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November 1, 2019

Vicki Arroyo  
Executive Director  
Georgetown Climate Center  
600 New Jersey Avenue, NW  
Washington, DC 20001

RE: High Level Framework For A Draft Regional Policy Proposal To Reduce Greenhouse Gas Pollution From Transportation (October 1, 2019)

Dear Executive Director Arroyo:

Shell appreciates this opportunity to comment on The Georgetown Transportation & Climate Initiative (“TCI”) High Level Framework For A Draft Regional Policy Proposal To Reduce Greenhouse Gas Pollution From Transportation (“Framework”). Shell has business interests across the TCI jurisdictions, including retail locations and terminals that supply gasoline, diesel, ethanol, biodiesel, and other fuels throughout the region. We are an active participant in the RGGI program, the California Cap and Trade program, and other Cap and Trade programs globally. We are also investing in cleaner lower carbon fuel options such as cellulosic biofuels, renewable natural gas, electric vehicle recharging, and hydrogen vehicle refueling. As such, we have a substantial interest in the proposed Framework.

Shell has long recognized the climate change challenge. Our overall goal is to provide more energy to meet growing world demand while providing cleaner energy to reduce carbon emissions. We believe that effective policy is essential to drive low-carbon business growth and affect consumer choices. We welcome governmental efforts to achieve long-term climate goals. We particularly welcomed the United Nations Paris Agreement on climate change and have made a company-wide global commitment to reduce the carbon intensity of the energy products we sell with our Net Carbon Footprint ambition. We believe that the transition to a low-carbon economy is best underpinned by meaningful government-led carbon pricing mechanisms. The TCI Framework is a step in the right direction.

An effective transition to lower emission mobility will require the coordination and integration of policies that impact vehicles, fuels, infrastructure and consumer choice. As new technologies will not be cost competitive immediately, time-limited incentives for all low carbon technologies will be needed to bridge the gap and ensure an effective transition. The Framework can contribute to reducing transport emissions by sending a strong signal to consumers to consume fuel more efficiently while at the same time providing the support needed to deploy technologies that can reduce emissions, such as advanced biofuels, refueling infrastructure for electric and hydrogen vehicles, and Carbon Capture Use and Storage (CCUS) technologies.

It is against this supportive mindset that we offer comments on a few specific issues in the Framework.

## Affected Fuels and Emissions

The Framework explains that the “proposed program would cap emissions of carbon dioxide from the combustion of the fossil component of finished motor gasoline and on-road diesel fuel in the region. The TCI jurisdictions are evaluating whether and how to include and treat biofuels in the program. Affected fuel would include fuel destined for final sale or consumption in a TCI jurisdiction, upon removal from a storage facility (i.e., a “terminal rack”) in the TCI jurisdiction, or, for fuel removed from a facility in another jurisdiction, upon delivery into the TCI jurisdiction.”

Shell recommends biofuels be excluded from the program like the exclusion of biofuels from California’s Cap and Trade program. This approach will provide an incentive for greater biofuel usage. We also recommend that TCI support the use of renewable fuels within the aviation and heating oil sectors as an offset generating activity. This approach is like the treatment of these fuels within the federal Renewable Fuel Standard (“RFS”)

## Regulated Entities

To ensure a level competitive playing field, all gasoline and diesel sold for consumption in the TCI jurisdictions must be subject to regulation. This must include for example, fuel that is trucked from terminals in neighboring states to retail locations within the TCI jurisdictions. If it is not, it will create carbon leakage from the program and an unlevel playing field for businesses in the TCI jurisdictions. Terminals in the TCI jurisdictions also supply fuel across state lines. Gasoline and diesel exported out of the TCI jurisdictions should not be regulated to avoid disadvantaging businesses in the TCI jurisdictions.

## Flexibility, Allowance Allocation, and Stringency

The Framework explains that the program would incorporate allowance banking and multi-year compliance periods and include price-based mechanisms for cap flexibility and cost containment (e.g. cost containment reserve, emissions containment reserve, minimum reserve price). The Framework further explains that price-based flexibility mechanisms would be implemented through auction design, and that linkage with programs in other jurisdictions might be another way to add flexibility and contain costs.

Shell supports inclusion of flexibility and cost containment mechanisms. Compliance flexibility allows businesses to select strategies that best suit their unique needs and evolving circumstances, while delivering real emission reductions more efficiently and at less cost than rigid measures. Price-based mechanisms help to achieve GHG emission reductions while sending a clear and transparent signal throughout the economy. This in turn prompts behavior change that reduces emissions and spurs the investment and commercialization of advanced technologies. Well-designed cost containment provisions also increase regulatory certainty and facilitate investment.

Linking is another way to add flexibility and contain costs. Shell supports designing the program in a manner that will encourage linking with RGGI and other similar programs. We would also encourage the TCI jurisdictions to enlist the participation of neighboring jurisdictions. A geographically broader program, especially if linked with other programs, may help to reduce cross border dislocations and increase liquidity. The TCI proposal should ensure consistency with existing programs on the point of regulation, cost containment and the use of offsets for compliance. Adopting policies that are aligned

with existing programs serve as a valuable means to ultimately encourage other jurisdictions to follow suit.

### Offsets

In addition to allowances, it's important for the program to allow obligated entities to meet a portion of their obligation with offsets. Offsets serve as a cost mitigation measure when other low carbon technology options are unreasonably expensive or unavailable, thereby potentially easing the cost of the energy transition to businesses and consumers. They provide flexibility for other non-regulated projects to help meet the targets through innovative means. Offsets with established protocols from other compliance programs should be recognized. Eligibility determined under the terms and conditions of existing offset program protocols will encourage early investment in offset projects leading to increased market liquidity, and in turn make it more economic for businesses to meet the region's carbon reduction goals.

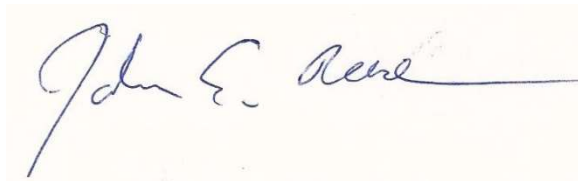
### Investment of Proceeds

The Framework explains that each jurisdiction would independently decide how proceeds are invested to achieve carbon emission reductions and other policy goals—like improved air quality and more affordable access to public transportation. We recommend that jurisdictions consider programs that advance the overall purpose of the program and invest in reducing carbon emissions.

\* \* \*

We appreciate this opportunity to comment on the Framework. If you should have any questions concerning these comments, please feel free to contact me at 713.201.4450 or [John.Reese@Shell.com](mailto:John.Reese@Shell.com).

Sincerely,

A handwritten signature in blue ink on a light yellow background. The signature reads "John E. Reese" in a cursive script.

John E. Reese

Downstream Policy & Advocacy Mgr., Americas