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The Transportation and Climate Initiative is a worthwhile climate mitigation strategy. TCI is a cap-and-invest program, which might sound familiar -- under Governor Jim Douglas, Vermont joined the Regional Greenhouse Gas Initiative (RGGI), a cap-and-invest program, in 2008. RGGI covers the electric sector and has proven very successful, reducing consumer costs and carbon pollution from the power sector by 40 percent. Vermont strategically invests the revenues raised from RGGI, directing the \$2 million annually into weatherization and energy efficiency programs that help Vermonters save money and stop wasting energy.

A well designed cap and invest program, like a strong TCI, could serve as the lever we currently lack to require emissions reductions in the carbon-intensive transportation system. The northeast and mid-Atlantic's transportation system is inextricably interconnected. An adaptable, regional, shared framework like TCI and cap and invest will ensure all states participate in achieving emissions reductions, specifically from on-road diesel and finished motor gasoline, while enabling states to direct revenues raised from the program to serve the unique transportation needs of each state's residents.

It's important to note that TCI is not a "gas tax," and courts have also consistently rejected this argument.¹ A gas tax is a user fee designed to require people who use our transportation system to pay for maintaining and improving the system. A gas tax often funds investments that help people drive more and use more gas. The requirement that an oil company purchase an allowance from under a cap is a key strategy to enforce our climate laws. The funding generated from TCI is not meant to maintain the status quo but to make investments in a clean, modern transportation system that moves away from petroleum-based fuels. The public understands the difference between an environmental regulation and a gas tax. Recent polling shows support for TCI at 66 percent² (considerably higher than support for a gas tax). Separate polling focused on rural communities demonstrated support as high as 70 percent, with majorities of rural voters willing to pay up to \$10 per month to support clean transportation.³

¹ <https://drive.google.com/file/d/0B401IQwbFScSdzJiMnZ6ZXNYRDQ/view>

² <https://massinc.org/2019/12/11/new-polling-finds-voters-in-largest-northeast-mid-atlantic-states-are-open-to-policy-to-reduce-transportation-emissions/>

³ <https://www.nature.org/en-us/newsroom/transportation-climate-initiative-polling/>

TCI has the flexibility for the revenue to be allocated however each state, including Vermont, sees fit: investments could, for example, be returned back to residents in incentives, rebates or targeted tax credits. Some of the money could expand the Energy Assistance Program that lowers the cost of electricity for low-income families. There could be tiered incentives for electric vehicles so those with the least get the most help (I would jump on the opportunity to purchase a plug-in hybrid or electric vehicle using an incentive that exists longer than Vermont's current estimated incentive lasting only 2-6 months!), or an increase in the Earned Income Tax Credit which benefits over 40,000 working Vermont families.

TCI would not be a silver bullet in reducing Vermont's greenhouse gas emissions, but it could definitely be part of broader climate mitigation strategies. The Joint Fiscal Office's Decarbonization Study released in January 2019 by Resources for the Future⁴ found that TCI "will require detailed negotiations with the other participating states and, as a result, the TCI scenario analyzed here is purely speculative." – impacts in 2025 from TCI may result in greenhouse gas emission reductions of 13% below 2005 levels, and aggregate welfare benefits of \$14.2 million (2015 dollars).

Continuing from the study – "Our analysis above has indicated that Vermont is unlikely to meet its 2025 or 2030 greenhouse gas emissions targets if it pursues a carbon pricing-only policy approach. To meet its emissions targets, however, Vermont could pursue a policy strategy that incorporates both carbon pricing and nonpricing approaches. The two options are not mutually exclusive. Further, carbon pricing policies could provide the revenue necessary to successfully finance and implement nonpricing policies. Thus, Vermont could dedicate a portion of its carbon revenues to government investment in these nonpricing policies and return the remainder of the revenue to households or firms via lump-sum rebates, reductions in other taxes, or electricity subsidies. A policy that invests a portion of carbon pricing revenue to further reduce emissions would be similar to the RGGI program.

"Vermont policymakers should keep in mind the distributional equity consequences of various revenue recycling decisions (as discussed above), and that the distributional effects of nonpricing decarbonization policies (e.g. energy efficiency retrofits, EV charging station investments, etc.) are not well understood, calling for further research

⁴ https://lifo.vermont.gov/assets/Uploads/f7d068947e/DecarbonizationMethodsVT_Report_7.pdf

and analysis. However, it is likely possible to dedicate some revenues to keeping low-income households “whole” (with direct rebates or tax cuts), while still dedicating significant revenue to nonpricing decarbonization policies.”

A critical component of TCI is it could provide resources to address inequities in Vermonters’ energy burdens. Low-income Vermonters pay a higher percentage of their incomes on transportation than their wealthier neighbors. For example, rural Vermonters, including those living in the Northeast Kingdom, have higher transportation burdens than folks who live in Chittenden County, simply because they have to drive farther to reach their jobs and other services. The state can, and should, address some of this inequity by targeting TCI benefits to low-income and rural Vermonters. TCI revenues could be used for dividends or “cash-back” payments that could go directly to households based on need. TCI must contain practical alternatives for people to cope when the price of gas starts to increase.

TCI could improve public health, increase personal disposable income, improve public safety and grow the economy. Specifically, the states’ modeling shows that TCI could:

- Improve public health by up to \$10 billion per year. The public health benefits of TCI include reduced exposure to air pollution, improved physical fitness and greater public safety. Together these investments are expected result in over 1,000 fewer premature deaths per year, in addition to preventing over 1,300 asthma attacks and 1,700 fewer traffic injuries.
- Save consumers a net of \$4.85 billion. Clean transportation technologies such as electric vehicles provide significant cost savings compared to gasoline vehicles. Like RGGI and unlike a gas tax, TCI should produce significant net savings for consumers.
- Increase regional GDP by \$5.59 billion and create up to 25,000 jobs. Reduced spending on imported gasoline means more money for consumers to spend in the local economy. That means more jobs and a more resilient economy for the region.

I am concerned that there is economic risk if Governor Scott and the Vermont Legislature refuse to join TCI. Like RGGI, most of the facilities that will have to purchase allowances are located outside of Vermont and, according to Vermont’s lead TCI negotiator, it is “possible and very likely” these companies will pass on their compliance costs to Vermonters regardless if Vermont participates. So, to take advantage of TCI’s

economic benefits and avoid a situation where Vermonters are paying for modern infrastructure in states outside of Vermont, I urge Governor Phil Scott and the Vermont Legislature to support participation in TCI from the get-go and continue to work to shape it in accord with the majority of Vermonters who have called for meaningful steps to address the climate crisis⁵ and raise revenues needed to help Vermonters – low income and rural Vermonters in particular – access more clean, convenient, affordable transportation solutions.

⁵ <http://www.vpirg.org/wp-content/uploads/2019/12/2019-Climate-Polling-slide-deck.pdf>