

September 30, 2020

Submitted via TCI Regional Policy Design Stakeholder Input Form (“TCI portal”)

Re: Comments on Program Design and Recent Modeling for the Transportation and Climate Initiative

The Environmental Defense Fund (EDF) commends the continuing effort of the Transportation and Climate Initiative (TCI) jurisdictions to design and implement a regional program to cap and reduce climate pollution from the transportation sector in the Northeast and Mid-Atlantic regions of the U.S.

The cap-and-invest program proposed by TCI presents a unique opportunity to achieve emission reductions and provide funding for improvements to our transportation systems. EDF strongly supports the development of this framework and welcomes the release of the latest modeling results. We respectfully offer the following comments and recommendations for consideration to the Transportation and Climate Initiative in response to the information presented on the September 16 webinar.

Program Design

- 1. The emissions cap should be set to achieve the greatest emission reductions feasible, aiming to put the region on track to reduce economy-wide emissions in line with IPCC recommendations.** The IPCC found that annual global GHG emissions must decrease by 45% from 2010 levels by 2030 and reach net-zero by 2050 to limit warming to 1.5°C.¹ Meeting this target requires significant and immediate reductions in climate warming pollution. In practice, this means setting the TCI cap to achieve at least a 25 percent reduction from 2022 emissions by 2032, the most stringent cap modeled by TCI to date. The states should continue to evaluate and consider more ambitious emissions caps beyond a 25 percent reduction, assessing the modeled impacts of different cap trajectories on both transportation and electric power sector emissions, that are likely to put the states on the trajectory needed to avoid the worst impacts of climate change.
- 2. Stability and flexibility mechanisms will help maintain an effective program and should be crafted in a way that does not undermine the efficacy of the program in reducing emissions.** EDF supports using mechanisms like those used in RGGI² to account

¹ See <https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/>.

² See <https://www.rggi.org/program-overview-and-design/elements>.

for uncertainty in future trajectories of emissions, energy demand, and costs. Specifically, EDF supports the inclusion of cost and emissions containment reserves, a multi-year compliance period, banking, and a price floor. The price floor should increase over the course of the program to encourage continued emission reductions and ensure funding for complementary policies.

- 3. EDF supports the intent to develop the program with the potential to link with other carbon markets in mind.** Linking with other allowance markets, like RGGI, can improve efficiency, lower compliance costs, and provide flexibility to covered entities by allowing deeper emission reductions to be achieved in sectors and geographies where it is most cost effective to do so. Linking should be done with careful consideration and analysis of how costs and benefits will be distributed.

Modeling

- 1. Evaluate the benefits of more ambitious emissions trajectories, including those that put the region on track to reduce economy-wide emissions by 45% from 2010 levels by 2030.** As part of the modeling effort, the states should evaluate transportation and electric power sector emissions scenarios to develop an emissions cap that would require reductions from the transportation sector consistent with this economy-wide target. The modeling results presented by TCI on the September 16 webinar indicate that emission reductions could reach more than 30 percent below 2022 levels by 2032 under business as usual depending on oil prices, electric vehicle costs, and federal policies. EDF recommends modeling a cap that, at a minimum, secures this level of reduction and assesses the potential added benefits of a more ambitious cap.

We appreciate the work the TCI jurisdictions have done to date in taking the initiative to address the impacts of the transportation sector on climate change. We look forward to the release of the final MOU and Model Rule. Thank you for your consideration of these comments.

Sincerely,

Drew Stilson
Sr. Policy Analyst
Environmental Defense Fund
1875 Connecticut Avenue NW
Washington, D.C. 20009