



February 28, 2020

Governor Charlie Baker  
MA State House #280, Boston, MA 02133

Governor Phil Murphy  
P.O. Box 001, Trenton, NJ 08625

Governor John Carney  
150 MLK Jr. Blvd. S., Dover, DE 19901

Governor Ralph Northam  
P.O. Box 1475, Richmond, VA 23218

Governor Andrew Cuomo  
State Capitol Building, Albany, NY 12224

Governor Gina Raimondo  
82 Smith Street, Providence, RI 02903

Governor Larry Hogan  
100 State Circle, Annapolis, MD 21401

Governor Phil Scott  
109 State Street, Pavilion, Montpelier VT 05609

Governor Ned Lamont  
210 Capitol Avenue, Hartford, CT 06106

Governor Chris Sununu  
107 North Main Street, Concord NH 03301

Governor Janet Mills  
1 State House Station, Augusta, ME 04333

Governor Tom Wolf  
508 Main Capitol Building, Harrisburg PA 17120

Dear Governors of the Northeast and Mid-Atlantic States,

I am writing on behalf of the Greater Boston Chamber of Commerce regarding the *Draft Memorandum of Understanding of the Transportation and Climate Initiative (TCI)*. The Chamber shares TCI's goal of reducing greenhouse gas emissions in the transportation sector and supports the broad framework that has been proposed. Accordingly, our comments are intended to inform the development of the final TCI program design. The Chamber urges you to develop TCI so the region sees emissions reductions that are substantially lower than business-as-usual (BAU) projections, to include a secondary market for emissions allowance trading, and so that the program design does not include perverse incentives to maintain high emissions in order to preserve a revenue source.

### **Projected Emissions Reductions**

To rationalize the development of TCI, it is imperative that the benefit of creating a new regional market on transportation emissions is significant enough to justify the cost, both real and administrative. The final TCI program design should result in emissions reductions that are substantially lower than BAU projections. The 2019 TCI modeling and sensitivity analysis project emissions reductions of 6% to 19% under a BAU scenario between 2022 and 2032. Meanwhile, the three proposed caps for the TCI program would result in emissions reductions for that time span of 20%, 22%, or 25%, *including* the anticipated BAU reductions. As structured, the program would result in a potentially minor reduction in emissions that may not make the cost increase seem worthwhile.

### **Secondary Market**

The draft MOU briefly describes the monitoring of the proposed carbon market and the administration of allowance auctions; however, no reference is made to a secondary market for emission allowance trading outside of the auctions. Other market-based cap-and-invest programs, including the Regional Greenhouse Gas Initiative (RGGI), allow for trading of emissions allowances on a secondary market. The Chamber strongly urges the TCI framers to include a set of provisions in the final MOU and the model rule for a secondary market permitting the sale of emissions allowances among regulated entities and third parties.

Including a secondary market in the TCI program is important for multiple reasons. First, a secondary market increases program flexibility by allowing regulated entities to purchase additional allowances to meet program obligations or to sell excess allowances. In addition, a secondary market provides the

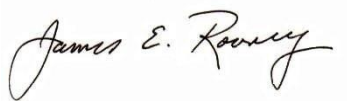
ability to sell or obtain allowances in between auctions, ensuring that allowances are liquid, and the carbon market remains stable. Finally, a secondary market will promote innovation among regulated entities by incentivizing firms to increase efficiency or upgrade technology in order to reduce emissions. Doing so will allow them to sell and profit from the unused allowances they purchased at auction.

**Program Integrity**

TCl is dependent on a declining cap for transportation emissions and the associated allowances that are auctioned to regulated entities. Because states' allowance proceeds derive from these auctions, it is important that the final MOU and model rule account for the perverse incentive to maintain high emissions to sustain a revenue source. TCl proceeds can result in substantial and beneficial public investment but should not be viewed as a permanent or increasing source of revenue.

Thank you for your consideration. We urge you to continue working collectively as a regional coalition and look forward to assisting you as you develop the final iteration of TCl. Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "James E. Rooney". The signature is written in a cursive style with a large, stylized initial "J".

James E. Rooney  
President and CEO