The New England Convenience Store & Energy Marketers Association (NECSEMA) represents single site convenience store and gasoline retailers, chain convenience store and gasoline retailers, independent transportation fuel marketers, and the businesses which supply them. NECSEMA members own, operate and/or supply most of the fuel at over 8,500 convenience stores and stations in New England, which employ approximately 120,000 people, and account for over $32 billion in sales annually.

NECSEMA greatly appreciates the opportunity to review and comment on the Transportation Climate Initiative's Proposed Policy Framework dated October 1, 2019. We believe this document should be a living document that gets updated as informed by future comments and program implementation. Below are NECSEMA's comments, including several issues which we identified as needing "transparency", and many significant "implementation" issues that we believe must be addressed.

TRANSPARENCY

Consumer Education Campaign

On a state-by-state basis, a consumer outreach and education campaign must be implemented with the same enthusiasm and energy as the proposal itself to engage the public on the remarkable economic realities and life-style changes imposed by this initiative. Such a campaign must educate consumers on climate change, Transportation and Climate Initiative (TCI) program goals and benefits, consumer expectations, and expected costs. For example, consumers from Maine to Virginia are not likely aware that they ultimately will be expected to forever garage their gas-powered vehicles, and in exchange purchase electric vehicles for their use as a result of this program's implementation.

The TCI's overall goal is ambitious, and requires widespread agreement from the public; however, the motoring public needs to know the TCI's bottom line beforehand. This comment is sincerely well-intentioned, in the fact that the general public's very personal investment in reducing Greenhouse Gas (GHG) emissions will make this program successful, not the policy makers.

Investments

The auction receipts from TCI will be divided equitably among consortium states based on their respective carbon emissions. The TCI framework says each jurisdiction will need flexibility in responding to unique needs in their jurisdiction; however, limits on that flexibility need to be set across all states no matter how unpopular. Prior to any spending, an analysis of each proposal, its cost, and net reduction of GHG emissions needs to be performed consistently for projects across all “communities” by each state. Monies collected should be placed in dedicated state funding accounts to ensure funds remain available for vetted projects and are not allocated elsewhere. Acceptance criteria for eligible projects needs to be developed and set forth in the Memorandum of Understanding (MOU) among participating jurisdictions. Only projects with direct and measurable reductions and yielding the greatest return on investment should be prioritized for funding.

Limited resources exist for everyone, and the consumers hard earned dollars should not be spent on projects with indirect benefits, dubious merits, or those providing insignificant contributions reducing overall GHG emissions. Feel good (projects) are not good; all spending should count, and result in meaningful reductions.

Spending on infrastructure projects should also be scrutinized and prioritized based on measuring their direct, not theoretical, reductions on GHG emissions. The concern here is that gas tax revenues typically are earmarked for infrastructure projects and that should remain unchanged. The revenues from TCI paid by the consumers should not be blurred and blended with these established infrastructure funding mechanisms, especially when GHG emissions may not be readily achieved or are difficult to measure.

All Fuels

NECSEMA recommends that all transportation fuels, not just diesel and gasoline, be reconsidered as a regulated fuel under the TCI. As a practical matter doesn’t it make sense to immediately reduce GHG emissions from aviation fuels that are injected directly into the upper atmosphere, or maritime fuels emitted into oceans and waterways? This incongruity is remarkable from a scientific and public policy perspective.

Hungry for Details

NECSEMA eagerly awaits the release of meaningful operational details concerning the proposed program and our patience remains intact; however, as we are expected to provide comments on unknowns without an apparent ability to return to these proposed premises, NECSEMA respectfully reserves its rights to revisit and supplement our comments as more details illuminate the significance and consequences of this policy framework.

IMPLEMENTATION CONCERNS

Day 1

Twelve States and the District of Columbia are currently participating in the TCI initiative, and it is more likely than not that all of them will not begin implementing the program simultaneously. Doubt exists whether all thirteen jurisdictions will ultimately implement the program, while others foreshadow additional states will join thereby increasing the total number of jurisdictions beyond what it is today. Considerable uncertainty exists over which collection of states and jurisdictions will be able and willing to participate on Day 1 (i.e., the jurisdiction has lawfully signed the MOU and promulgated regulations). We would not support TCI starting with just one, two, or even three states going it alone while others catch-up or decide to drop out later. One state’s efforts to reduce GHG emissions are insignificant and would be of questionable overall benefit for the costs. It would also unfairly penalize the TCI state by creating an uneven marketplace as compared to a non-TCI border state(s). We believe this is a program where a few states cannot go it alone, and as initially envisioned TCI must remain a regional approach with regional participation from Day 1.

Border Concerns

We recommend that a startup TCI program be identified not only by political will, but also understanding each state's motor fuel import and export network, with an emphasis on border state dynamics. Maximizing the overlap between these two variables will help minimize the potential for decreased fungibility for transactions, the potential for market disruptions, or worse shortages. The Northeast's lack of refineries, close proximity to other states, and existing transportation routes from surrounding bulk terminals to in-state storage facilities has created a dynamic and fungible marketplace for petroleum transactions, which also encompass exchange agreements between bulk storage facilities in order to minimize supply fluctuations and unnecessary added transportation costs.

For example, in Massachusetts, fuel is routinely imported from Providence, RI, New Haven, CT and Portsmouth, NH to supply distributors throughout Massachusetts. In Vermont fuel is imported from Montreal. The marketplace is generally balanced and doesn't routinely experience major disruptions or shortages. Now apply the TCI program, and pick any state bordering Massachusetts and envision it not choosing to participate in TCI or one that is substantially delayed. The marketplace may become unbalanced. In addition to TCI state customers crossing state lines to purchase fuel without the added TCI cost, state suppliers and exchange agreements may also be influenced where they choose to purchase or exchange fuel in response to these dynamics. Granted that the tax or fee collection required by TCI will not be affected as proposed, it is the dynamics of an uneven playing field among TCI and Non-TCI states that will emerge and possibly erode the stability of the current marketplace. NECSEMA is willing to engage in further discussions and identify information to help inform this issue and policy making so that the minimum number of TCI participants for this program, based on our experience with the motor fuel market in New England, can be identified.

Offsets

Offsets are contemplated under TCI and should be allowed. State suppliers who operate across multiple state footprints or a consortium of "enterer's" should be allowed to innovate and implement opportunities that achieve GHG emission reductions (offset credits) for banking or compliance. Concerns have been raised about the integrity and value of offsets, all of which may be overcome by using the same principles and criteria proposed and suggested for any investment spending. We agree that offsets must provide meaningful GHG reductions that are measurable, cost-effective, and lasting.

Auction Process

NECSEMA is concerned with having an open market where allowances can be purchased and held by any entity. We believe that the potential for mischief by others seeking to flip the allowances to the highest bidder will defeat the purpose of a measured and controlled auction where there is relative certainty on the cost of the allowances. NECSEMA believes that state fuel suppliers be designated as the only entities allowed to purchase and hold allowances. This coupled with an offset program, modest banking allowances, and minimal set asides by the controlling entity will promote stability within the petroleum marketplace.

Alternative Fuels Expansion

NECSEMA is not convinced that electric vehicles charged from the electric grid will or should ultimately become the fuel for our transportation future. NECSEMA recommends that a more robust and meaningful focus and effort be integrated into the TCI framework and future documents, concerning research, programs, specific project funding and incentives for projects that utilize compressed natural gas, liquified natural gas or hydrogen fuel cells, and biofuels.

If you have any questions, please email Brian@necsema.net or call (781) 297-9600 ext. 5.

Respectfully,

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