

# Vermont Participation in the Transportation and Climate Initiative

January 9, 2020

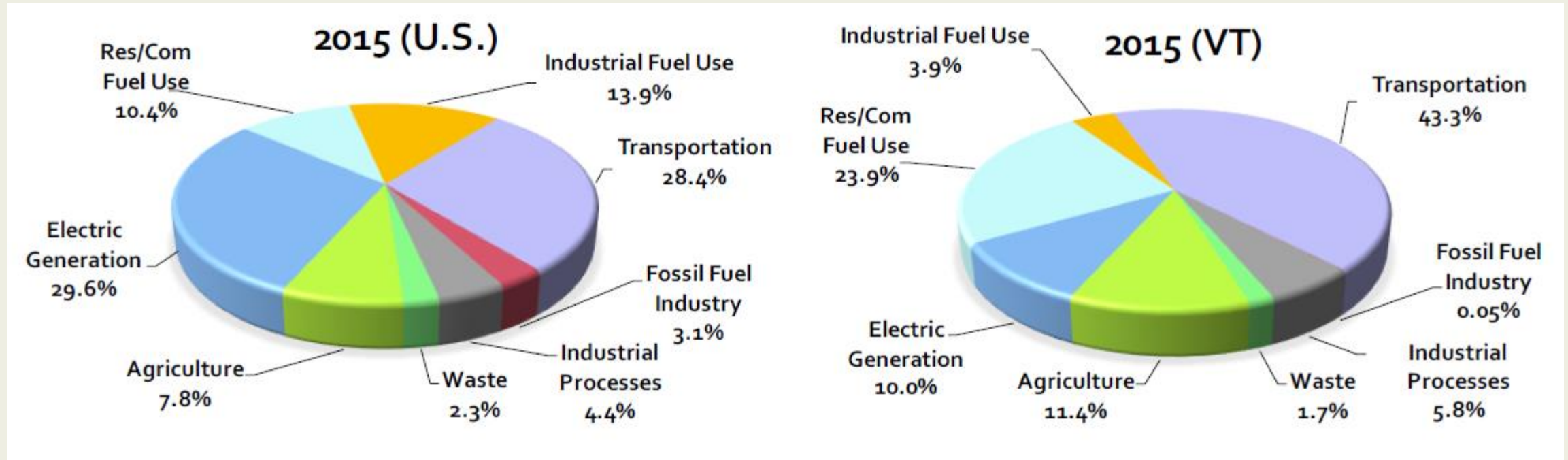
House Transportation Committee

Michele Boomhower, Vermont Agency of Transportation

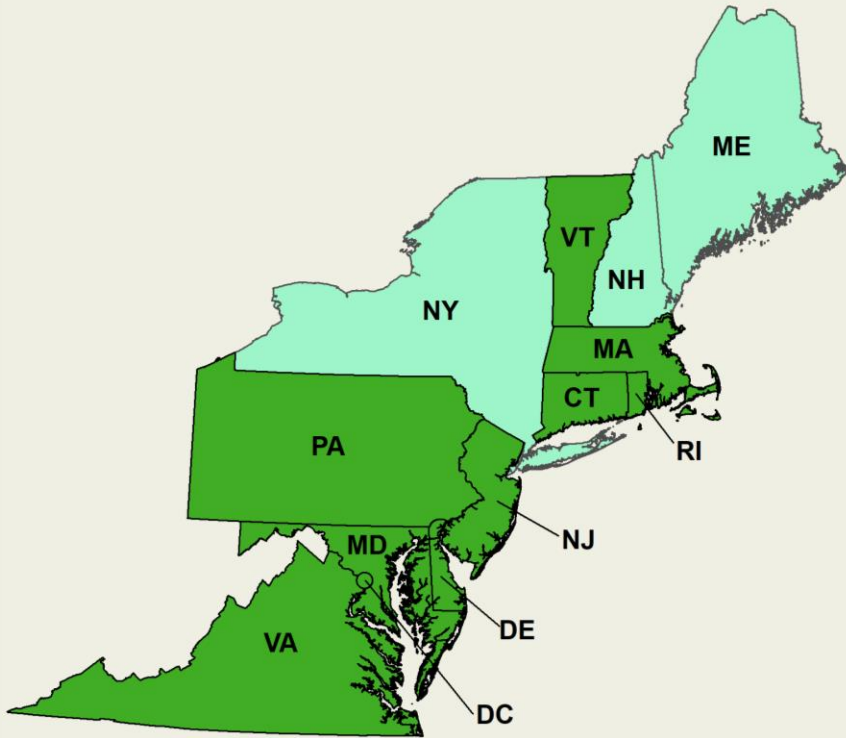
Peter Walke, Vermont Agency of Natural Resources

Riley Allen, Vermont Public Service Department

# Why Focus on Transportation Emissions?



# TCI Overview



- The Transportation and Climate Initiative (TCI) launched in 2010 as a collaboration amongst Northeastern and Mid-Atlantic states about how to reduce transportation GHG emissions
- In December 2018, 9 of the 12 states (plus D.C.) announced that we would spend the next year developing a cap-and-invest policy proposal
- In December 2019, the region put out a draft MOU and modeling results. We are asking for public input on that information
- This is the first step in the process; state will decide individually whether to participate

# History of Pollution Reduction Programs

- “Command-and-Control” - This is the traditional regulatory model that dictates the outcomes (based on legislative frameworks) each facility must achieve
  - These programs guarantee pollution reduction, but those reductions may come at higher cost
- “Cap-and-Trade” –By setting a shared rather outcome rather than individual ones and creating a market for pollution “allowances,” these types of program reach the overall shared outcome at the minimum cost for all facilities
  - This program seeks the same pollution reductions but accounts for the fact that different facilities that meeting program outcomes come at different costs to different facilities
  - Works best on programs where supply side reductions are cost-effective
  - Examples: Leaded gasoline phasedown and the Acid Rain Program

# History of Pollution Reduction Strategies

- “Cap-and-Invest” – Instead of being issued allowances, facilities have to purchase allowances in an auction (or continue to buy them from each other)
  - The auction proceeds are used to reduce consumer demand
  - The auction market finds the most cost-effective balance between the effect of the cap to clean up the supply and effect of reinvestment programs to reduce consumer demand

# “Cap-and-Invest” – VT’s RGGI experience



- Nine Northeast and Mid-Atlantic states launched RGGI in 2009
- Major power plants are required to buy allowances at auctions or from each other
- States invest revenue into efficiency and other initiatives that drive down consumer demand
- Net result: More than 40% reduction in emissions at lowest cost
- New Jersey, Virginia, and now Pennsylvania planning to join RGGI

# Draft TCI MOU

In December, the TCI region issued a draft MOU Some of the key elements include:

- The program's focus on equity
- Affected fuels (Gasoline and on-road diesel)
- Regulated entities – primarily position holders at the terminal rack
- Monitoring and verification requirements
- Market Characteristics
- The need for complementary policies

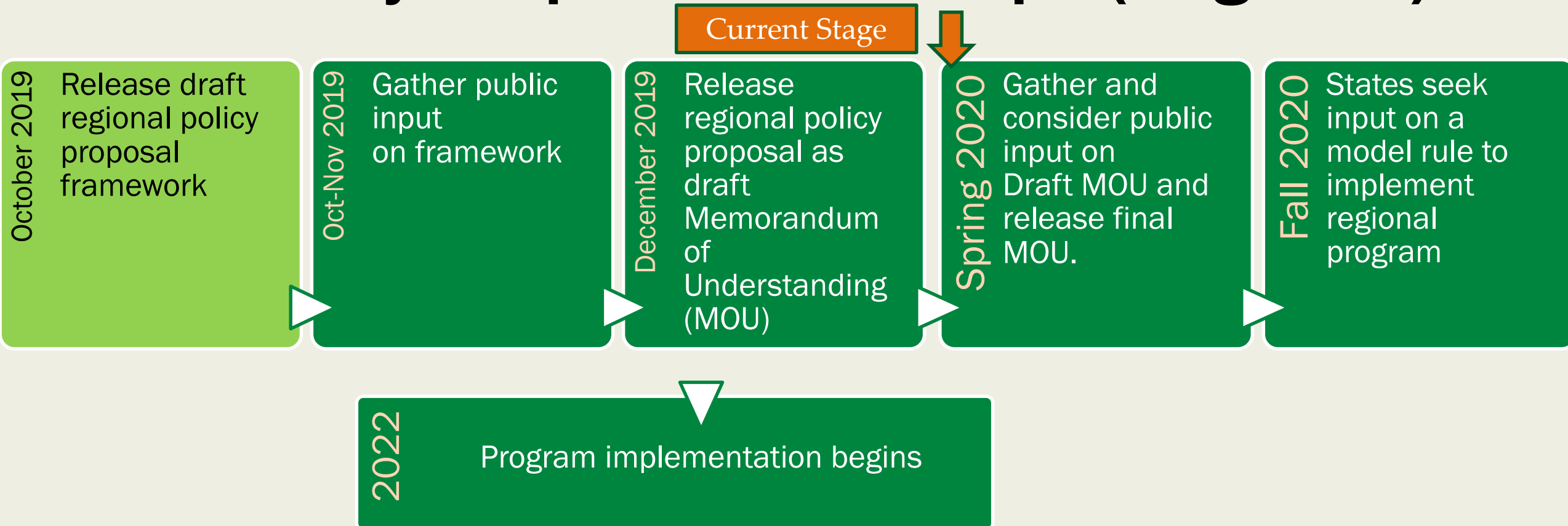
# TCI Modeling Results

As part of the release of the Draft MOU, the region conducted and released economic, transportation, and public health modeling. Key points:

- The region is seeking feedback on three cap scenarios: 20, 22, and 25% reductions over a 10-year period
- There will likely be a direct impact on the cost of fuel
- The program will create significant proceeds to develop in programs to help Vermonters
- Overall economic impact is modestly positive
- Significant public health benefits



# TCI Policy Proposal Next Steps (Regional)



# Legislative Participation in RGGI

- Under RGGI, the Governor signed the MOU, then the General Assembly passed enabling legislation
- ANR developed rules in conjunction with the other states in the region to put the program into place
- The General Assembly dictated how the proceeds would be spent – sent through PUC primarily for weatherization

# Questions?