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Georgetown Climate Center
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Submitted electronically to the Transportation & Climate Initiative of the Northeast and Mid-Atlantic States at <https://www.transportationandclimate.org>.

RE: Comments on the Draft Memorandum of Understanding of the Transportation and Climate Initiative

The American Fuel & Petrochemical Manufacturers (“AFPM”) submits the following comments on Georgetown Climate Center’s (“GCC”) draft Memorandum of Understanding (“MOU”) regarding the Transportation & Climate Initiative (“TCI”).

AFPM is a trade association representing high-tech American manufacturers of nearly 90% of U.S. supply of gasoline, diesel, jet fuel, other fuels and home heating oil, as well as nearly all the petrochemicals used as building blocks for thousands of vital products in daily life. AFPM members make modern life possible and keep America moving and growing as they meet the needs of our nation and local communities, strengthen economic and national security, and support more than three million American jobs.

AFPM appreciates GCC’s efforts to develop a framework for reducing greenhouse gas emissions from the transportation sector. We too are committed to the development of sound public policies to address climate change, which is why we have engaged with and actively participated in many of the TCI stakeholder sessions in 2018 and 2019. It is also why AFPM has supported fuel policies (discussed further below) intended to improve the efficiency and thereby reduce emissions from internal combustion engine vehicles. We hope this effort brings together transportation stakeholders, including policymakers, consumers, refiners, biofuel producers, fuel marketers, and the automobile industry, to formulate emission-reduction policies that are balanced, cost-effective, and measured to ensure that the economic, energy, and environmental needs of the region are met.



We look forward to the opportunity to review and provide input on the draft Model Rule that is expected to be released for public comment by the end of the year. At that time, we will be in a far better position to provide meaningful input on key components of the program. In the meantime, we offer the following general comments.

I. ENVIRONMENTAL BENEFITS

On December 17, 2019, when the GCC released the draft Memorandum, you also shared the initial projections of economic and public health benefits from TCI. According to these estimates, emissions in the transportation sector will decline 19% by 2032 under the “base case” (*i.e.*, without implementing TCI). These reductions result from existing federal and state programs, such as the Corporate Average Fuel Economy standards and other efficiency programs. The GCC also estimates that achieving a 6 % reduction over the base case would cost \$6.9 billion, or \$492 per ton of CO₂ reduced. This is substantially higher than the cost of other CO₂ abatement programs, including the Regional Greenhouse Gas Initiative (RGGI). AFPM believes that GHG programs should strive to meet targets at the least cost to the economy and consumers and be as transparent as possible. We look forward to helping you achieve these goals.

II. REGULATED ENTITIES/SCOPE

AFPM believes GHG programs should apply economy-wide, or in this case region-wide, and be harmonized as much as possible with other programs. As proposed, TCI is geographically limited and applies only to a subset of the transportation sector. This would result in an unlevel playing field and higher compliance costs. The approach could be improved by linking TCI with other programs, such as RGGI. Linking or combining the two programs would allow the market to find the lowest cost solutions to reducing GHG emissions across multiple sectors of the economy. For example, utility allowances typically trade in the \$3-\$5/ton range, lower than allowance prices projected by GCC under the TCI.



III. WORKABLE SOLUTIONS

AFPM appreciates GCC's efforts to work with stakeholders to identify good policies to solve our nation's environmental, fuels, and vehicle challenges. We have put forward our own proposal on the federal level to reduce GHG emissions from the transportation sector. Specifically, we have proposed and endorsed legislation that would transition the nation from Renewable Fuel Standard ("RFS") to a national 95 Research Octane Number ("RON") octane performance standard. Higher octane fuels enable higher-compression engines that improve the efficiency of ICE vehicles. A 95 RON octane standard, when paired with automobiles optimized for such fuel, can deliver a 3-4% efficiency gain (and, thus, emissions reduction) at a lower well-to-wheels cost than other approaches. This would be the equivalent of taking hundreds of thousands of cars off the road each year. It is also a national solution and available across all states with current infrastructure, impacting every new vehicle on the road.

As with any fuels policy, the feasibility of introducing a new fuel is a function of market and regulatory conditions. A national, 95-RON performance standard would also have the benefit of being available nationwide with little required lead time, minimizing disruptive infrastructure requirements and other market barriers associated with higher RON levels. It would also help preserve consumer choice for vehicles and fuels by helping increase efficiency at a lower cost. In fact, combining fuel and vehicle costs of production, the consumer could see an overall benefit compared to other alternatives.

We would welcome the opportunity to brief you on this proposal.

Thank you for the opportunity to provide input at this stage of the Transportation Climate Initiative and we look forward to working with states in the days ahead as we all consider how to reduce GHG emissions.