

February 28, 2020

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To the Transportation & Climate Initiative Leadership and Workgroup Co-Chairs:

In light of the request for stakeholder input on the Transportation & Climate Initiative's (TCI's) draft Memorandum of Understanding (MOU) setting out the goals, schedule, and proposed model rule for establishment of the TCI cap-and-invest program for motor fuels,<sup>1</sup> we offer the following comments.

Our companies are utilities in the forefront of implementing clean energy solutions to comprehensively address the problem of climate change. We share TCI's goal of finding market-based methods to lower greenhouse gas (GHG) emissions from the transportation sector while reducing air pollution effects for overburdened communities. Because electrified mobility is an essential strategy in lowering emissions from the transportation sector, we have a vital interest in the program TCI is proposing and we welcome the opportunity to help implement the cap-and-invest policy. We are accustomed to working collaboratively with other utility companies in the region, and we see regional solutions as a positive step forward.

Our companies have long participated in market-based emissions abatement programs. Thus, our support for this program is informed by decades of participation in and refinement of these programs. We offer the below comments based on this extensive experience.

### **Program Implementation Timing**

We are pleased to see that TCI is targeting a "regionally coordinated final Model Rule ... by December 31, 2020, after providing for a 60-day public review and input period." This timeline strikes us as long enough for due deliberation but also brisk enough to enable the participating jurisdictions to move ahead with implementation in order to begin the market functions at the outset of 2022.

### **Affected Fuels**

We support the proposal to regulate the fossil fuel components of motor gasoline and on-road diesel fuel. This will optimize the program by reflecting the majority of transportation emissions, raising meaningful revenue for investment, and sending consistent market signals.

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<sup>1</sup> Transportation & Climate Initiative, *Regional Proposal for Clean Transportation Reaches Milestone*, December 17, 2019. <https://www.transportationandclimate.org/main-menu/tcis-regional-policy-design-process-2019#Latest%20Updates>. These comments were submitted to the TCI stakeholder input portal, at <https://www.transportationandclimate.org/main-menu/tci-regional-policy-design-stakeholder-input-form>

### **Market Stability Mechanisms**

We have experience with the cost containment measures the MOU references to protect market participants and consumers from price volatility as they are drawn from the parallel Regional Greenhouse Gas Initiative (RGGI), which we have all participated in for over a decade. These include a Cost Containment Reserve (CCR) that can be introduced or added to the budgeted annual allowance supply for sale if emissions reductions costs are above projections or exceed an agreed upon annual price limit. Similarly, the proposed Emissions Containment Reserve (ECR), by which allowances might be subtracted or withheld from the supply if GHG emissions costs are lower than projected, can help ensure the emissions integrity and investment signals of the program.

Similarly, we appreciate that the model rule is likely to include compliance flexibility provisions that maintain the environmental stringency and investment potential of the program while minimizing price fluctuations and impacts on consumers. We have seen how these provisions, such as three-year compliance averaging as well as banking, help balance these important considerations. We encourage TCI to incorporate these provisions into the model rule.

### **Broader Participation in Carbon Markets**

Given the scale of the climate challenge, we need broad, economy-wide policy approaches to reduce GHG emissions throughout the economy. We believe that the TCI cap-and-invest framework is an important step toward this imperative by beginning to incorporate the transportation sector. When designing this transportation sector program, we encourage TCI to consider how, if appropriate at a later date, this program could be coupled with other programs, such as those in the electric sector, to pursue market efficiencies and further emission reductions. As TCI jurisdictions make program design choices, we encourage a look forward to effective potential cross-sector interactions.

We appreciate the opportunity to submit these comments and look forward to continuing to work with you to help collaboratively inform the TCI cap-and-invest program development. If you have any questions, please contact Paul Allen at [pallen@mjbradley.com](mailto:pallen@mjbradley.com).

Sincerely,

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