Vermont’s Participation in the Transportation and Climate Initiative

October 2, 2019

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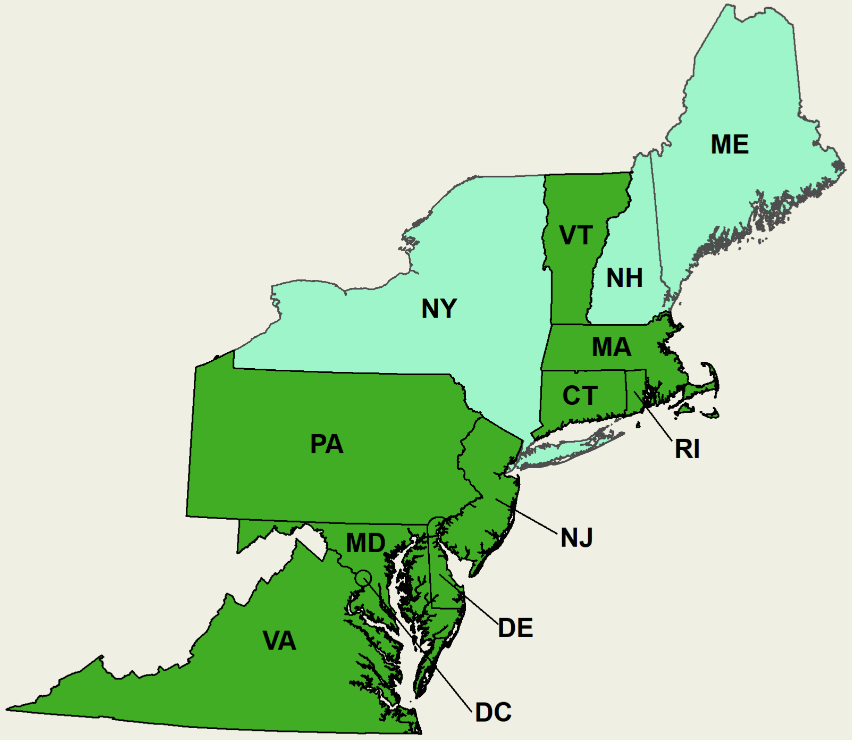
TCI Overview



- Working since 2010 to address transportation emissions
- Engaged the public in regional listening sessions in 2018
- December 2018 Statement:

"Informed by input from hundreds of stakeholders and expert analysis, the participating TCI jurisdictions **will design a regional low-carbon transportation policy proposal that would cap and reduce carbon emissions from the combustion of transportation fuels through a cap-and-invest program** or other pricing mechanism, and **allow each TCI jurisdiction to invest proceeds from the program into low-carbon and more resilient transportation infrastructure**. This proposed program, when combined with existing programs and complementary policies, will be designed to **achieve substantial reductions in transportation sector emissions and provide net economic and social benefits** for participating states."

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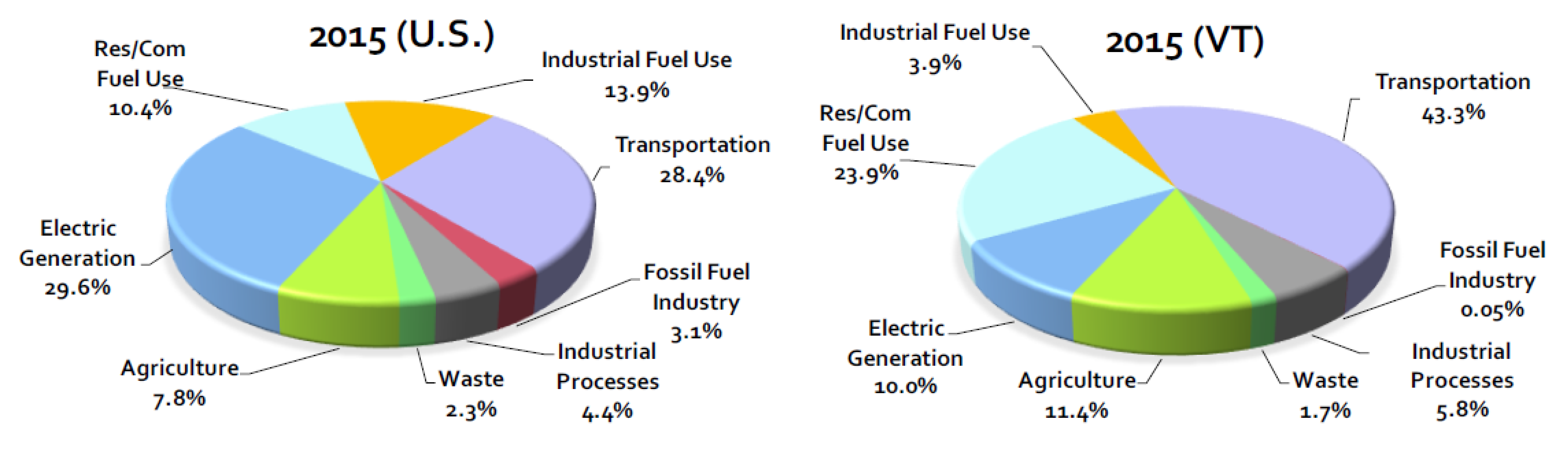
Why Focus on Transportation Emissions?



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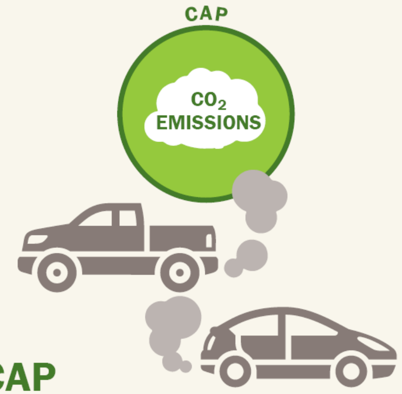
Cap and Invest: How it Works



CAP

A limit, or cap, is set on the amount of carbon dioxide (CO_2) 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

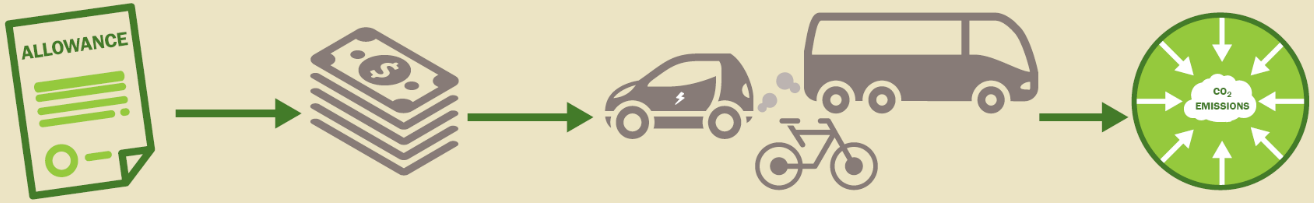
Transportation fuel suppliers must obtain an allowance for every ton of carbon dioxide resulting from the fuel they sell.

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.



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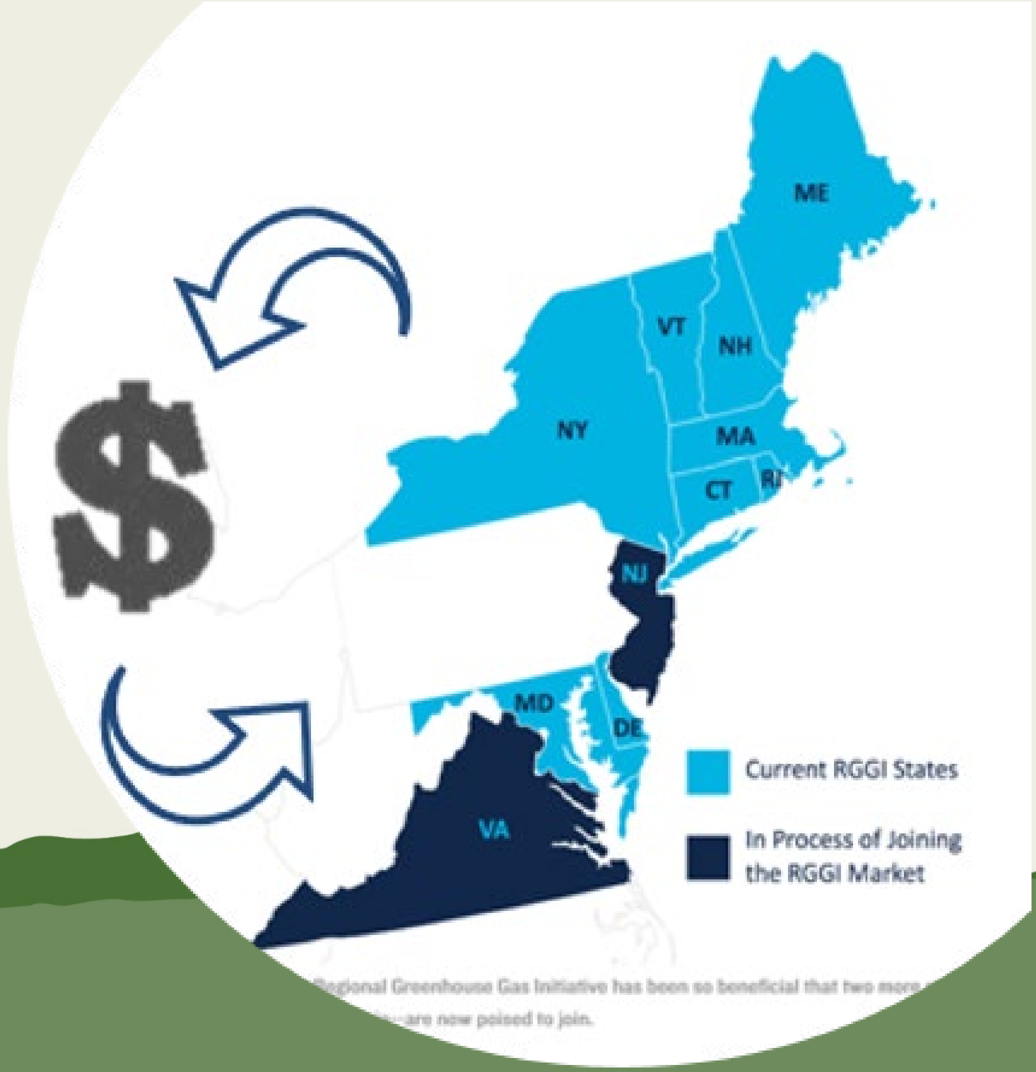
Regional Model for Success - RGGI



- Nine Northeast and Mid-Atlantic states formed a market-based mechanism for reducing GHG emissions from the power sector
- Emissions' generators purchase "allowances" at auctions and in a secondary market
- States determine investments into efficiency and affordability initiatives
- A declining cap on total regional CO2 emissions has resulted in more than 40% reduction in emissions

Fuels Covered and Compliance Entities

- Fuels covered:
  - Gasoline and on-road diesel
- Point of regulation – informed by the Energy Information Agency's "Prime Supplier" definition
  - Refining concept based on feedback
    - Refinements may include: owners of fuel at terminals ("position holders"), owners for fuel delivered into a jurisdiction, consideration of de minimis thresholds, etc.

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TCI Regional Policy Proposal Next Steps

- **October 1, 2019 –** Release of framework for a draft regional policy proposal
- **October/November 2019 –** Gather and consider public input on framework
- **December 2019 –** Release of a regional policy proposal in the form of a draft Memorandum of Understanding (MOU), accompanied by modeling results that estimate the energy and emissions implications of different cap levels and investment scenarios, as well as potential costs and benefits of different program design options.
- **January/February 2020 –** Gather and consider public input on Draft MOU
- **Spring 2020 –** Jurisdictions release a final Memorandum of Understanding. At this point, each jurisdiction will decide whether to sign the MOU and participate in the regional program.
- **Spring – Fall 2020 –** Participating jurisdictions develop a "model rule" and take any legislative steps that could be needed to implement the regional program.
- **2021 –** Jurisdictions conduct rulemaking process to adopt regulations.
- **As early as 2022 –** Program implementation begins.

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