

## Consumer Reports' Input on a Draft Memorandum of Understanding of the Transportation and Climate Initiative

**Introduction.** On December 17, 2019, the Transportation and Climate Initiative (TCI) published a draft Memorandum of Understanding (MOU) for a regional cap-and-invest program, asking for public comment on the draft MOU.

As the leading cause of climate change pollution,<sup>1</sup> and a significant contributor of other pollutants harmful to public health, transportation emissions must be curtailed to transition to a cleaner, healthier future. The TCI proposal and framework has the potential to significantly cut emissions from the Northeast and Mid-Atlantic region and benefit consumers by increasing mobility options and reducing transportation costs,<sup>2</sup> but delivering these benefits relies entirely on the details of the program and its implementation. Consumer Reports<sup>3</sup> urges TCI jurisdictions to prioritize consumers' economic and public health in order to maximize the benefits of the TCI program. In order to deliver net benefits to consumers, jurisdictions must adopt complementary policies to reduce fuel consumption and allocate auction proceeds to benefit communities who are disproportionately burdened by energy costs and pollution.<sup>4</sup>

**Cap-and-Invest Precedents.** Programs similar to TCI's cap-and-invest framework have successfully reduced emissions and prioritized investments to support economic growth, community health, and pollution reduction. For example, under AB 32, California caps emissions, sells allowances to polluters, and invests the proceeds from selling the allowances to fund programs and infrastructure for clean energy and transportation and provide direct

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<sup>1</sup> EPA Greenhouse Gas Inventory 2007-2017 at <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>.

<sup>2</sup> Union of Concerned Scientists, Daniel Gatti, *Clean Transportation Technologies Can Cut Emissions and Save Northeast Over \$1 Trillion in Reduced Spending on Oil*, [10/10/18](#) and Rutgers University, Environmental Analysis Communications Group, Georgetown Climate Center, TCI Scoping Paper Series, *Benefits of Investment*, accessed [3/6/20](#)

<sup>3</sup> Consumer Reports is an independent, nonprofit membership organization that works side by side with consumers to create a fairer, safer, and healthier world. For 80 years, CR has provided evidence-based product testing and ratings, rigorous research, hard-hitting investigative journalism, public education, and steadfast policy action on behalf of consumers' interests. CR has exposed landmark public health and safety issues and strives to be a catalyst for pro-consumer changes in the marketplace. From championing responsible auto safety standards, to winning food and water protections, to enhancing healthcare quality, to fighting back against predatory lenders in the financial markets, Consumer Reports has always been on the front lines, raising the voices of consumers.

<sup>4</sup> See National Consumer Law Center's comments on key investments, programs and parameters needed to achieve equitable outcomes for low-income consumers, which they label as an "equity baseline" that states should adopt as part of their commitment to join the program..

consumer rebates.<sup>5</sup> And in the Northeast and Mid-Atlantic region, the Regional Greenhouse Gas Initiative (RGGI) has also used cap-and-invest in the power sector to fund energy efficiency, renewable energy, and direct bill assistance.<sup>6</sup>

**Strengthening Communities.** These programs also offer insight that jurisdictions must address criteria pollutant “hot spots” and equitably invest the funds from cap-and-invest policies in cost-effective programs to ensure pollution reductions and energy cost savings in vulnerable communities.<sup>7</sup> Consumer Reports recommends following the principles of robust community engagement, maximizing co-benefits to reduce pollution in overburdened communities, allocating proceeds from auctions to invest in disadvantaged communities, and targeting programs to reduce fuel and transportation costs, especially for families least able to afford them.

**Costs and Benefits.** The regional annual benefits of a robust TCI cap (25% reduction) include up to \$10B in public health benefits, such as avoided asthma attacks and premature deaths, and up to nearly \$3B in other economic benefits.<sup>8</sup> The overall benefits will likely be even higher when accounting for effects on agriculture, transportation infrastructure, coastal properties, and other effects that will be borne by people through higher household expenses and taxes.<sup>9</sup>

The annual proceeds from the program are estimated to be about \$6B.<sup>10</sup> These will likely lead to small increases in fuel prices that can be mitigated or entirely offset through effective complementary policies that reduce fuel consumption.

**Complementary Policies Essential to Success of TCI Program:** Maximizing benefits relies on implementing successful strategies to reduce fuel consumption and consumer costs. Such strategies include 1) adopting or maintaining low-emission (LEV) and zero-emission (ZEV) standards, 2) investing in electrification infrastructure and EV incentives, including programs that enable low-income households to access cleaner and more efficient vehicles, and 3) improving mobility choices through infrastructure that improves walkability, bikeability, and transit access in communities throughout the region. By providing households more choices to reduce their fuel consumption and save money through improved mobility options, consumers can offset increases to fuel prices because they will be using less gasoline. And many consumers can even come out ahead and save money on transportation, in addition to the

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<sup>5</sup> California Climate Investments at <http://www.caclimateinvestments.ca.gov/about-cci>.

<sup>6</sup> Regional Greenhouse Gas Initiative, “Investment of RGGI Proceeds in 2017” at <https://www.rggi.org/investments/proceeds-investments>.

<sup>7</sup> TCI Framework for a Draft Regional Policy Proposal, [https://www.transportationandclimate.org/sites/default/files/TCI-Framework\\_10-01-2019.pdf](https://www.transportationandclimate.org/sites/default/files/TCI-Framework_10-01-2019.pdf)

<sup>8</sup> Summary of TCI modeling scenarios at [https://www.transportationandclimate.org/sites/default/files/TCI%20Public%20Webinar%20Slides\\_20191217.pdf](https://www.transportationandclimate.org/sites/default/files/TCI%20Public%20Webinar%20Slides_20191217.pdf).

<sup>9</sup> See e.g. Martinich, J., Crimmins, A. Climate damages and adaptation potential across diverse sectors of the United States. *Nat. Clim. Chang.* 9, 397–404 (2019). <https://doi.org/10.1038/s41558-019-0444-6>.

<sup>10</sup> *Id.*

overall public health and economic benefits of reducing pollution and addressing climate change.<sup>11</sup>

**Conclusion.** Through the MOU, TCI jurisdictions are committing to “work with communities to ensure that the benefits of a cap-and-invest program flow equitably to communities that are underserved by clean transportation alternatives, disproportionately bear the costs of the current transportation system, or suffer disproportionate impacts of vehicular pollution and climate change” and the jurisdictions “remain committed to regularly assess the program’s effectiveness in meeting shared greenhouse gas emissions reduction, resilient transportation, and equity goals.” Fulfilling these promises will require specific and enforceable commitments by each jurisdiction to spend allowance proceeds wisely on programs that lower costs for consumers, invest in programs to further accelerate cleaner, more affordable transportation choices, and implement complementary policies that can more than offset program costs.

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<sup>11</sup> Kate Palmer et al., *Total Cost of Ownership and Market Share for Hybrid and Electric Vehicles in the UK, US and Japan*, January 1, 2018, <https://www.sciencedirect.com/science/article/abs/pii/S030626191731526X?via%3Dihub> and Chris Harto & Shannon Baker-Branstetter, *The Un-SAFE Rule Update*, Consumer Reports (November 2019), <https://advocacy.consumerreports.org/wp-content/uploads/2019/11/CRs-Updated-Analysis-of-the-UnSAFE-Rule.pdf>