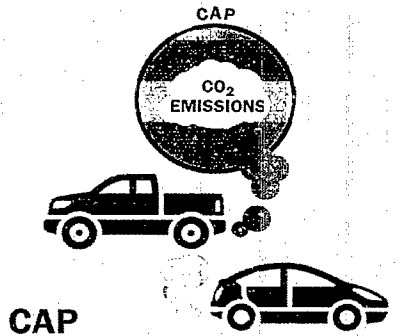


1/10/20 - Peter Walke  
Senate Transportation

## Cap and Invest: How it Works

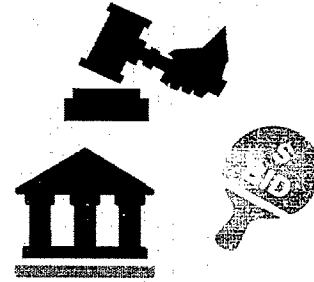
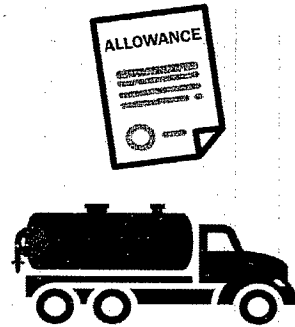


### CAP

A limit, or cap, is set on the amount of carbon dioxide (CO<sub>2</sub>) that is released from vehicles using transportation fuels. The initial cap is based on a baseline or "business as usual" scenario and that cap may be reduced over time.

### ALLOWANCE

Transportation fuel suppliers must obtain an allowance for every ton of carbon dioxide resulting from the fuel they sell.

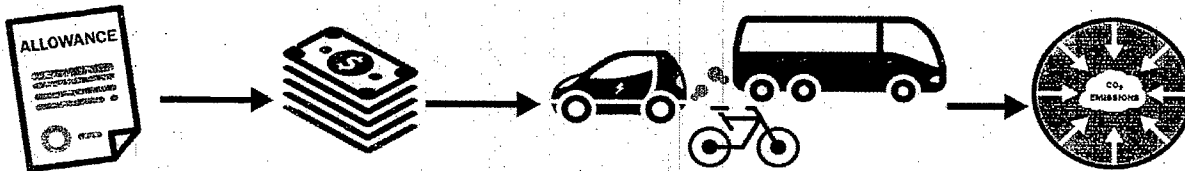


### AUCTION

The total number of available allowances is limited based on the cap. An auction is held. Transportation fuel suppliers (and other entities that wish to trade or retire them) can bid on available allowances.

### INVEST

States receive payments based on the revenues raised from the sale of allowances. States invest proceeds to reduce transportation carbon emissions through subsidies of lower carbon transportation options.



 VERMONT