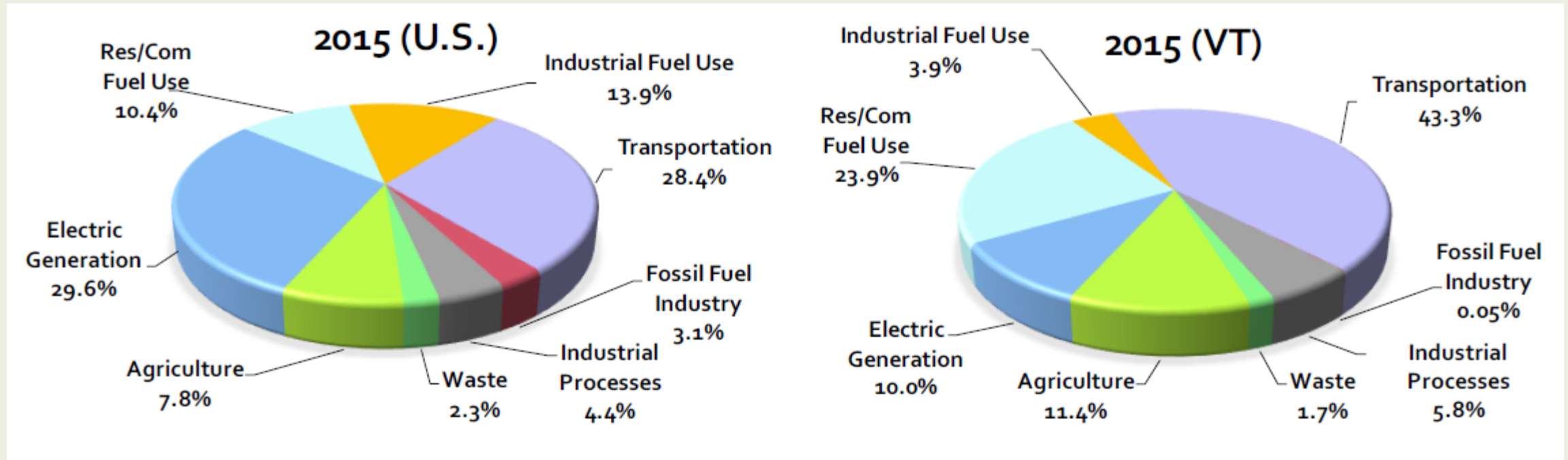


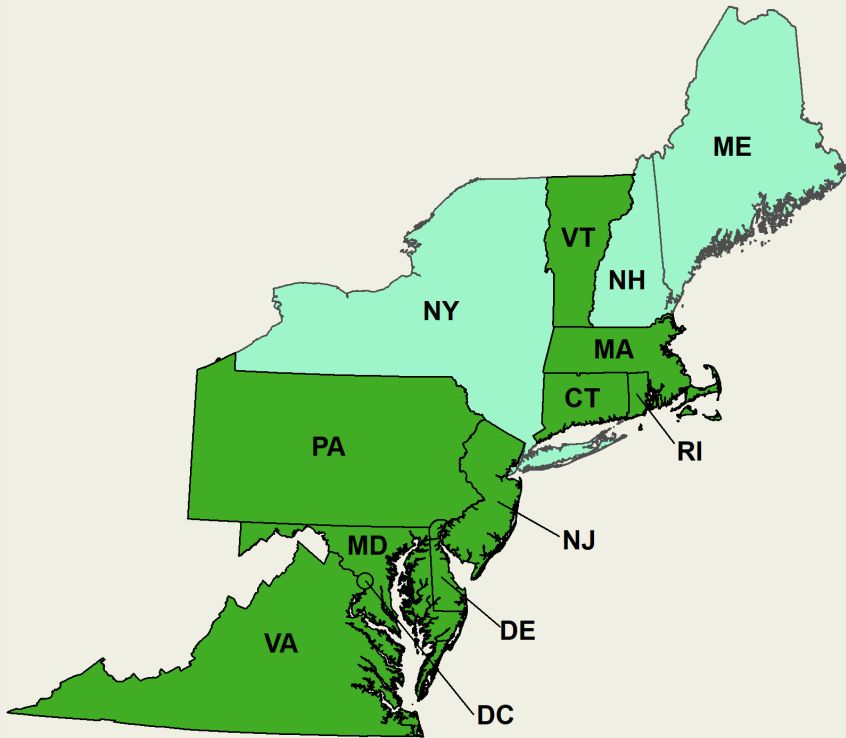
Vermont Participation in the Transportation and Climate Initiative

December 4, 2019

Why Focus on Transportation Emissions?



TCI Overview



- The Transportation and Climate Initiative (TCI) launched in 2010 as a collaboration amongst Northeastern and Mid-Atlantic states about how to reduce transportation GHG emissions
- In December 2018, 9 of the 12 states (plus D.C.) announced that we would spend the next year developing a cap-and-invest policy proposal
- This is the first step in the process; state will decide individually whether to participate
- The three remaining states are still part of TCI and have been active in the program development discussion – each one can still join the program

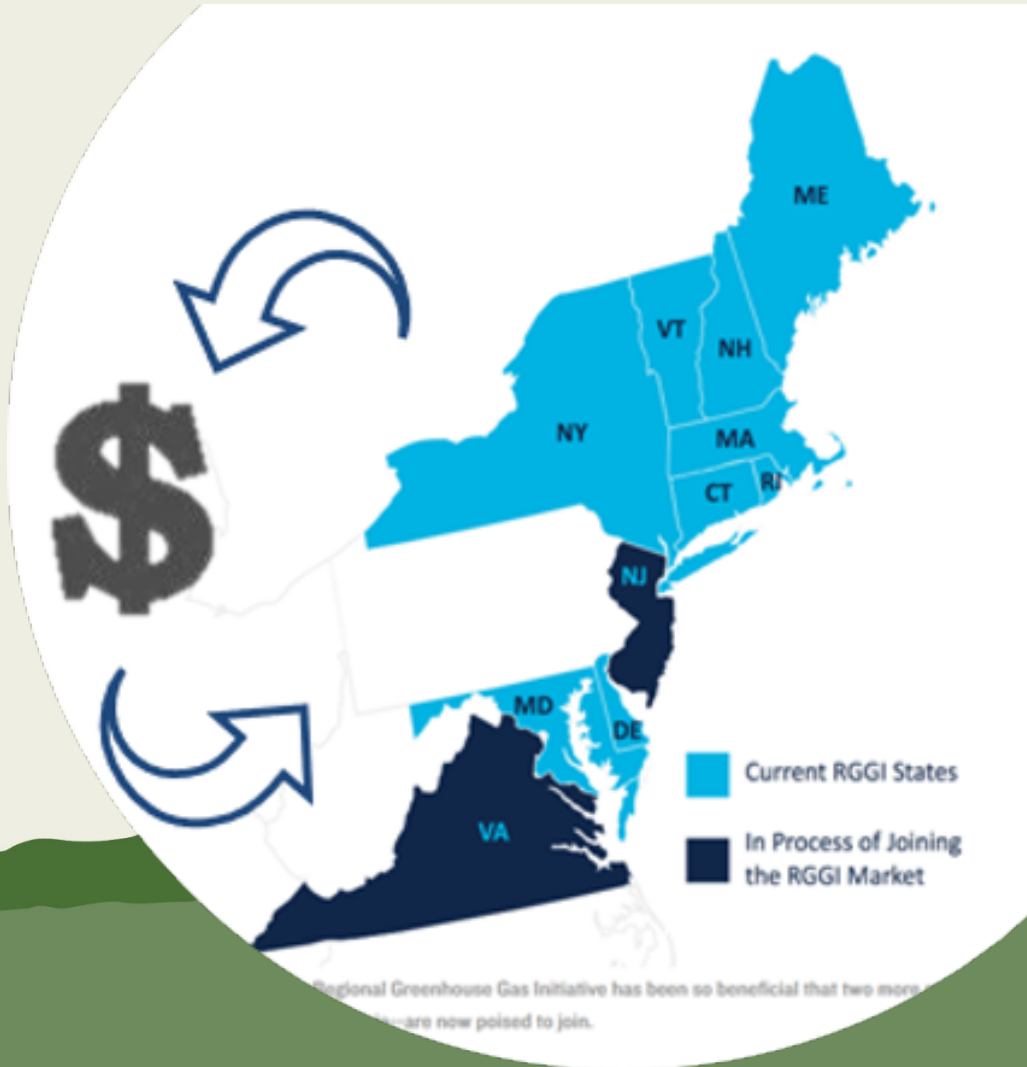
History of Pollution Reduction Programs

- “Command-and-Control” - This is the traditional regulatory model that dictates the outcomes (based on legislative frameworks) each facility must achieve
 - These programs guarantee pollution reduction, but those reductions may come at higher cost
- “Cap-and-Trade” –By setting a shared rather outcome rather than individual ones and creating a market for pollution “allowances,” these types of program reach the overall shared outcome at the minimum cost for all facilities
 - This program seeks the same pollution reductions but accounts for the fact that different facilities that meeting program outcomes come at different costs to different facilities
 - Works best on programs where supply side reductions are cost-effective
 - Examples: Leaded gasoline phasedown and the Acid Rain Program

History of Pollution Reduction Strategies

- “Cap-and-Invest” – Instead of being issued allowances, facilities have to purchase allowances in an auction (or continue to buy them from each other)
 - The auction proceeds are used to reduce consumer demand
 - The auction market finds the most cost-effective balance between the effect of the cap to clean up the supply and effect of reinvestment programs to reduce consumer demand

“Cap-and-Invest” – VT’s success



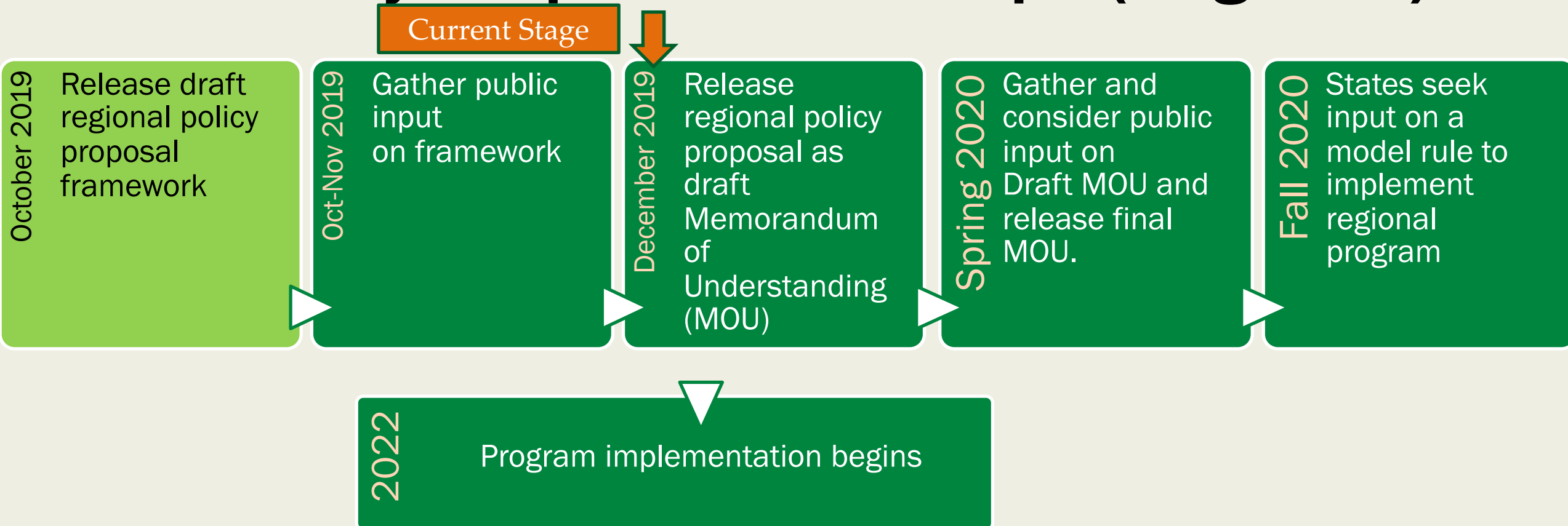
- Nine Northeast and Mid-Atlantic states launched RGGI in 2009
- Major power plants are required to buy allowances at auctions or from each other
- States invest revenue into efficiency and other initiatives that drive down consumer demand
- Net result: More than 40% reduction in emissions at lowest cost
- New Jersey, Virginia, and now Pennsylvania planning to join RGGI

TCl Program Framework

On October 1, the TCl region issued a program framework for public input. Some of the key elements include:

- The program's focus on equity
- Affected fuels (Gasoline and on-road diesel)
- Regulated entities
- Monitoring and verification requirements
- Market Characteristics
- The need for complementary policies

TCI Policy Proposal Next Steps (Regional)



Questions?