TRANSPORTATION AND CLIMATE INITIATIVE PROGRAM

SUMMARY OF THE DRAFT MODEL RULE

March 1, 2021

The Transportation and Climate Initiative Program (TCI-P) is a multijurisdictional program composed of individual programs adopted and implemented under the regulations of each participating jurisdiction. In their Memorandum of Understanding (MOU) dated December 21, 2020, the TCI-P signatory jurisdictions committed to "release a coordinated final Model Rule after providing for a public review and input period on a draft model rule." The accompanying draft model rule was developed by twelve Transportation and Climate Initiative jurisdictions and is being released for public review and input. Public input on the draft model rule will be most helpful to the jurisdictions if received on or before Friday, May 7, 2021. (Previously, input had been requested by April 1.).

The draft model rule builds on years of policy and technical work by TCI jurisdictions, including extensive modeling to better understand the economic, environmental and health benefits and impacts of the TCI-P program. The draft also reflects the extensive stakeholder engagement and input received to date.

Once completed, the Model Rule will be adapted for use by each TCI-P signatory jurisdiction in jurisdiction-specific rulemaking processes. Each signatory jurisdiction will follow the rulemaking steps required by the jurisdiction's law, including issuing a jurisdiction-specific regulation in draft form and providing opportunity for public review and comment before finalizing the jurisidction-specific regulation. The regional public review and input process is provided in addition to and does not supplant any individual jurisdiction's processes for the adoption of rules.

Certain commitments in the MOU will be carried out alongside the adoption of the Model Rule in TCI-P signatory jurisdictions, including the commitments contained in Section 3 of the MOU, Investment, Equity and Complementary Policies. As stated in Section 1.1 of the draft model rule, the TCI-P program will

> *Advance equity for communities overburdened by pollution and underserved by the transportation system, including expanding low-carbon and clean mobility options in urban, suburban, and rural communities, particularly for populations and communities that are disproportionately adversely affected by climate change and transportation pollution and currently underserved by the transportation system.*

This purpose will be effectuated through the signatory jurisdictions' commitments on investing auction proceeds, establishing equity advisory bodies at the jurisdiction level and carrying out periodic equity reviews and reporting. These commitments are described in greater detail in Section 3 of the draft model rule text.

Below is a summary of the draft model rule. Next to the summary of each provision are page references to the corresponding section or sections where the provision may be found.

Model Rule Provision	Model Rule References
1. Equity. The Model Rule incorporates several commitments to advance equity for communities overburdened by pollution and underserved by the transportation system.	See §XX-3 at p. 41 .
A. Equity Investment Commitment. The Model Rule provides that the jurisdictions will work to invest no less than 35 percent of auction proceeds to ensure that overburdened and underserved communities benefit equitably from clean transportation projects and programs.	See §XX-3.1 at p. 41.
B. Equity Advisory Body. The Model Rule provides for the establishment or designation of an equity advisory board.	See §XX-3.2 at p. 42.
C. Equity Review and Reporting. The Model Rule provides for the annual review and reporting on impacts of the TCI-P program with respect to equity.	See §XX-3.3 at p. 42.
2. Launch Dates. Emissions and fuel shipment data reporting will begin January 1, 2022. Allowance holding and surrender requirements apply beginning on January 1, 2023.	See §XX-1.4 at p. 23.
3. Applicability.	See §XX-1.4 at p. 23.
A. *Jurisdiction fuel suppliers.* Jurisdiction fuel suppliers are (1) position holders at a terminal rack that disburse transportation fuel for delivery in the jurisdiction; and (2) distributors that complete certain other deliveries of transportation fuel in the jurisdiction.	See definition of jurisdiction fuel supplier at p. 14.
B. *Terminal operators.* Terminal Operators in the jurisdiction must report fuel shipments to the jurisdiction; terminal operators serving the jurisdiction from outside jurisdiction may elect to report fuel shipments to the jurisdiction.	See §XX-8.1 at p. 64.
C. *Distributors.* Distributors of transportation fuel must notify out-of-state position holders when they deliver fuel in the jurisdiction that comes from an out-of-state terminal that does not report fuel shipments.	See §XX-8.4 at p. 73.
4. **Covered Emissions.** CO_2 emissions from gasoline and on-road diesel fuel.	See definition of CO_2 emissions at p. 9, and §§ XX-8.1 and 8.2 on pp. 64-8.
5. Requirements for Jurisdiction Fuel Suppliers.	See §XX-1.5 on p. 25.
A. *Registration*. Jurisdiction fuel suppliers must register with the program and establish one emissions reporting and one compliance account.	See §XX-1.5(a) on p. 25.

Model Rule Provision	Model Rule References
B. *Emissions reporting.* Jurisdiction fuel suppliers must report the emissions associated with the transportation fuels they disbursed to or delivered in the jurisdiction.	See §XX-1.5(d) on p. 27.
(i) Monthly emissions reporting. Emissions reports are due by the end of the following month. Fuel shipment data must also be reported.	See §XX-8 on p 64.
(ii) Third-party verification. Verification is required after the end of each year.	See §XX-9 on p. 74.
(iii) Recordkeeping.	
C. *Allowance surrender and compliance certification.* Jurisdiction fuel suppliers must surrender allowances to cover the emissions from the transportation fuels dibursed to or delivered in the jurisdiction after each 3-year compliance period and file a compliance certification.	See §XX-1.5(b) on p. 26, and §XX-4.1 on p. 43.
D. *Penalties for noncompliance*. For each ton of emissions above the number of allowances in the jurisdiction fuel supplier's compliance account at the compliance deadline, 3 allowances must be submitted, plus any other penalties under state law.	See §XX-1.5(c) on p. 27, and and §XX-1.5(e) on p. 28.
6. **Requirements for Reporting-Only Entities.**	See §XX-1.6 at p. 28, and §XX-8 at p. 60.
A. *Registration*. Reporting-only entities must register with the program.	See §XX-1.6 at p. 29.
B. *Fuel shipment data reporting requirements*.	See §§XX-8.2 at p. 66, and 8.4 at p. 73.
C. *Penalties for reporting noncompliance*. Penalties for failure to report will be tied to existing provisions in individual state law.	See existing state law.
7. Allowance Budgets & Scheduled Reductions.	
A. *Allowance budgets.* The Model Rule provides for each participating jurisdiction's annual allowance budgets beginning in 2023 and continuing through 2032.	See §XX-5.1 on p. 44.
B. *Scheduled reductions*. The annual allowance budgets decline to achieve a 30% reduction by 2032.	See §XX-5.1 on pp. 44-5.
8. Stability Mechanisms	
A. *Cost-Containment Reserve (CCR).* The CCR releases additional allowances for sale at auction (in an amount equal to up to 10% of the annual allowance budget) when the CCR trigger price is triggered at auction.	See definition of CO_2 CCR Trigger price at p. 9; and §§XX-5.3(b) at p. 46.
B. *Emissions Containment Reserve (ECR).* The ECR withholds up to 10% of the annual allowance budget if the ECR trigger price is triggered at auction.	See definition of CO_2 ECR trigger price at p. 6; and §§XX-5.3(c) at p. 46.

Model Rule Provision	Model Rule References
9. Compliance Periods & Flexibility	
A. 3-year compliance periods. The first 3-year control period begins January 1, 2023 and ends December 31, 2025.	See definition of control period at p. 9.
B. Interim compliance. Each year jurisdiction fuel suppliers must hold allowances equal to at least 50% of their annual emissions.	See definition of interim control period at p. 11.
C. Unlimited banking. Allowances do not expire.	See §XX-6.6 at p. 61.
D. Offsets. Offsets requirements including provisions for accepting and proccessing offsets applications are provided sfor jurisdictions that choose to adopt offsets provisions.	See §XX-10 at p. 109.
10. Allowance Auctions. Allowances are to be sold at auction.	See §§XX-5.3 at p. 45, and §XX-11 at p. 144.
11. Administering Emissions and Allowance Tracking System	See §§XX-2 at p. 31, XX-6 at p. 47, and XX-7 at p. 62.