



November 12, 2020

Executive Director
Georgetown Climate Center
600 New Jersey Avenue, NW
Washington, DC 20001-2075

Dear Vicki Arroyo,

API represents all segments of America's oil and natural gas industry. Our 600 members produce, process and distribute most of the nation's energy. The industry supports more than ten million U.S. jobs and is backed by a growing grassroots movement of millions of Americans. API was formed in 1919 as a standards-setting organization. In our first 100 years, API has developed more than 700 standards to enhance operational and environmental safety, efficiency and sustainability. API and its members are committed to delivering solutions that reduce the risks of climate change while meeting society's growing energy needs. We appreciate the opportunity to further engage on the Transportation and Climate Initiative of the Northeast and Mid-Atlantic states (TCI). Policies developed to achieve greenhouse gas emissions reductions from the transportation sector must be structured and implemented in a cost-effective manner.

API continues to seek more details about the program, and we request a virtual meeting to better understand the basis of the modeling that is inherent in the program design. Program elements need to be clarified before we can offer a complete response to the proposed program or its ability to facilitate meaningful reductions in GHG emissions. We appreciate the additional information provided on the September 16th and September 29th webinars and the data made available at the TCI website on September 22nd. Key TCI assumptions and select modeling inputs to the Reference Case deviate from data provided by the Department of Energy's Energy Information Administration in its Annual Energy Outlook. In an effort to validate the modeling, API is attempting to replicate the adjustments made by TCI, but the data provided are not sufficient to assure the accuracy of the work. The NEMS model is a publicly available tool and API requests that TCI ensure transparency by providing the data necessary to completely replicate TCI's modeling work, and to participate in a virtual meeting to discuss the modeling efforts.

Absent the necessary data, API deployed a top-down approach to reverse-engineer adjustments made in the modeling, particularly the Reference Case, and its associated Sensitivity Cases. We were unable to match the TCI modeling outputs in our attempts, and we hope to obtain the full dataset that will enable us to better understand modeling inputs and outputs, including the following:

- Sales and stock of electric vehicles with 300+ mile range in the TCI region exceed EIA's sales and stock figures for the entire nation. Vehicle Miles Traveled (VMT) by these electric vehicles are assumed to increase 1,715% between 2022 and 2032.
- Policy Case results from the COVID model runs are counterintuitive, as the "COVID – High" and "COVID Low 1" models reflect higher emissions than the Reference Case. This does not seem plausible, as lower fuel prices during the pandemic are the direct result of greatly reduced consumer demand (i.e., lower VMT). Even as restrictions in many cities and states are being relaxed, demand (and prices) has remained significantly reduced.
- Macroeconomic impacts are all positive and increase with program stringency. It remains unclear what model inputs contribute to the positive macroeconomic outcomes.



- CO2 emission factors for gasoline and diesel appear to be lower than would be expected from EIA data, and may be in conflict with EPA emission factors. The Reference Case may also assume E15 and B5 biofuel blends, which are unrealistic representations of the whole fuel pool in the 2022 timeframe.

In addition, we would be interested in more dialogue on the TRECH report, including the source of benefits (e.g., air quality, physical activities etc.), how the TRECH report will be used in policy decisions, and the consideration of public input.

API is supportive of the price stability mechanisms introduced in the September 16th webinar (i.e., Cost Containment Reserve and Emissions Containment Reserve). API is supportive also of the multi-year compliance period discussed during the webinar, but as stated in our February 2020 comments, compliance should be monitored and assessed at interim points to provide a safeguard against the possibility that some parties may accumulate an infeasible compliance deficit and exit the market with an unfulfilled obligation. For a three-year compliance period, a requirement that parties demonstrate their ability to meet 30% of prior year obligations outstanding each year would provide the desired flexibility and compliance assurance.

API continues to support the comments we provided in February. It does not appear TCI incorporated our recommendation to apply the program across a greater portion of the economy by linking with the existing Regional Greenhouse Gas Initiative (RGGI). The proposed sectoral approach that only considers emissions from the transportation sector risks imposing higher costs on consumers relative to those incurred from the adoption of carbon abatement strategies in other sectors, and we reiterate our recommendation to link TCI with RGGI from the outset. Furthermore, broad participation by the Northeast states would be key for the durability and market efficiency of this program.

We appreciate the webinars that were held on November 4th and 5th where additional details regarding the compliance and reporting regime were discussed. We support the general direction that TCI is heading on the point of compliance issue aligning with the approach that many states take with regard to fuel excise taxes. We would welcome the opportunity to continue discussions with you on this issue to explore whether there are ways to simplify and streamline your approach.

Given the unprecedented economic impact of COVID-19, implementation of the TCI program by 2022 appears unrealistic and may need to be adjusted. We look forward to learning more about the TCI program, and appreciate the opportunity to provide feedback and engage in more discussions to better understand it.

Sincerely,

A handwritten signature in blue ink that reads 'Patrick Kelly'.

Patrick Kelly