

# Comments of the Izaak Walton League of America on the Draft Framework for the Transportation Climate Initiative



## Introduction: TCI, RGGI, and State Greenhouse Gas Goals

Twelve states in the Northeast and mid-Atlantic and the District of Columbia have agreed to negotiate the structure of a Transportation Climate Initiative (TCI), a regional effort to address transportation-related emissions of gasses linked to climate change. In October, 2019, the parties released a Framework for a Draft Regional Policy Proposal. After considering public input, a draft Memorandum of Understanding building on the Framework is anticipated in December, 2019. After further public input, a final MOU is expected in the Spring of 2020, after which each jurisdiction will decide whether to adopt the final MOU and participate in the regional program. The states are Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Virginia.

The effort is modeled after the successful Regional Greenhouse Gas Initiative (RGGI), under which electric utilities with significant generating capacity must purchase at auction permits to emit greenhouse gases from electric generating units operating in the nine (soon to be ten) states in the Northeast and Mid-Atlantic. The quantity of emission permits available is declining each year, driving reductions in greenhouse gas emissions. The bulk of the revenue from the RGGI emission permit auctions is returned to each state, after a small administrative fee. Each state has considerable flexibility to decide how to invest the funds.

Eleven states in the region (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Virginia) have also joined the US Climate Alliance, under which 25 states (so far) have agreed to take action to meet the goals of the Paris Agreement on climate change. They have committed to taking action to reduce greenhouse gas pollution by 26-28% from 2005 levels by 2025. The District of Columbia has also pledged to meet those emission goals. The Paris Agreement includes further reductions in greenhouse gas pollution beyond 2025. Under the US Climate Alliance, each state determines what actions it will take, and the parties gather annually to track progress.

***The Transportation Climate Initiative is an ambitious and important initiative which could help states meet their commitments to reduce greenhouse gas pollution. Unfortunately, the Framework as crafted is incomplete, abandoning the equity goal with respect to treatment of transport fuels, leaving a significant and growing portion of transportation fuels exempt from its coverage and failing to embrace clear opportunities to achieve greenhouse gas reductions and carbon sequestration along with transportation infrastructure improvements in the region.***

## The Draft Framework

As drafted, the Framework for the TCI includes “Equity” as one design element. It focuses on “an understanding that there are communities that live with historic inequities with respect to accessibility, mobility, affordability, public health risks, and a disproportionate vulnerability to a changing climate.” The understanding is correct, the goal is laudable, and the commitments to equitable outcomes enumerated could help address the situation and make the operation of the initiative more equitable.

However, the Framework abandons this important equity principle as a design element when it proposes that the proposed program only cover “finished motor gasoline and on-road diesel fuel in the region.” Biofuels are mentioned, in the context of TCI jurisdictions evaluating whether and how to include and treat them. But other kinds of transportation fuel are ignored by the draft Framework, and there are compelling reasons why they can and should be part of the Initiative:

**1. Other transportation fuels also generate greenhouse gas emissions**, including airline fuel, railroad diesel fuel, marine fuel, and other off-road transportation fuels such as construction, farms and mining. According to the US Department of Energy, the transportation sector is now the leading sector in producing CO<sub>2</sub> emissions in the US, and has been every year since 2000, compared to the industrial, residential, and commercial sectors. The Department of Energy notes that “the 2017 increase in CO<sub>2</sub> emissions from the transportation sector was led by jet and diesel fuel – motor gasoline emissions declined.”

For example, from 2010 to 2017, while CO<sub>2</sub> emissions from the transportation sector increased by 2.9% overall, CO<sub>2</sub> emissions from jet fuel increased by 17.6%, and represented well over half of the overall increase in CO<sub>2</sub> emissions from the transportation sector. The Energy Information Administration projects that jet fuel consumption will increase at faster rate than any other liquid transportation fuel through 2050<sup>1</sup>. The EPA also notes that “non-transportation mobile GHG emissions” for agricultural equipment (presumably, on-farm equipment like tractors and combines) generate some 40 million metric tons of CO<sub>2</sub> equivalent in 2017, more than railroads did that year (38.4 million metric tons)<sup>2</sup>.

**2. These uses of transportation fuels other than light-duty vehicles (cars and pickups) and medium and heavy-duty trucks currently represent a significant proportion of the transportation fuel used and resulting greenhouse gases** generated nationally<sup>3</sup>, including:

Aircraft – 9%

Ships & boats – 3%

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<sup>1</sup> U.S. Department of Energy, Energy Information Administration, *EIA Projects Energy Consumption in Air Transportation to Increase Through 2050*.

<sup>2</sup> US Environmental Protection Agency, *Fast Facts: US Transportation Sector Greenhouse Gas Emissions 1990-2017*. June, 2019. EPA, *Fast Facts*, *ibid*.

<sup>3</sup> US Environmental Protection Agency, *Fast Facts: US Transportation Sector Greenhouse Gas Emissions 1990-2017*. June, 2019.

Railroads – 2%  
Other – 4%

Altogether, it appears likely that some 15% to 20% of transportation fuels in the region would be left out of the TCI Framework as drafted. If the Initiative is successful and the investments resulting from TCI proceeds along with market signals result in a substantial reduction in greenhouse gas emissions (and accompanying reductions in fuel use) from the covered entities (gasoline motor fuels and on-road diesel vehicles), then the relative share of transportation fuels exempt from the TCI will grow substantially. For example, should the TCI be successful in reducing the emissions from motor gasoline and on-road diesel by 25% by 2030, but exempt fuel use continue to grow as expected, those exempt fuel uses could easily represent 30% to 35% of all transportation-related GHG emissions by 2030. If instead those other non-highway fuel uses are included in the TCI Framework and expected to meet a similar reduction (25% by 2030, using the example above), then the difference would be a reduction of more than 1.5 million tons of CO<sub>2</sub> emissions per year by 2030.

**3. The auction of covered fuels under the Initiative will provide an important market signal** to fuel users that should aid in conservation measures and in shifts to less carbon intensive transportation options and systems. That market signal **will be absent for the transportation fuels exempt from coverage**. Economic market signals, even relatively small ones, send important signals to those who purchase and use transportation fuels. They encourage conservation and efficiency, and can encourage a shift from fuels that are subject to a fee to ones that are not.

**4. Exempting some transport fuels but not others will create clear competitive imbalances** between transportation modes. Trucks using on-road diesel compete with railroads, marine, and sometimes airline modes of transport to haul freight, so exempting some modes and not others could create an unfair competitive advantage. TCI states are considering how to treat biofuels, which compete with petroleum-based fuels (gasoline or diesel). Nationally, EPA says biofuels generated over 96 million tons CO<sub>2</sub> equivalent (78 m tons from ethanol, 19 m tons from biodiesel)<sup>4</sup>.

**4. The modes of transport proposed to be exempt provide opportunities** to use investments in infrastructure to increase their efficiency and thus reduce their greenhouse gas impact. Railroads could benefit from improvements at rail-highway crossings and separations. Airlines could benefit from investments in infrastructure at the region's airports to improve efficiencies. Farms could benefit from investment in on-farm soil health practices that reduce fuel use and store carbon in the soil. Marine operators could benefit from infrastructure improvements at ports and docks throughout the region. In each case, investments could both benefit the industry involved through infrastructure financed by the auction proceeds, while reducing their greenhouse gas footprint. The opportunity for those investments could be lost if those modes are exempt from the Initiative.

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<sup>4</sup> US EPA, *Fast Facts*, *ibid*.

## **Broadening the Framework**

To address these deficiencies, the Transportation Climate Initiative Framework should be broadened to include:

**A. *The principle that all transportation fuels in the region will be part of the TCI framework***, because they all contribute to climate change. That would avoid inequities that would otherwise result, ensure that appropriate economic signals are in place, and generate funds for infrastructure projects that can reduce the carbon footprint and improve efficiency in industries like airlines, railroads, and agriculture that rely on petroleum-based transportation fuels.

**B. *A commitment to phase in coverage over a set time period*** (e.g., 4 years), as the TCI participants put in place the capacity to implement coverage for each fuel type and industry. That approach would avoid delaying the implementation of the framework for fuel types that can be included immediately (e.g., motor gasoline), while providing time to develop appropriate systems for monitoring fuel use and emissions, administering allowance auctions, and tracking allowances for remaining transportation fuels.

**C. *A commitment from TCI jurisdictions to recognize the source of proceeds as investment decisions are made***, to ensure that airlines, railroads, shipping, agriculture, and other industries see benefits from their share of auction proceeds, just as truckers and automobile drivers should see benefits from transportation infrastructure investments made with the proceeds from motor gasoline and on-road diesel permit auctions. That could retain each state/jurisdiction's authority to make investment choices with its share of the proceeds, but lead to investments that will deliver benefits for multiple modes of transportation.

### **For more information, contact:**

Duane Hovorka, Agriculture Program Director  
Izaak Walton League of America  
707 Conservation Lane, Suite 222  
Gaithersburg, MD 20878