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The Transportation Climate Initiative
of the Northeast and Mid-Atlantic States

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Hello TCI Participants;

I'm a resident, entrepreneur, and computer programmer in Portland, Maine. I'm thankful for the TCI's work to date toward regional consensus transportation policies, and I'm looking forward to reading such proposals soon.

I've been working with 350ME on policy analysis for about a year, and finally feel more-or-less up to speed on the work you've been doing during that same time. 350ME is a grassroots organization with active nodes in the Greater Portland area and in Machias, Maine. Our work for the past few years has focused on opposition to upgrades to fossil-fuel-related infrastructure, support for energy-efficiency and renewable energy programs and related policies, and public awareness campaigning.

Having skimmed the other public comments to date, I would like to reiterate the points made by Marc Breslow on behalf of Climate XChange and Health Care Without Harm. Their forth recommendation, that the effects of allowance banking be carefully modeled and accounted for in policy proposals, is especially important. I would like to update a minor detail in Breslow's comments; **in this past legislative session the State of Maine set new short and long-term mandates for greenhouse gas emissions reductions.** The short-term requirement is 45% below 1990 levels by 2030, and the long-term requirement is 80% by 2050. These regulatory minimums are a huge step forward for Maine, and will be the foundation for policy work in Maine for the foreseeable future.

Reactions to proposed framework so far.

I appreciate the elegance and efficacy of the proposed cap-and-invest framework, and I plan on working here in Maine to help the final proposal get implemented promptly. That said, there are a couple of details I'm asking you to reconsider or think about differently.

emissions containment reserve

The emissions containment reserve seems like a fine idea. Phrasing it as a "reserve" seems to make the idea harder to understand than necessary. I've been understanding it as a base-price or price floor for the allocation auctions. My impression, reading through the materials and public comments published so far, is that people are in consensus that there should be a modestly high price floor for emissions allocations.

cost containment reserve

The cost containment reserve is trickier. It's a fine idea, but I worry you're thinking about it backward. Meeting our emissions reduction targets takes priority over maintaining any standard of affordability in our fuel supply, so it's unnecessary and probably undesirable to take any positive action to keep the auction prices low.

On the other hand, it makes sense to make additional allowances available at sufficiently high prices, *insofar as the investment of that additional revenue can be expected to reduce future emissions*. This is a high bar to meet in the context of cap-and-invest, because reductions in future fuel demand might only reduce the future price of fuels and have little-or-no effect on future emissions. (We *might* also want to have such a reserve if the extra invested revenue *would make future emissions reductions less onerous than they'd otherwise be*, provided that neither short nor long-term reduction targets were in danger of failure.)

Finally, if we can *delay* a volume of GHG emissions, that's to our advantage both in terms of mitigating climate change and preparing for climate change. Equivalently, we should be suspicious about and reluctant to take any option to increase short-term emissions as a means toward long-term reductions.

For the above reasons I think it's critical that any cost containment reserve only be activated at the extreme end of the expected auction price range, be finite in volume, and be based on clear expectations about the effects of specific investments that would be enabled by the extra revenue.

predictability mechanisms

It's unclear why a program should feature both multi-year compliance periods and allowance banking. The flexibility each mechanism offers for regulated businesses feels redundant to the other. We should assume that all degrees of flexibility within a regulator framework will be used, including any unforeseen avenues of abuse. Therefore we would prefer *simpler* (although possibly larger) flexibilities which we can easily guard against abuse, over bespoke flexibilities that will create doubt in the future about the success or effectiveness of the program.

If I were to make a concrete suggestion, this is what I would want: **Fuel suppliers are required to redeem allowances every year to cover their emissions during that year; allowances may be redeemed for emissions in a year later than they were originally purchased (or earlier than they were purchased in the case of a business trying to get back into compliance), but are devalued (cover a smaller volume of emissions) by a set ratio for each such year of difference.** This would give businesses the needed ability to level costs from one year to the next, while putting a known cost on any attempt to exploit the system.

I don't know that this is similar enough to the framework you've been developing, but I hope that you will take similar steps to avoid a "flexible" system which turns out to be "leaky".

Hopes for further policy details.

ramp down

The most important detail that has mostly not been discussed in TCI materials to date is the target ramp-down rate of emissions from regulated transportation fuels.

Speaking from the perspective of Maine, transportation is our largest source of emissions. A certain reduction in consumption of gasoline or diesel will not translate into the same decrease in GHG emissions; electric vehicles and public transit are not (yet) carbon neutral.

Furthermore, given a collection of parallel reduction targets, it's likely that not all of them will succeed. Therefore, if we consider participation in the TCI's program as a *component* of our work toward our 2050 target, we would like its targets to be *more* stringent within their own domain.

We should be aiming for effectively zero consumption of gasoline and diesel by 2050. It's hard to say exactly how we should ramp down toward that; certainly faster than linear. I think we should target a 60% reduction from 2020 to the 2032 horizon proposed for the initial program.

investment

Multiple commenters so far have suggested that some or all of the revenue from the program be returned to residents of the participating jurisdictions as a universal dividend. This is a wise idea, and should probably constitute the largest use of program revenue.

Many of the usual kind of investment have already been suggested, including strategies to reduce the demand in general, to encourage public transit usage, and to encourage the use of electric cars.

Both of the above uses of revenue are fine to administrate at the level of individual jurisdictions. I do think it may be wise for some of the revenue to be set aside for use on regional transit programs, although possibly such coordination does not need to be part of the initial proposal.

Consideration of complementary policies.

I do not think that the TCI's work will be finished once a robust regional cap-and-invest program is in place.

A cap-and-invest framework inherently acknowledges that the fastest and most equitable transition to carbon-neutral transportation systems requires more than simply raising the price of fuel. Interstate coordination of investments will likely be necessary.

Furthermore, during the lifetime of the proposed cap-and-invest program, people and other small-scale actors will continue to make their own investments in their own transportation solutions. Specifically, I'm worried that the emissions-allocation-auction system will not *reduce the share of new cars purchased that rely on gasoline* fast enough to meet emissions-reduction targets, and that trying to make up the difference once those cars are on the road will either be extra expensive to the jurisdictions, or will disproportionately harm poorer communities.

We need now to start a conversation about how to reduce the percentage of new vehicles purchased which rely on fossil fuels to *zero* in the next five to ten years.

Thank you for taking the time to read through the above. I hope that it's at all helpful, and I look forward to reading more detailed proposals in coming months.

I hope this finds you well –

– Mako Bates.