

The subject matter experts from our agencies have reviewed available data, and consulted with personnel from affected industries, including electric and natural gas utilities, fuel suppliers, and the New York Independent System Operator, to develop an initial report (attached). The report examines the impact that the 10 percent energy tariff may have on natural gas, heating oil, propane, diesel, and gasoline imports. It also examines a range of impacts a 10 to 25 percent tariff could have on electricity imports. Although impossible to accurately forecast at this time, it is expected that tariffs on non-energy products will impact the supply chains in the energy sector, exacerbating the effect of energy tariffs. Such non-energy products

include steel and aluminum that are used in the construction of transmission and distribution facilities, electric generation projects currently under development, and other utility infrastructure investments needed to meet New York’s growing energy demand – all of which will ultimately impact electricity and natural gas rates to consumers. A summary of key findings from the report is provided below.

**Vulnerabilities.** Most natural gas companies across New York can source gas from alternative suppliers if Canada blocks natural gas exports. However, Liberty Gas relies heavily on Canadian imports to serve its 14,682 residential customers, 1,770 commercial customers, 21 industrial customers, and two cogeneration facilities in the North Country region. Additionally, approximately 5,400 customers in the City of Plattsburgh receive natural gas directly from Canada, and the city has no pipeline connection to the rest of New York’s gas network. In the unlikely event that Canadian imports become unavailable, there are no viable options for providing compressed or liquified natural gas (CNG/LNG) to the affected communities as the utilities in the North Country do not have the specialized infrastructure needed to accept trucked deliveries of CNG/LNG, nor do the delivery companies have sufficient personnel and fleet capacity to replace a significant loss of supply.

The greatest concern in a prolonged electricity trade dispute with Canada is the possibility that Canada could halt electricity exports to New York. Losing access to Canadian imports during the peak summer cooling months could create significant reliability challenges. In the event Canada prevented electricity exports to New York, our electricity demand would be met with imports from neighboring U.S. jurisdictions, more frequent run-time from in-state natural gas plants, and, in extreme circumstances, retired natural gas plants could be called back into service.

**Contingency Plans and Alternatives.** In general, the [NYS Energy Emergency Plan](#) outlines how DPS, NYSERDA and other State government agencies coordinate in case of an energy emergency. In addition to the energy market intelligence gathered and assessment of potential impacts taken thus far, agencies may evaluate options to offer relief through appropriate waivers for truck, railcar, and waterborne shipments of fuels. Coordinating with private and public entities on additional emergency measures, such as warming centers and temporary shelters, may be warranted if service shut-offs materialize.

**Statewide Energy Cost Impact.** New Yorkers are largely insulated from costs related to President Trump’s tariffs on Canadian energy in the near-term. New York is rigorous in its policing of energy reliability and has invested significantly into clean energy and transmission projects. Nonetheless, in an energy sector where electricity alone is an approximately \$7 billion commodity market in New York, we could experience the below impacts in the short-term:

- Electricity costs could increase by \$42 million to \$105 million per year based on the New York Independent System Operator’s review of historical electricity imports from Canada and the magnitude of the tariff, which is still unknown for electricity.
- Based on agency staff’s review of historic trade patterns:
  - Natural gas costs could increase by \$4.4 million per year;
  - Heating oil costs could increase by \$57 million per year;
  - Diesel costs could increase by \$48 million per year;
  - Propane costs could increase by \$16 million per year; and
  - Gasoline prices could increase by \$26 million per year.

**Affordability.** The cost increases noted above will be borne by households and businesses across New York. While not overly significant in the short-term, over time, and with added influence from tariffs on other sectors, New Yorkers could experience increasing cost impacts. New York’s Energy Affordability Policy has established a goal to cap household energy expenses at no more than six percent of household income. Under this policy, New York utilities provide utility bill discounts to eligible low-income households. The policy is funded by all of New York’s utility ratepayers and supplemented by the federal


Low-Income Home Energy Assistance Program (LIHEAP). As these discounts are adjusted annually to reflect actual energy costs, any energy cost increases caused by the tariffs will require increasing the budget for the Energy Affordability Policy. Continued federal assistance from LIHEAP is essential to help vulnerable New York households pay for their utility service.


**Transparency.** Some natural gas suppliers have already indicated that they will include a line item on their invoices to affected utilities. While it is infeasible to require utilities to add a specific line to all utility bills, the Department of Public Service will open a public-facing docket to track the impact.

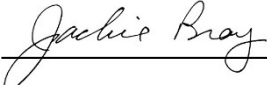
In closing, New York State is a major trade partner with Canada and there are extensive daily energy transactions in both directions across our borders. While the fluidity of this situation makes it difficult to forecast the precise energy cost impacts of the tariffs, we have concluded that the potential cost impacts will likely not be material in the short-term, but due to extensive variables outside of our control, the tariffs could have significant affordability impacts in the long-term. Furthermore, we have assessed that there are no viable alternatives to Canadian gas supply for thousands of natural gas customers in the North Country and we urge all parties involved to consider the human life and safety implications of halting cross border energy transactions.

Our agencies will continue to assess the impacts of President Trump's decision to impose tariffs on Canadian energy products and take appropriate actions to safeguard New Yorkers.

Sincerely,

  
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Rory M. Christian  
Chair and Chief Executive Officer  
New York State Department of  
Public Service

  
\_\_\_\_\_  
Doreen M. Harris  
President and Chief Executive  
Officer  
New York State Energy Research  
and Development Authority

  
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Jackie Bray  
Commissioner  
New York State Division of  
Homeland Security and  
Emergency Services

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## MEMORANDUM

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**TO:** Governor Kathy Hochul and Senator Charles E. Schumer  
**FROM:** Department of Public Service, New York State Energy Research and Development Authority, and New York State Department of Homeland Security and Emergency Services  
**SUBJECT:** Initial Report on Canadian Tariff Impacts  
**DATE:** March 19, 2025

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### **Initial Report on Canadian Tariff Impacts**

Submitted by New York State Department of Public Service (NYS DPS), New York State Energy Research and Development Authority (NYSERDA), and New York State Department of Homeland Security and Emergency Services (NYS DSHES).

#### **Applicability**

The Trump tariffs on Canada, which took effect on March 4, 2025, impose a 10% duty on certain energy products, including crude oil and petroleum products (such as gasoline and diesel), natural gas, coal, uranium, and biofuels. While fuels are explicitly covered, electricity is not mentioned, creating uncertainty about whether it is included. Currently, no tariffs are being applied to electricity sales due to the lack of a mechanism to do so and the absence of clear guidance on its inclusion. The federal government has not provided guidance regarding the applicability or method of capture for electricity in the energy tariffs. Therefore, further clarification from the federal government is needed.

#### **Seasonal Impact**

Seasonal shifts in energy demand will influence pricing in New York, with tariffs on Canadian fuel potentially compounding these effects. During the winter months, New York is more reliant on Canadian natural gas and heating oil, therefore making fuel prices more sensitive to tariff-related cost increases. Conversely, electricity imports from Canada peak in the summer, supplying about 5.5% of the state's total electricity demand in 2023, the most recent year for which data is available. While tariffs could increase costs for imported electricity, their effect may be tempered by domestic generation, transmission capacity, and hedging programs for certain customers.

Gasoline prices, however, may experience the most notable seasonal increases due to both tariffs and rising summer demand. As more people travel in warmer months, gasoline consumption increases, potentially amplifying the price increases expected from tariffs on Canadian crude and refined products. If trade tensions escalate or Organization of the Petroleum Exporting Countries (OPEC)+ policy changes drive global oil prices higher, New York motorists could see further price increases and volatility at the pump. Meanwhile, home heating oil prices should ease as

seasonal demand declines during the summer, though higher costs could return in the colder months if tariffs remain in effect.

## Electricity

In 2023, the most recent year for which data is available, Ontario and Quebec supplied approximately 5.5% of New York State's total electricity demand, according to data published by the New York Independent System Operator (NYISO). In 2023, Canada exported 8,084 GWh of electricity to New York, while New York exported 1,456 gigawatt hours (GWh) to Canada.<sup>1</sup> Most Canadian electricity exports to New York take place during the summer months when New Yorkers turn to air conditioning. During the winter, New York is more dependent on natural gas for heating.

It is unclear whether a 10% tariff on Canadian electricity would significantly impact electricity prices in New York in the near term. The NYISO has the primary mission of ensuring power system reliability and competitive markets for New York. Electricity prices are determined through competitive auctions, administered by the NYISO, where the marginal resource(s)—the least-cost set of resources needed to meet grid demand, in a given zone—set the price. When demand is high, a more expensive plant sets the price. In most hours of the year the marginal unit in New York operates on fuel types covered by the new tariffs on Canadian imports, typically natural gas. Therefore, omission of electricity from the new tariff regime would not necessarily prevent electricity price impacts since increased costs of input fuels would likely translate to higher electricity prices. Because of broader movement in the price of natural gas in the wake of tariffs, impacts are likely to be felt by generators beyond those fed by Canadian sources.

The NYISO has filed with the Federal Energy Regulatory Commission (FERC) two options for cost recovery if it is decided that the tariff applies to Canadian electricity imports. Under the recommended approach, the scheduler of the transaction (Canadian power companies, marketers, etc.) would be assigned the cost. Since Canadian imports rarely set the market price in New York, the additional 10% tariff may not result in such imports being the price setters in the market. However, if market bidding behavior changes in an attempt to reflect the increased tariff costs and Canadian power becomes significantly more expensive, it could have the effect of raising the clearing price. If the NYISO recommended proposal to FERC is not accepted, the alternative proposal would allocate these costs of the tariff of Canadian imports to New York load. To estimate the impact of the application of the duties on electricity imports, the NYISO reviewed the energy flows from the last 5 years to estimate on average the annual amount of duties that would have been collected on electrical energy imports from Ontario and Quebec based on a 10% or 25% tariff. The average annual impact based on this analysis is from \$18 to \$45 million on Ontario energy imports and \$24 to \$60 million on Quebec imports.

However, there are some mechanisms in place to protect customers from electric price volatility. The New York State Public Service Commission (NYS PSC) policy requires the major electric utilities to protect residential and small commercial full-service customers (customers that

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<sup>1</sup> In 2023, New York imported 2,652 GWh from Quebec and 3,976 GWh from Ontario. See NYISO 2024 Gold Book, pgs. 107-108. <https://www.nyiso.com/documents/20142/2226333/2024-Gold-Book-Public.pdf>. Exports include wheels between Canada and New York.

purchase supply from the utility) from market volatility by using hedging programs. Hedges are typically secured up to 36 months in advance to shield customers from significant market price fluctuations. The increased market uncertainty stemming from the new tariffs could affect electric utility hedging strategies by driving up hedge costs, particularly for contracts established now or after the tariffs take effect.

## **Natural Gas**

The largest direct impact of a 10% import tariff on natural gas would be on Liberty/St. Lawrence Gas, which serves Lewis, St. Lawrence, and Franklin counties. The company sources approximately 90% of its natural gas from Canada. The remaining balance is from renewable natural gas producers attached to its system. For an average residential heating customer, the tariff is estimated to increase natural gas supply costs by about \$25 per year, translating to a roughly 2% increase in their bill, based on 2024 commodity prices. However, tariffs applied to imports from Canada would broadly impact the supply/demand balance for natural gas writ large. As users of natural gas seek to avoid higher cost supply, these market changes are likely to marginally increase prices for utilities and their customers who do not rely on Canadian sources as well.

The geographical nature of gas utilities across the state prevents a uniform estimated impact of the tariffs. Over the past month, NYS DPS has contacted the most impacted natural gas utilities—including Liberty/St. Lawrence Gas, Central Hudson, New York State Electric and Gas (NYSEG), and Rochester Gas and Electric (RG&E)—to assess how they are managing the tariffs, given their reliance on Canadian natural gas supplies. Each of these utilities have different physical connections to pipelines and purchase gas at various locations. The tariff situation is dynamic, and Staff is in regular contact with the utilities as they work through the impacts to gas costs.

Liberty/St. Lawrence purchases gas from Canadian producers and they are waiting to see how they will be invoiced since the tariffs were initiated. The suppliers have indicated there will likely be a separate line item on the gas purchase invoices to account for the tariff costs. Central Hudson does not need any Canadian supplies for the rest of this winter and will issue requests for proposals over the summer to procure gas supplies for the winter of 2025 - 2026. Central Hudson is currently waiting to see how the tariffs evolve until that time. NYSEG and RG&E have enough domestic supply for the rest of the winter except for the City of Plattsburgh, which receives one hundred percent of its supply from Canada. Since NYSEG uses a blended pricing structure, the cost impacts associated with supply for customers in Plattsburgh will be socialized across all NYSEG full-service gas customers. NYSEG estimates the near-term potential monthly bill impact would be up to \$1.27, while RG&E estimates a monthly bill impact up to \$1.35.

Based on a conservative analysis of statewide impacts of the 10% tariff on natural gas imports, customers could see a \$4.35 million statewide cost impact. This is based on a series of assumptions including an expectation that utilities would still purchase Canadian supplies if they cost more than domestic. It also assumes that the maximum potential supply from Canada was utilized over the course of a year. In reality, if prices were constant, it would be lower than this for firm heating customers since utilities are required to purchase the least cost supply that still ensures operational reliability.

Since the tariffs took effect on March 4th, net natural gas imports to the United States have remained unchanged. More data and time are needed to ascertain whether the general flow across the border will be impacted by the tariffs. Since February 28, the Friday before tariffs were imposed, Henry Hub natural gas futures contract prices have increased by 7%, though the increase has been as high as 17% earlier in the period.<sup>2</sup> Several factors influence commodity prices in the competitive market, including the spot price in a regional supply basin, pipeline capacity costs, regional storage draw down contractual requirements (aka “ratchets”), locational demand dynamics related to weather and other facts, and increased exports in Liquefied Natural Gas.

## Gasoline, Diesel, and Home Heating Fuel

Canadian sources of diesel, heating oil, propane and gasoline form a meaningful component of supply in the Northeastern United States. Scenario analysis was performed to understand potential impact given uncertainty on regional market dynamics. If trade patterns conform to 2022 patterns, the most recent year of complete data, tariff costs on finished fuel products to New Yorkers could total in the hundreds of millions of dollars. By fuel, the cost impacts could be as high as:

<i>Fuel</i>	<i>Potential Cost (2022 trade patterns)</i>
<i>Heating Oil</i>	\$56.9 million
<i>Diesel</i>	\$48.1 million
<i>Propane</i>	\$16.0 million
<i>Gasoline</i>	\$26.2 million

Notably, the above analysis focuses on finished fuel products only. New York and neighboring states also have exposure to Canadian sources of crude oil that feed refinery production. While the majority of finished products sourced from US facilities principally located in Pennsylvania, New Jersey and other states, some portion of inputs to domestic refining are themselves imported from Canada. U.S. Energy Information Administration data indicates that the PADD1 region, which covers the East Coast, sourced approximately 17% of its crude oil from Canada in 2023, with a potentially higher fraction of imports supporting refineries in the northern part of the region. Tariffs could increase the cost of this oil, which would therefore also increase the cost of finished fuels to values above those represented in the table. It is important to note that because refineries are configured to process certain types of crude, exposure to Canadian sources of crude may not be avoidable.

The New York fuel market appears generally resilient to potential sources of disruption, including from Canada. Under regular conditions, the North Country has the highest utilization of fuel products sourced from Canada, with trucking across the border frequently the least cost and most convenient source of supply. However, recently enacted New York State law required an increased fraction of biodiesel to be blended into heating oil which required increased

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<sup>2</sup> CME Group Henry Hub Natural Gas Futures contracts, price quotes retrieved on March 14.

domestic sourcing.<sup>3</sup> In response, suppliers altered patterns of procurement to prioritize U.S. terminals without disruption to customers. Tariffs may further discourage Canadian fuel sources, which would lead to more burdensome supply chains due to greater travel distances for trucks and increased time for procurement. While this could increase prices for consumers, recent precedent indicates that volumes of fuels should remain adequate to meet demand.

## **Retaliation**

In general, the [NYS Energy Emergency Plan](#) outlines how NYS DPS, NYSERDA and other New York State government agencies coordinate in case of an energy emergency. In addition to the energy market intelligence gathered and assessment of potential impacts taken thus far, New York State regulating entities may evaluate options to offer relief through appropriate waivers for truck, railcar, and waterborne shipments of fuels. Coordinating with private and public entities on additional emergency measures may be warranted if service shut-offs materialize.

## **Electricity**

### **Cessation of Electric Delivery**

One concern in a prolonged electricity trade dispute with Canada is the possibility that Canada could halt electricity exports to New York. While New York's electricity demand is lower in the winter, losing access to Canadian imports during the peak summer cooling months could create significant reliability challenges.

To address a halt electricity exports to New York, the NYISO would take the following steps in order:

- Increase imports from neighboring jurisdictions which may have more efficient and cost-effective generation available.
- Require natural gas "peaker" plants to operate more frequently to meet demand.
- Call previously retired natural gas generation facilities back into service if additional capacity is needed; it would take time to bring these facilities back online.

Prolonging the use of peaker plants or reactivating retired natural gas facilities would require additional permit approvals from the New York State Department of Environmental Conservation (NYS DEC) and potentially the NYS PSC.

## **Natural Gas**

### **Cessation of Natural Gas Delivery**

Most natural gas companies across New York can source gas from alternative suppliers if Canada blocks natural gas exports. However, as discussed above, Liberty/St. Lawrence Gas relies heavily on Canadian imports to serve its 14,682 residential customers, 1,770 commercial

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<sup>3</sup> New York State Energy Conservation Law § 19-0327.



customers, 21 industrial customers, and two cogeneration facilities. Additionally, approximately 5,400 customers in the City of Plattsburgh receive natural gas directly from Canada, and the city has no pipeline connection to the rest of New York's gas network. In the event Canadian imports become unavailable, there are no viable options for providing compressed or liquified natural gas (CNG/LNG) to the affected communities as the utilities in the North Country do not have the specialized infrastructure needed to accept trucked deliveries of CNG/LNG, nor do the delivery companies have sufficient personnel and fleet capacity to replace a significant loss of supply. Competition with New England states, which could face similar shortages and are easier to resupply, could further drive extreme price volatility and create transportation bottlenecks.

If utilities experience a loss of supply and are not able to acquire contingency supply options, they would then deploy their emergency response plans. Initial stages would include customer outreach and isolating parts of the system for safety. Importantly, restoration of gas service is a manual effort that requires utilizing a very large mutual aid effort and is carried out by sectionalizing portions of the system. It is unlikely that meaningful gas supply could be obtained by pipeline, so trucked in supplies would be the best option, if available. Infrastructure to accept trucked supplies would need to be constructed, and human needs and core customers would need to be prioritized for restoration. This effort would likely take months to fully restore all customers on the Liberty/St Lawrence and NYSEG Plattsburgh systems if Canadian supply was disrupted.

Finally, transportation by road or rail poses a greater risk than by pipeline. Increasing the frequency and amount of hazardous material transportation, by road and rail, across New York will similarly increase public safety risks based on the potential for incidents and accidents resulting in the release of hazardous materials. In addition, emergency responders will be called upon to assist with incident response for any hazardous materials release. Further, cessation and shortage of fuel supply threatening health and safety may require evacuation and relocation of households, health care facilities, businesses, and schools. Such evacuations would require significant State and local resources, complex logistical and operational support, and the establishment of mass care operations, resulting in immediate and potential long-term impacts for the affected communities.

## **Gasoline and Home Heating Fuel**

### **Cessation of Gasoline and Home Heating Fuel Exports**

Northern areas of New York State currently rely on the continuous availability and resupply of gasoline and diesel fuel to maintain public safety, commerce, and the well-being and economic vitality of its residents, businesses, and governments. Residential and business areas along the Northern border of New York State, shared with Canada, all require these vital resources; in the case of retaliation, a concerted effort—including waivers and other coordination measures—to support reconfiguration of supply chains would be prudent. While recent history indicates that New York supply chain resilience can absorb changes to product sourcing, including reducing utilization of Canadian fuels, potential retaliation may meaningfully increase risks. Because such a cessation may be sudden and more comprehensively cover multiple fuels simultaneously, required adjustments may be more significant and disruptive.