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TCI Testimony
Vermont House Transportation Committee
Thomas Hughes, VPIRG

Good morning. My name is Thomas Hughes and I work at the Vermont Public Interest Research Group (VPIRG) -- the state's largest environmental and public interest advocacy organization.

I'm happy to be here this morning to encourage you to invest the proceeds from the Transportation & Climate Initiative in ways that strengthen the economy, protect the environment and promote equity for low-income and rural Vermonters.

TCI IN CONTEXT

Before discussing its benefits, there are three contextual pieces about TCI that I think are important to establish.

First, in the absence of action by the federal government to address the climate crisis, a bipartisan group of Northeast and Mid-Atlantic governors have stepped up where the Trump administration has abdicated its responsibilities.

To his credit, Gov. Phil Scott has maintained Vermont's seat at the TCI negotiating table, along with executives from eleven other states and the District of Columbia.

Together, these governors have been designing a cap-and-invest program for transportation fuels. The model they are following is the one set by the Regional Greenhouse Gas Initiative.

RGGI was developed over a decade ago as a collaboration between many of the same Northeast and Mid-Atlantic states to reduce climate pollution from the electric sector of our economy.

Gov. Jim Douglas led the RGGI negotiations for Vermont, and signed Vermont onto the initiative.

RGGI has worked. In the ten years since its launch, CO2 emissions from power plants in the RGGI states have fallen 90% faster than in the rest of country, while economic growth in the RGGI region has outpaced the rest of the country by 31%. The program has also driven substantial reductions in harmful co-pollutants, making the region's air cleaner and its people healthier.¹

The second bit of context to understand about TCI is that, up to this point, Gov. Scott and his team have been the only Vermonters at the negotiating table, and they have been focused almost entirely on what cap level they should set and the cost implications of that cap.

The draft TCI memorandum of understanding that they released last month, along with the economic modeling conducted to date, has been focused on *costs*. There has been little discussion about TCI's *benefits*.

And that's the third bit of context that I hope you will keep in mind: In the way the TCI development process is designed, the governors establish the costs for the program; the legislature gets to design the benefits.

It will be your responsibility and opportunity to design a program that benefits the economy, the environment and the most vulnerable.

Now, with that context established, let me share why VPIRG supports TCI.

¹ <https://acadiacenter.org/document/the-regional-greenhouse-gas-initiative-ten-years-in-review/>

A STRONGER ECONOMY

First, from a macro-economic sense, TCI will strengthen the Vermont economy.

In a major study commissioned and released by the Joint Fiscal Office last year, they found that the combined economic, climate and health benefits of a program like TCI would exceed its economic costs.²

In fact, according to TCI researchers, the more aggressive the governors are in setting the cap, the better it will be for our economy.³

A 2014 study by Regional Economic Models Inc. (REMI) that was commissioned by VPIRG, the Vermont Energy Investment Corporation (VEIC) and Vermont Businesses for Social Responsibility (VBSR) found the same phenomena.⁴

Another 2014 analysis by the Department of Public Service estimated that a program like TCI would create thousands of new jobs.⁵

Taken together, the message from economists is clear: climate action is good for the Vermont economy.

Economists' other message is the climate inaction will harm the economy.

Yesterday, Tom Kavet presented the governor and Emergency Board the January 2020 Economic Review and Revenue Forecast. Let me quote from his report, *"The economic costs of climate change may come slowly enough for many to ignore and irregularly enough for some to prevaricate. But these costs are undeniably growing with each year of record heat and each 'one in a thousand year' natural calamity. Costs*

² <https://lifo.vermont.gov/assets/Uploads/d6e0b77819/VT-40-Min-Presentation-v3-correction.pdf>

³ https://www.transportationandclimate.org/sites/default/files/TCI%20Modeling-Results-Summary_12.17.2019.pdf

⁴ https://www.energyindependentvt.org/wp-content/uploads/2015/04/REMI_Final.pdf

⁵ https://publicservice.vermont.gov/publications-resources/publications/total_energy_study

such as those being experienced in Australia are a rising economic threat everywhere. Policy delays to address this issue look increasingly indefensible - especially to the next generation.”⁶

In the face of this economic threat and opportunity, policymakers such as yourselves must act.

A CLEANER ENVIRONMENT

The second reason VPIRG supports TCI is that it will be good for the environment. It will reduce pollution.

As you probably know, last week the Agency of Natural Resource released its latest Greenhouse Gas Emissions Inventory, and it had some very alarming news.

Vermont has the highest per capita carbon emissions of any state in the region. As of 2016 – the latest date for which data is available – emissions are 13% higher than they were in 1990.⁷

ANR also found that transportation accounts for 45% of Vermont’s emissions. So, the bulk of greenhouse gas reductions must come from the transportation sector if the state is going to meet the tri-partisan goals set by Gov. Scott and the General Assembly.

TCI offers us a path to get at least part of the way there.

If the governors set the cap to reduce on-road transportation emissions by 25% across the region, and Vermont achieves that same reduction, then we will reduce total carbon pollution in the state by about 10%.

That’s not enough, but it’s something to build on. And there are ways that TCI could be improved. For example,

⁶ <https://lifo.vermont.gov/assets/Subjects/Consensus-Revenue-Forecasts-Legislative-Economic-Outlook/4acf270d0a/Commentary-0120.pdf>

⁷ <https://dec.vermont.gov/air-quality/climate-change>

- TCI would be better for the environment if, instead of aiming for a 20-25% reduction in carbon emissions over the next decade, it adhered to what climate scientists have urged: a 45% reduction by 2030.⁸
- Regional climate action would also be better if it was economy-wide. As it stands now, even if TCI is successful it will not address emissions from the heating or agricultural sectors – the second and third largest contributors to Vermont’s emissions profile.

VPIRG believes that Vermont should fight for those improvements, but that is currently a closed-door negotiation between the governors. Neither you, as legislators, nor me, as an advocate, are invited.

So, while TCI isn’t going to solve Vermont’s emissions problem, at least it’s a start.

EQUITY FOR LOW-INCOME AND RURAL VERMONTERS

Finally, VPIRG supports TCI because TCI gives the legislature a unique opportunity to address inequities in Vermonters’ energy burdens.

As you know, low-income Vermonters pay a higher percentage of their income on energy – transportation included – than their wealthier neighbors. Rural Vermonters also have higher transportation burdens than their Chittenden County friends and family.⁹

You can address some of this inequity by targeting TCI investments to benefit low-income and rural Vermonters.

Those investments could take the form of infrastructure and public transit improvements. Things like EV charging stations at every general store, rural van lines that cover more territory and travel more

⁸ <https://www.bbc.com/news/science-environment-45775309>

⁹ <https://www.encyclopedia.com/news-blog/whitepapers/vermont-energy-burden>

frequently, expanded park & ride lots, bike lanes, sidewalks and commuter rail.

Investments could be in the form of incentives, rebates or targeted tax credits. Think free bus passes, expanding the Energy Assistance Program that lowers the cost of electricity for low-income families, tiered incentives for electric vehicles so that those with the least get the most help, or an increase in the Earned Income Tax Credit which benefits over 40,000 working Vermont families.

TCI revenues could also be used for dividends or “cash-back” payments that could go directly to households based on need. Several Canadian provinces adopted the carbon dividend model last year.

And, of course, you could mix and match TCI proceeds. Some could be used for infrastructure, some for incentives and some for direct payments to low-income households. As legislators, you get to design the benefits of the program.

If you engage Vermonters in the conversation about how to best invest TCI proceeds, I am confident you can design a program that lowers the energy burdens of low-income and rural Vermonters and, in doing so, actually make Vermont more affordable.

Our colleagues at Dream Corp and Green for All have created an Equity Toolkit for the Transportation and Climate Initiative that I have linked to in my testimony and could serve as a helpful guide in your conversations.¹⁰

CONCLUSION

Vermonters are eager to have the discussion about TCI’s benefits with you. In a poll of 768 voters that VPIRG and Vermont Conservation

¹⁰ <https://www.thedreamcorps.org/resource/designing-an-equitable-cap-and-invest-policy-for-transportation/>

Voters commissioned last month, 75% of Vermonters expressed support for the Transportation & Climate Initiative concept.¹¹

I think Vermonters overwhelmingly support TCI because, while it is not broad enough and won't start soon enough, it still has several strengths, including:

- The climate crisis is urgent and in the absence of federal leadership, states like Vermont have a responsibility to act;
- TCI is a bipartisan;
- It is a regional effort stretching from Vermont to Virginia – so will have a larger climate impact than the state acting alone;
- It's based on a successful model that has generated results in the electric sector;
- It will strengthen the Vermont economy;
- It will reduce climate pollution while also improving air quality and public health; and
- the General Assembly can use TCI's proceeds to address inequities in low-income and rural Vermonters' energy burdens.

TCI is an important step in the right direction, and Vermont should take it.

Thank you, and I would be happy to answer any questions.

¹¹ <https://www.vpirg.org/news/poll-vermonters-worried-about-global-warming-want-to-see-action/>