



February 28, 2020

Thank you for the opportunity to comment on the Draft Memorandum of Understanding (MOU) proposed under the Transportation and Climate Initiative (TCI). The draft MOU is an important first step in establishing and designing an effective program and we applaud the participating governors for continuing to show leadership in seeking to provide a more sustainable, resilient, lower-carbon transportation sector that provides all of their citizens with more transportation options, improved air quality and public health, and economic opportunity.

The Nature Conservancy (The Conservancy or TNC) is a global conservation organization dedicated to conserving the lands and waters on which all life depends. Guided by science, we create innovative, on-the-ground solutions to our world's toughest challenges so that nature and people can thrive together. We are tackling climate change, conserving lands, waters and oceans at an unprecedented scale, providing food and water sustainably and helping make cities more sustainable. Working in all 50 states and 79 countries and territories, we use a collaborative approach that engages local communities, governments, the private sector, and other partners. The Nature Conservancy acknowledges that climate change is a significant threat to our communities, our economy, and to nature itself, which is why we believe we must address climate change right now, with diligence and urgency.

Please find our comments below on the draft MOU:

I. Cap levels and trajectory

The Conservancy believes the participating states, through the draft MOU, have outlined an appropriate approach for the program cap: a firm cap that declines over the course of the program. We encourage the states to select a cap level that will produce meaningful emissions reductions below the reference case assumptions as well as meaningful benefits to residents of the TCI region. TNC would note that the modeling shows that across all three cap scenarios modeled, projected economic, jobs, and public health benefits exceed the projected costs of implementation, with more ambitious pollution reduction trajectories providing greater benefits.¹ With that in mind, states should consider the cap level to be a floor, not a ceiling, for emissions reductions over the course of the program. States should jointly identify and leverage opportunities to use program revenue and complementary policies to further drive down emissions below the cap level and utilize TCI as a pathway for the eventual decarbonization of the transportation sector in the region.

TNC believes that the most successful TCI program will be one in which all states participate with an appropriately stringent cap. Because of the transportation sector's significant and growing contribution to carbon emissions in the region, and because many of the states in the region have statutory or administrative greenhouse gas emissions reduction goals that must include reductions from the transportation sector, TCI represents the best opportunity currently proposed to tackle transportation sector emissions across the region in a cost-effective manner. When choosing the appropriate cap level

¹ Transportation and Climate Initiative, Webinar: Draft Memorandum of Understanding & 2019 Cap-and-Invest Modeling Results (Dec. 17, 2019), slides 28, 34-41. www.transportationandclimate.org/sites/default/files/TCI%20Public%20Webinar%20Slides_20191217.pdf

and whether to participate in TCI going forward, states should consider how achieving emissions reductions through TCI would help meet their individual emissions reduction goals at a lower cost than if each state did so individually.

II. State Flexibility

The Conservancy continues to support the jurisdictions' desire not to be overly prescriptive in how states use proceeds from the TCI program, and we do not believe that it is necessary to outline specific uses for proceeds beyond how they are described in the draft MOU. We encourage states to weigh a variety of program goals when making investment decisions; however, we feel that it is important that the final MOU provide adequate, well-defined guardrails so that TCI revenues are not used for purposes outside of the goals of the program.

In Section 3(A) on page 8, the draft MOU twice refers to "TCI Program goals", a term that we feel is not yet adequately defined. While that section enumerates a possible list of TCI program goals (emission reductions, improved air quality, public health, resilience, and access to affordable clean transportation options), we strongly encourage the states to specifically define the items in the list of acceptable program goals, rather than an open-ended list as it is written, but should include the program goals outlined above. In addition, we encourage the final MOU to include more direct language as to how each state can ensure that investment proceeds are distributed equitably within the program, recognizing the challenges and needs of communities that are, and have historically been, disproportionately affected by transportation pollution or lacking in diverse, clean transportation options across urban, suburban, and rural geographies. To that end, we encourage the states to develop guidance to help states identify overburdened and underserved communities where investments can be directed to ensure equitable distribution of benefits. Such guidance should include input and support from the communities themselves.

III. Program Design, Administration, and Integrity

The Conservancy agrees with many of the elements of program design outlined in the draft MOU and the previous draft framework:

- We support the use of an auction for the sale of all allowances, with limited set-asides in each state if needed to meet program goals;
- We support "state fuel suppliers" as the point of regulation, as it would provide an appropriate level of administrative efficiency across all jurisdictions and is consistent with other trading programs;
- We support the establishment of a price floor that increases over time to ensure that the TCI region maintains a reasonable price signal to incentivize the reduction of transportation emissions while generating funds for investment to advance the transportation goals of the participating jurisdictions;
- We support the establishment of stability mechanisms such as cost containment and emissions containment reserves, if designed appropriately. Specifically, the cost containment reserve must not jeopardize the program's environmental integrity and must be set sufficiently high to only be triggered in exceptional circumstances;
- We support the banking of allowances under the program and three-year compliance periods;
- We support the ability of the program to link with other existing or future programs and for the states to encourage non-signatory jurisdictions both inside and outside the current TCI region to participate in the future; and

- We support the use of offsets in certain circumstances when they align with program goals. The use of offsets should follow best practices laid out in other programs, such as RGGI or in California’s cap and trade program, to ensure that offsets are additional, quantifiable, verifiable, and permanent, prevent leakage, and that there is transparency in their use.

For these program elements to be most effective, we encourage the states to maintain adequate transparency with stakeholders, affected communities, and the general public. This includes transparency on processes and reporting from the regional administrator as well as in each state on the use of investment revenue and the emission reductions or other quantifiable benefits achieved through program investments. We support the jurisdictions’ commitment to ongoing program review, including holding a program review within the program’s first three years and additional program reviews thereafter.

Thank you for the opportunity to provide comments on the draft MOU. TCI presents a unique opportunity for the jurisdictions to cut transportation carbon pollution while expanding, improving, and modernizing transportation options for people and communities throughout the region. Importantly, we know that the transportation system TCI can help create is the type of system that residents want to see, even those in rural areas: based on a poll TNC commissioned in September 2019, there is broad support among rural residents across the TCI region for increased investments in clean transportation options in their community, with two-thirds of residents willing to pay more each month to achieve those transportation improvements.² This is further supported by the modeling released with the draft MOU that projects that TCI will produce positive environmental, health, and economic benefits.³ The TCI jurisdictions should be encouraged by these results and continue to move down the path towards adoption and implementation of an ambitious program; TNC look forward to continuing to work with the TCI jurisdictions towards that end.

² <https://www.nature.org/en-us/newsroom/transportation-climate-initiative-polling/>

³ https://www.transportationandclimate.org/sites/default/files/TCI%20Modeling-Results-Summary_12.17.2019.pdf