Vermont Participation in the Transportation and Climate Initiative

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Senate Transportation Committee

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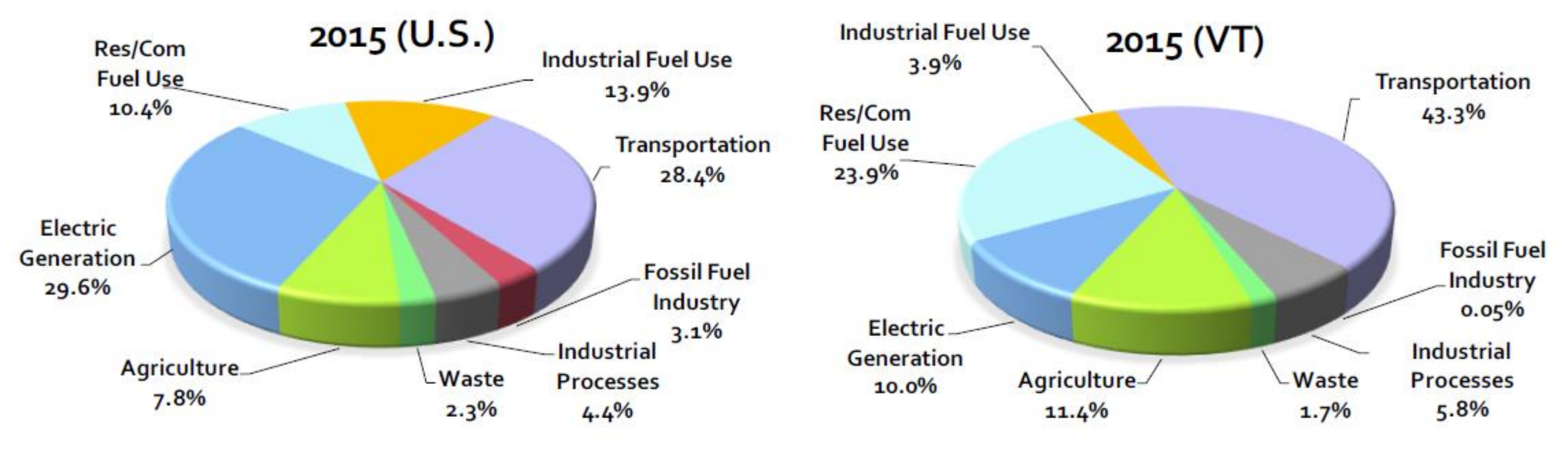
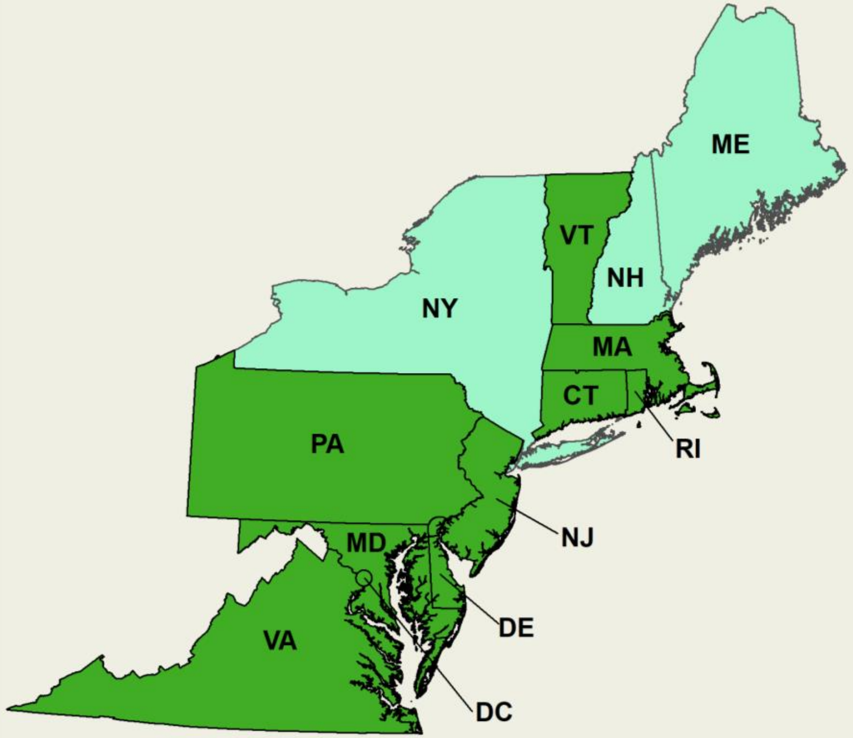
Why Focus on Transportation Emissions?



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

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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

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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

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“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

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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 coast 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

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TCI Policy Proposal Next Steps (Regional)

Current Stage

October 2019 — Release draft regional policy proposal framework

Oct-Nov 2019 — Gather public input on framework

December 2019 — Release regional policy proposal as draft Memorandum of Understanding (MOU)

Spring 2020 — Gather and consider public input on Draft MOU and release final MOU.

Fall 2020 — States seek input on a model rule to implement regional program

2022 — Program implementation begins

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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

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Questions?