

UPDATES FROM

Transportation & Climate Initiative

**Public Participation, Equity Commitments,
and the Draft Model Rule**

MARCH 1, 2021

Today's Agenda – 4 Parts

1. Introduction to the Transportation and Climate Initiative Program (TCI-P)
2. Next Steps on Equity Commitments
3. Draft “Model Rule” for Public Input
4. Public input, Questions and Answers

PART 1

What is the TCI-P?

- Welcome remarks: *Kathleen Theoharides, Massachusetts Executive Office of Energy and Environmental Affairs; Earl Lewis, Maryland Department of Transportation*
- TCI 101: *Garrett Eucalitto, Connecticut Department of Transportation; Kate Johnson, District of Columbia Department of Energy and Environment*

Why Focus on Clean Transportation?

- The transportation sector accounts for about **40% of greenhouse gas emissions** in the TCI region.
- **To meet greenhouse gas emissions targets**, we need to tackle transportation emissions.
- Reducing emissions from mobile sources also **improves air quality and public health**.



TCI Program Goals

- Reduce carbon dioxide (CO₂) emissions from transportation sources
- Improve air quality and public health, increase resilience to the impacts of climate change, and provide more affordable access to clean transportation choices
- Promote local economic opportunity and create high quality jobs
- Maximize the efficiency of this multijurisdictional program to ensure greater benefits
- Advance equity for communities overburdened by pollution and underserved by the transportation system

Source: TCI-P MOU, Dec. 2020

(<https://www.transportationandclimate.org/sites/default/files/TCI%20MOU%2012.2020.pdf>)



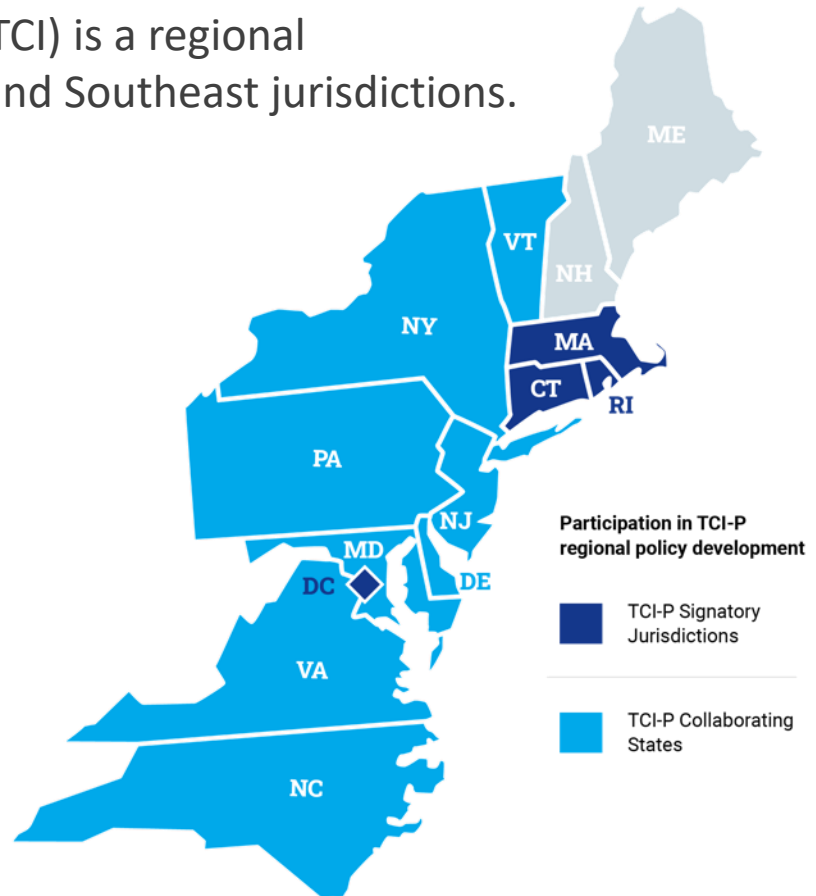
TCl: A Regional Approach

The Transportation and Climate Initiative (TCI) is a regional collaboration of Northeast, Mid-Atlantic, and Southeast jurisdictions.

December 2018: Nine States and D.C. announced their intent to design a regional approach to cap greenhouse gas pollution from transportation

December 2020: Rhode Island, Massachusetts, Connecticut, D.C. are First to Sign MOU to Launch TCI-P

In an accompanying statement, eight other Northeast, Mid-Atlantic, and Southeast states signaled that they will continue to work on the development of the details of the regional program

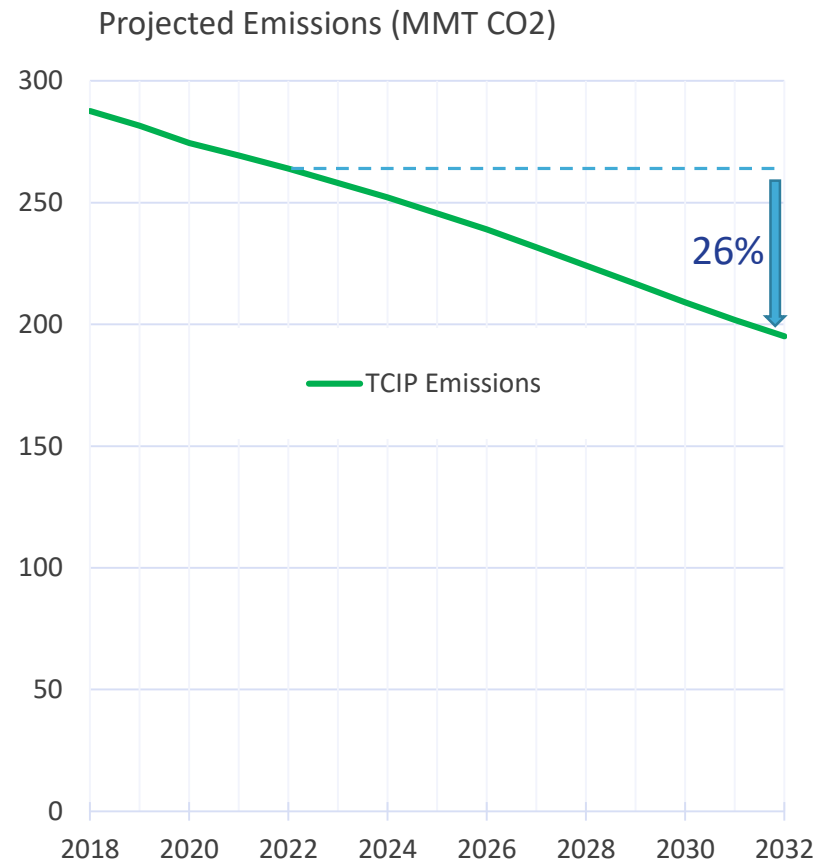


Prioritizing Equity

- **Dedicated Investments:** a minimum of 35% of each jurisdiction's proceeds to ensure that communities overburdened by pollution and underserved by the transportation system benefit equitably
- **Equitable Processes:** ensure meaningful input, including through an equity advisory body of people from, or who work in partnership with, underserved and overburdened communities
- **Transparency:** assess the equity impacts of the program on an ongoing basis, including by monitoring air quality in communities overburdened by air pollution
- **Complementary Policies:** additional policies to achieve emissions reductions, particularly in overburdened and underserved communities

How Will TCI-P Work?

1. **Placing a binding cap on carbon dioxide (CO₂) pollution from on-road diesel and gasoline sold in participating jurisdictions...**
2. **...then reducing the pollution allowed each year.**

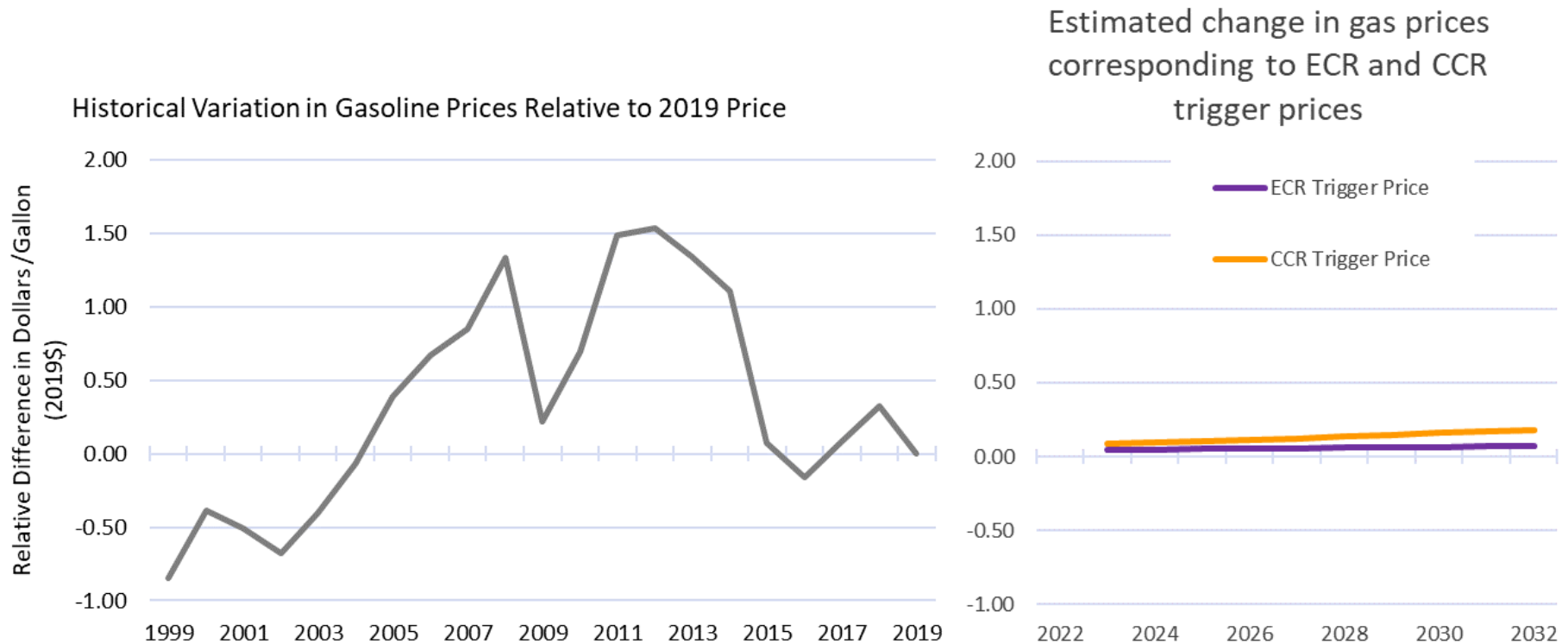


How Will TCI-P Work?

3. Requiring suppliers of gasoline and diesel to hold “allowances” for the pollution from the fuel they sell.



Estimated Potential Gas Price Change is Well Within Range of Historical Variation



How Will TCI-P Work?

4. Target and invest allowance auction proceeds to
- Provide more affordable access to clean transportation choices;
 - Advance equity for overburdened and underserved communities; and
 - Reduce pollution even more.



Investment Strategies & Benefits

Each jurisdiction **will decide how to invest its share of proceeds** to benefit individuals and businesses, reduce pollution, and improve transportation choices.



➤ improve air quality by reducing harmful GHG, NOx, and PM 2.5 emissions



➤ reduce health concerns such as asthma caused by poor air quality



➤ decrease health care costs and lost productivity for businesses



➤ improve public transit system through expansion and electrification



➤ help businesses purchase and support EV fleets and charging stations for employee vehicles



➤ encourage the use of cleaner and quieter vehicles in neighborhoods



➤ reduce congestion for commuting employees and increase productivity



➤ enable drivers to switch to more efficient vehicles and fill up less at the pump



➤ expand safe bike lanes, bike paths, walking trails, and sidewalks



➤ create incentives for continued telecommuting to reduce long commute times



➤ improve high speed wireless internet in rural and low-income areas



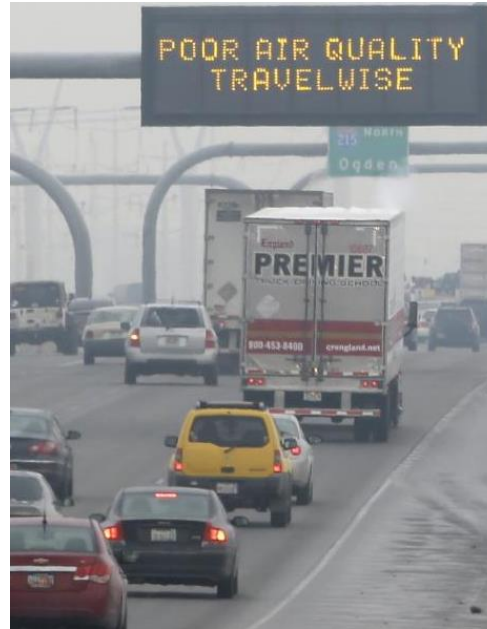
➤ create jobs through infrastructure investments and boost the economy

Health and Safety Benefits from TCI-P

\$290 million each year in health and safety benefits

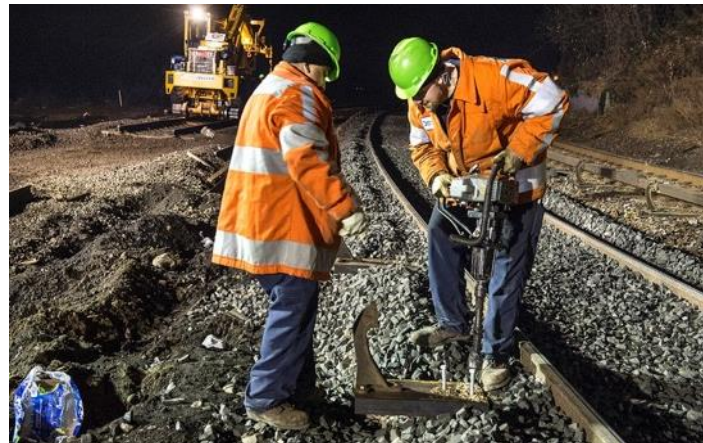
- ↓ Premature deaths
- ↓ Asthma symptoms
- ↓ Traffic-related injuries

Up to \$3.3 billion in health & safety benefits with full participation

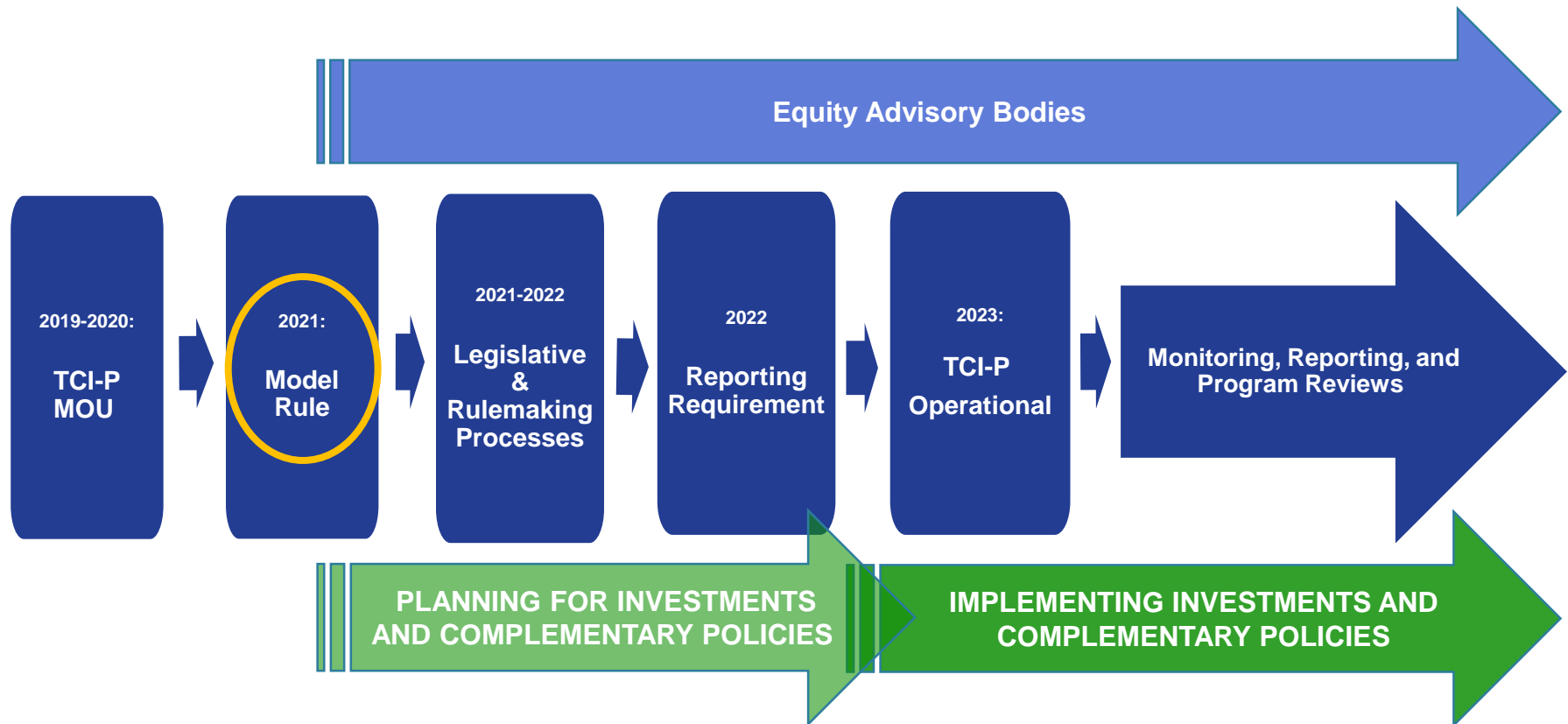


Results from the Transportation, Equity, Climate and Health (TRECH) Project, an independent multi-university research initiative led by the Harvard T.H. Chan School of Public Health (updated, February 25, 2021; hsph.me/trech) and from Cambridge Systematics, using the TCI Investment Strategy Tool.

Reducing Pollution and Improving Transportation Creates Economic Benefits



Opportunities for Public Input



TCI-P: Part of a Comprehensive and Equitable Climate Response

A variety of strategies are needed to equitably reduce air pollution from transportation sources

- Strategies must address emissions from
 - The vehicles we use
 - The fuels those vehicles use
 - How, when, and where we travel
- Many actors have important roles to play
 - Various agencies within local, state, tribal, and federal governments
 - Communities, workers, and businesses



What is the role of TCI-P?

- TCI-P caps climate-altering pollution and enables targeted investments and incentives to promote public benefits where they are needed most

PART 2

Keeping Equity at the Center of TCI-P

- Moderator: *Vernice Miller Travis, Metropolitan Group*
- Speaker: *Terry Gray, Rhode Island Department of Environmental Management*

TCI-P Public Engagement Planning

“Update on Public Engagement Planning” shared today (March 1):

- MOU Commitments to Equity and meaningful public engagement
- Intention to expand opportunities for public engagement
- Enabling public input at every stage of TCI-P development and implementation
- Developing a Model Framework for Public Engagement
- Collaboration by all TCI jurisdictions on equitable low-carbon transportation policies

Prioritizing Equity



- **Dedicated Investments:** a minimum of 35% of each jurisdiction's proceeds to ensure that communities overburdened by pollution and underserved by the transportation system benefit equitably
- **Equitable Processes:** ensure meaningful input, including through an equity advisory body of people from, or who work in partnership with, underserved and overburdened communities
- **Transparency:** assess the equity impacts of the program on an ongoing basis, including by monitoring air quality in communities overburdened by air pollution
- **Complementary Policies:** additional policies to achieve emissions reductions, particularly in overburdened and underserved communities

MOU Commitments to Public Engagement



- Ensure that overburdened and underserved communities can provide meaningful input into decision making processes.
- Establish Equity Advisory Bodies made up of diverse stakeholder groups, with a majority represented by overburdened and underserved communities, to advise on TCI-P decision-making:
 - Define underserved and overburdened communities
 - Recommend equitable investments and complementary policies
 - Develop metrics for evaluating program benefits

Intention to Expand Opportunities for Public Engagement

- **Inform** the public about TCI-P development and implementation
- **Listen deeply** to public input and incorporate recommendations into decision making;
- **Collaborate and co-create** the program and related processes
- **Build and strengthen** relationships between government agencies & communities



Enabling Meaningful Opportunities for Public Engagement

- Facilitate critical conversations with environmental, climate, and transportation justice groups to center equity in TCI-P.
- Develop a model TCI-P stakeholder engagement process.
- Provide technical assistance to equity and justice stakeholders to support their meaningful and informed engagement in the design and implementation of TCI-P.
- Facilitate the collaborative engagement of equity and justice stakeholders in designing, implementing, and participating in TCI Equity Advisory Bodies.
- Create plain language and translated materials to make TCI-P more understandable and accessible.

Developing a Model for TCI Public Engagement

- Regional model to inform community engagement by each participating jurisdiction
- TCI jurisdictions to work with communities and the Metropolitan Group to develop a model engagement framework
- Each TCI-P jurisdiction will work with its Equity Advisory Body to adapt this model to meet the needs of their communities

TCI is inviting public input on this proposal, including ideas for existing models to consider

Opportunities for Public Input on TCI-P

Regional Processes:

- Model Framework for TCI Public Engagement
- Draft Model Rule
- Program Review

Jurisdiction-Specific Processes:

- Establishing and convening Equity Advisory Bodies
- State legislative and rulemaking processes
- Planning for investments
- Monitoring and evaluating program effectiveness

Ongoing Collaboration by 12 TCI Jurisdictions on Public Outreach and Equity

- ***Next Steps for the Transportation and Climate Initiative*** released by 12 jurisdictions
- Shared commitments to equity and community engagement:
 - Continued public outreach
 - Addressing the needs of overburdened and underserved communities
 - Ensure that all communities are able to provide meaningful input to decision-making processes



NEXT STEPS FOR THE TRANSPORTATION AND CLIMATE INITIATIVE

Climate change poses a clear and increasing threat to our communities, and as the transportation sector accounts for nearly 40 percent of greenhouse gas emissions across the region, bold action to reduce emissions is necessary. As signatories to the Memorandum of Understanding (MOU)¹ prepare to launch the Transportation and Climate Initiative Program (TCI-P), our Transportation and Climate Initiative (TCI) jurisdictions commit to continued collaboration and individual actions to equitably reduce air pollution, create healthier communities, and invest in cleaner transportation.

- All jurisdictions will continue to collaborate through TCI, including working with the TCI-P Signatory Jurisdictions to help develop a model rule and other clean transportation and emission reduction program elements that could be implemented within each jurisdiction.
- All jurisdictions will continue to analyze the long-term impacts of COVID-19 on transportation and pollution and ensure the TCI-P is designed to boost our economic recovery and facilitate the future of work in a post-pandemic world.
- All jurisdictions will conduct continued public outreach within our respective jurisdictions to ensure that emissions reductions, as well as the economic and public health benefits from future clean transportation investments, achieve equitable outcomes and directly benefit overburdened and underserved communities. All TCI jurisdictions will prioritize addressing the needs of overburdened and underserved communities and take steps to ensure that all communities are able to provide meaningful input to decision-making processes.
- Beyond the TCI-P, all jurisdictions will continue to collaborate on other state and regional strategies, including additional equitable emission reduction policies to advance our shared climate and transportation goals.

¹The MOU was signed by Massachusetts, Connecticut, Rhode Island, and the District of Columbia, and is available at the following link: <https://www.transportationandclimate.org/sites/default/files/TCI%20Next%20Steps%2012.20.pdf>

PART 3

Setting Up the Program: The Draft “Model Rule”

*Speakers: Megan O’Toole, Vermont Agency of Natural Resources;
and Jamie Flynn, Connecticut Department of Energy and Environmental Protection*

Understanding the Draft Model Rule

- What is the “Model Rule”?
- Fuel System Basics
 - Flow of fuel to your local gas station
 - Example of a terminal rack
 - Typical Bill of Lading
- Applicability - what kinds of fuel companies are subject to the program?
- What are the requirements on Jurisdiction Fuel Suppliers?
- How does the Emissions and Allowance Tracking System work and help to ensure compliance?

What is the “Model Rule”?

- TCI-P is a multijurisdictional program composed of individual programs adopted, implemented, and enforced under the regulations of each participating jurisdiction.
- The TCI-P Model Rule serves as the common framework that each participating jurisdiction will use to develop its own state-specific TCI-P regulations.
- The draft Model Rule has been developed by dozens of state agency staff from across the TCI region.
- The text of the draft Model Rule borrows some language and concepts from other successful emissions reduction programs.
- The draft Model Rule is now available for public comment on the TCI website.

How Does the Cap-and-Invest Program Work?

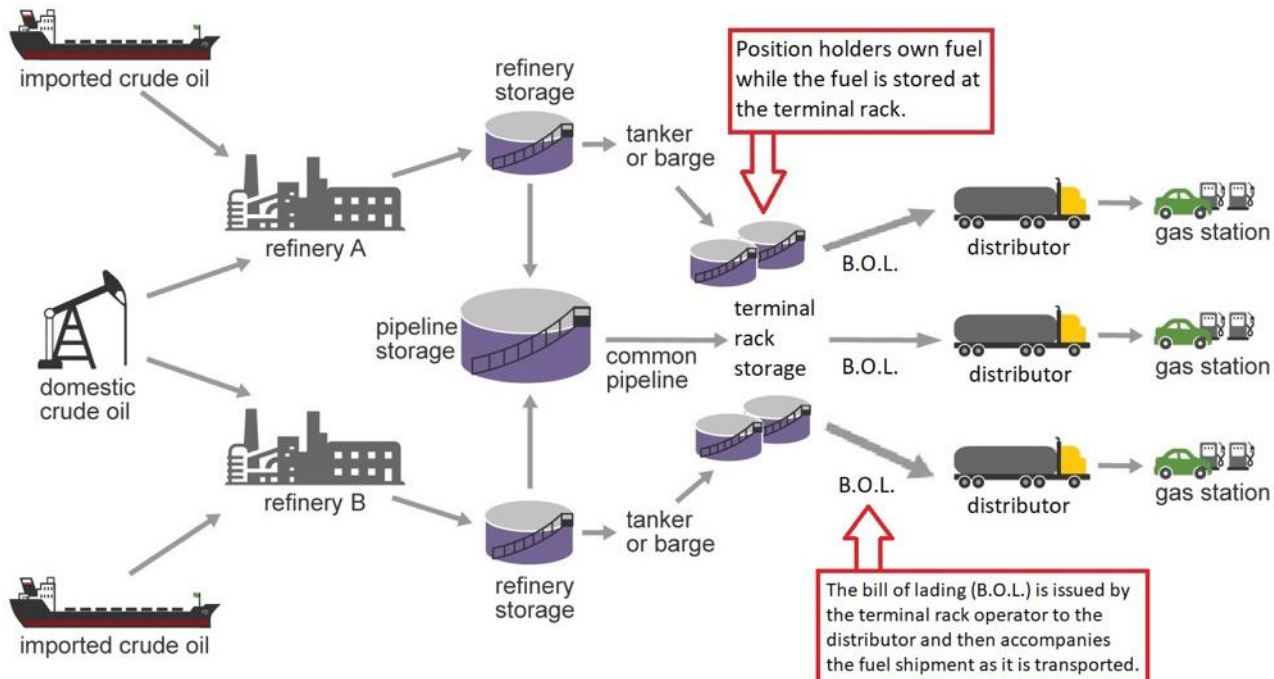
- TCI-P reduces carbon dioxide (CO₂) emissions from gasoline and on-road diesel fuel sold in participating jurisdictions
- This is achieved by **capping** and reducing total CO₂ emissions from these fuels and auctioning “allowances” to regulated fuel suppliers
- Participating jurisdictions use proceeds from allowance auctions to **invest** in low-carbon transportation strategies that give communities, workers and businesses additional clean, safe, and affordable options for getting from point A to point B

*The **cap** and the **invest** parts of the program
both help to reduce emissions*

Fuel System Basics

Terminal rack, position holder, Bill of Lading, and distributor are critical concepts in the Model Rule.

Flow of crude oil and gasoline to your local gas station



Source: U.S. Energy Information Administration

Example of a Terminal Rack

- Fuel tanks in the background
- Seven bay truck rack in the foreground
- Hudson River on the left
- Rail line on the right (not shown)



Global's Albany Terminal is a barge, rail, and truck supplied terminal serving New York's Hudson Valley through its seven bay truck rack. The terminal is located on the Hudson River and the Canadian Pacific rail line.

- Shipping documents (e.g., Bills of Lading) are used for **all** fuel shipments disbursed from Terminals, clearly indicating origin and destination for every gallon of fuel.

Date _____		BILL OF LADING		Page _____ of _____	
SHIP FROM ▼			BILL OF LADING NUMBER 12345678901234567		
Company			B/L Bar Code Space		
Street					
City, State, ZIP					
Phone					
Shipper's No. _____			Master Bill of Lading: with attached underlying Bills of Lading		
SHIP TO ▼			CARRIER NAME _____ CODE _____		
Name			TRAILER NUMBER		
Street			SEAL NUMBER(S)		
City, State, ZIP			PRO NUMBER		
Phone			PRO Bar Code Space		
Consignee's No. _____					
BILL FREIGHT TO ▼			SPECIAL INSTRUCTIONS		
Name					
Street					
City, State, ZIP					
Phone					
Freight Terms _____					
HANDLING COUNT / UM	PACKAGE COUNT / UM	HM (X)	Description of Articles, Kind of Packages, Marks and Exceptions PRODUCT, LOT NUMBER, UNIT NUMBERS		WEIGHT
					QUANTITY
					CLASS or RATE

◀ TOTALS ▶		
Where the rates dependent on volume, shippers are required to state specifically in writing the agreed or declared rate of the primary invoice. The agreed or declared value of this property is specifically stated by the shipper to be not exceeding _____ per _____.		COD AMOUNT \$ Fee terms: _____
ation for loss or damage in this shipment may be applicable. See 49 U.S.C. § 14706(c)(1)(A) and (B)		
by determined rates or contracts that have been agreed upon in writing between the shipper and the carrier. The carrier shall not make delivery of this shipment without payment of freight and other lawful charges.		The carrier shall not make delivery of this shipment without payment of freight and other lawful charges.
ITE ve named materials are properly classified, and are in proper condition for transportation agencies of the DOT.		CARRIER SIGNATURE / PICKUP DATE Carrier acknowledges receipt of packages and required packages. Carrier certifies that the materials are properly classified, and are in proper condition for transportation agencies of the DOT.
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Applicability

(What Type of Companies Will Be Regulated)

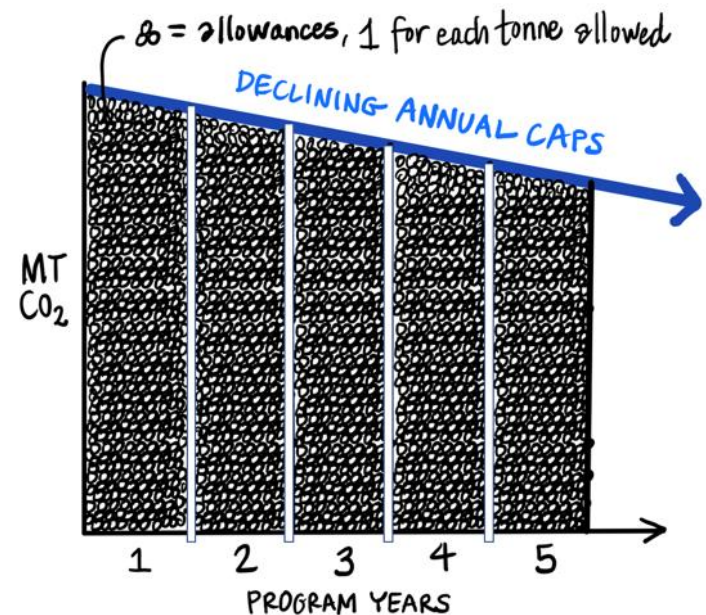
- Jurisdiction fuel suppliers
 - Jurisdiction fuel suppliers are (1) position holders at a terminal rack that disburse transportation fuel for delivery in the jurisdiction; and (2) distributors that complete certain other deliveries of transportation fuel in the jurisdiction.
 - Allowance holding and reporting obligation.
- Terminal operators
 - Terminal operators in the jurisdiction must report fuel shipments to the jurisdiction; terminal operators serving the jurisdiction from outside the jurisdiction may elect to report fuel shipments to the jurisdiction.
 - Reporting obligation.
- 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.
 - Reporting obligation, may have allowance holding obligation.

Requirements for Jurisdiction Fuel Suppliers

- Registration
 - Jurisdiction fuel suppliers must register with the program and establish one emissions reporting and one compliance account.
- Emissions reporting
 - Jurisdiction fuel suppliers must use the Emissions and Allowance Tracking System to report the emissions associated with the transportation fuels they disbursed to or delivered in the jurisdiction.
 - Monthly emissions reporting. Emissions reports are due by the end of the following month. Fuel shipment data must also be reported.
 - 3rd party verification. Verification is required after the end of each year.
 - Recordkeeping requirements.
- Allowance surrender and compliance certification
 - Jurisdiction fuel suppliers must surrender allowances to cover the emissions from the transportation fuels disbursed to or delivered in the jurisdiction after each 3-year compliance period and file a compliance certification.

Allowances

- An allowance represents the authorization to emit one metric ton of carbon dioxide pollution from transportation fuel.
- Jurisdiction Fuel Suppliers must turn in allowances to comply with the program.
- Allowances are to be sold at auctions held by the TCI-P jurisdictions.
 - Note: this is in contrast to some cap-and-trade programs which give away allowances instead of selling them.
 - The number of allowances available for sale declines each year and is equivalent to the “cap.”



Investment of Auction Proceeds

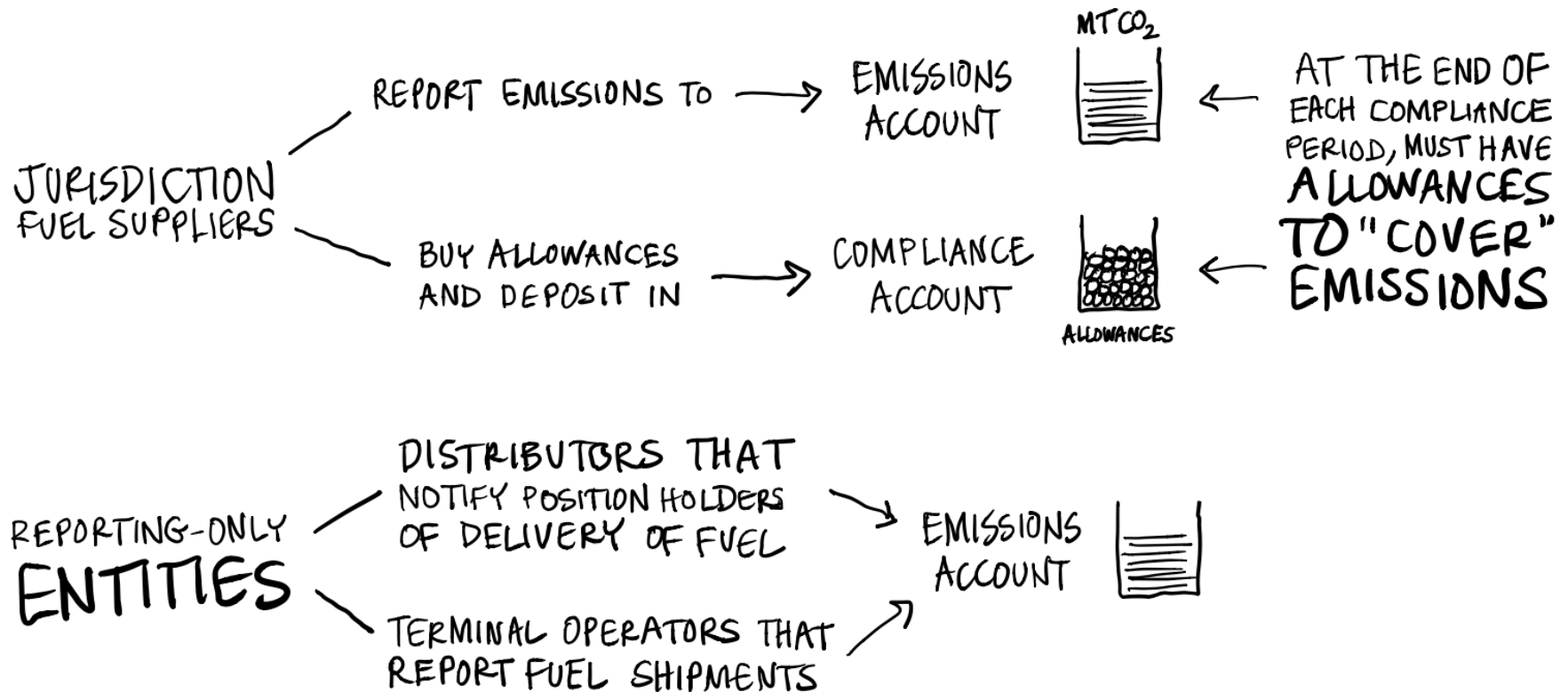
- Proceeds from the auctions are then used by participating jurisdictions to invest in clean transportation
 - No less than 35 percent of the proceeds from the auction of allowances to ensure that overburdened and underserved communities benefit equitably from clean transportation projects and programs
- Auctions are expected to be held quarterly
- TCI will hold a webinar on the details of the auction process in mid-March.



Enabling and Ensuring Compliance

- The program will have an Emissions and Allowance Tracking System to enable electronic reporting of emissions and fuel shipments. The system is necessary to calculate and verify each jurisdiction fuel supplier's compliance obligation.
- Tracking will be simple and uniform and will leverage existing state and federal regulations on fuel.
- The tracking ensures that all gallons are accounted for and avoids double counting.
- The system will also enable electronic tracking of the buying, selling, and surrender of allowances.
- Similar databases and reporting systems exist to facilitate the Regional Greenhouse Gas Initiative, the Western Climate Initiative, and various EPA programs.

Emissions and Allowance Tracking



PART 4

Public Input, Questions and Answers

How To Provide Your Input

- We will be working with you to develop a model framework for public engagement
- We will be reaching out to you soon to host webinars and community meetings for public input
- You can reach us through contact information provided today
- You can submit input through the online TCI public input portal
 - <https://www.transportationandclimate.org/main-menu/tci-regional-policy-design-stakeholder-input-form>
- TIMING for input on Draft Model Rule:
 - Portal will remain open, but input is most helpful if received by April 1

Your Questions

- *Q&A facilitated by Pete Rafle & James Bradbury (Georgetown Climate Center)*
- *Respondents: State officials and other speakers*

APPENDIX SLIDES

Managing Uncertainty

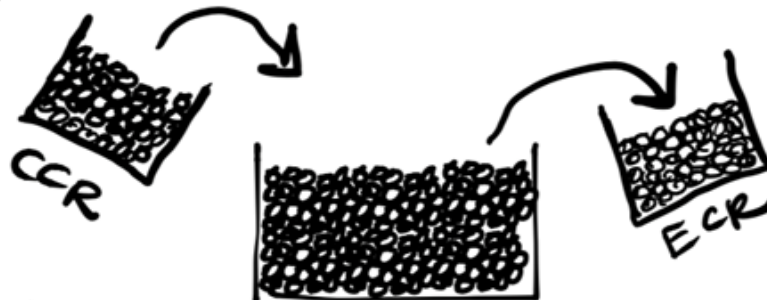
IF THE UNEXPECTED HAPPENS

(OR "MANAGING PRICE RISK")

COST
CONTAINMENT
RESERVE
(CCR)

EMISSIONS
CONTAINMENT
RESERVE
(ECR)

+



If allowance
prices higher
than expected,
CCR adds
allowances

EMISSIONS
"BUDGET"
(each year)

If allowance
prices are lower
than expected,
ECR removes
allowances

POSITION HOLDERS AND BELOW-THE-RACK DISTRIBUTORS MAY BE REQUIRED TO REPORT EMISSIONS AND SUBMIT ALLOWANCES

POSITION HOLDERS (owners of fuel at terminals anywhere in the US)

Did the position holder make disbursements* for which the shipping document lists [jurisdiction] as the destination?



For this fuel, the **position holder is not required to report emissions or submit allowances** to [jurisdiction].

The position holder may be required to report emissions and submit allowances.

Did any of the position holder's disbursements for final sale or consumption in [jurisdiction]** occur at reporting terminals?***



For this fuel, the **position holder must report emissions and submit allowances** unless a diversion to another jurisdiction is reported by a distributor or position holder.

Was the position holder notified of any disbursements from terminals that are not reporting terminals that were delivered for final sale or consumption in [jurisdiction]?**



For this fuel, the **position holder must report emissions and submit allowances** upon notification by a distributor.

Regulated position holders and (for less common delivery scenarios) distributors will be required to submit allowances covering emissions resulting from the combustion of gasoline and on-road diesel fuel. Reporting requirements will be consistent with information contained in shipping documents issued by terminals at the time of disbursement. Emissions will be calculated by multiplying fuel quantities by an emission factor, discounted to account for the biofuel content of the fuel. Monthly fuel shipment reporting will occur using an electronic tracking system that allows for streamlined reporting by, for example, using information reported by position holders to pre-populate draft distributor notification reports.

DISTRIBUTORS (owners of fuel in [jurisdiction] after removal from a terminal)

Did the distributor deliver fuel for final sale or consumption in [jurisdiction]?**



For this fuel, the **distributor is not required to report emissions or submit allowances** to [jurisdiction].

The distributor may be required to report emissions and submit allowances.

Was any of the fuel disbursed to the distributor at a reporting terminal with a shipping document that lists [jurisdiction] as the destination?



For this fuel, the **distributor is not required to report emissions or submit allowances** to [jurisdiction].

Was any of the fuel disbursed to the distributor at a terminal that is not a reporting terminal with a shipping document listing [jurisdiction] as the destination?



For this fuel, the **distributor must provide notification** to the position holder and report fuel shipment information to [jurisdiction].

Did the distributor deliver any other fuel to filling stations in [jurisdiction] (i.e., fuel diverted into [jurisdiction] or shipped from Canada or secondary storage)?



For this fuel, the **distributor must report emissions and submit allowances** to [jurisdiction].

If the distributor fails to provide notification, the distributor **must report emissions and submit allowances** to [jurisdiction].

* A disbursement is a physical removal of liquid product from a terminal.

** Including disbursements and deliveries to filling stations, not secondary storage facilities.

*** Reporting terminals include terminals in [jurisdiction] and other terminals that participate voluntarily.