

For Initial Discussion and Consideration of and by the Transportation Task Group:
Potential Recommendations and Approach for the Transportation Sector in the CAP

The upending of the regional Transportation and Climate Initiative-Program (TCI-P) days before the initial Climate Action Plan (CAP) was adopted in December 2021 left a significant gap in the adopted plan. Without TCI-P, the CAP lacks a primary policy mechanism to ensure adequate emissions reductions from the transportation sector – which add up to nearly 40% of the state’s greenhouse gas emissions. TCI-P also, critically, represented the best opportunity for Vermont to generate a sustained source of revenue for needed clean transportation investments. Advancing rulemaking for Advanced Clean Cars II and Advanced Clean Trucks is modeled to realize approximately 25% of the emissions reductions from the transportation sector necessary to put Vermont on a path to meeting its emissions reduction requirements by 2030. The influx of funding from federal legislation will also serve to further pollution reduction progress. **At this time, however, to ensure Vermont meets its legal obligations under the Global Warming Solutions Act, there is a pressing need to advance a policy or regulatory approach that gives us a high degree of confidence in meeting our emission targets.**

This memo is intended to serve as a discussion piece to move forward with an initial suite of steps that could lead to a recommendation, or set of recommendations, for the Vermont Climate Council to consider and adopt – [as it charged itself to do in December 2021.](#)^[1] The goal of such recommendations would be to lay out a path to get us on track and ensure we make necessary progress in the transportation sector in Vermont.

This input builds on the [initial memo put forth in January 2022 on identifying potential policy or regulatory options in the transportation sector](#). It also builds on and is informed by the [February 2022 proposed process and public engagement plan on transportation in the CAP](#), and the public engagement endeavors already undertaken.

Since those initial memos were crafted, the State of Vermont – led by the Vermont Agency of Transportation (VTRANS) – has begun the process of crafting a Carbon Reduction Strategy (CRS). Development of the CRS is required by the funding Vermont will receive over the next five years under the federal Infrastructure Investment and Jobs Act (IIJA) Carbon Reduction Program (CRP). The IIJA’s CRP requires VTRANS to examine how its current programs contribute to greenhouse gas emissions and to assess future programmatic investment strategies and policy options towards the reduction of those emissions. This will be an important framework to inform strategic programmatic and policy direction for equitable and cost-effective pollution reductions in the transportation sector.

That said, the CRS will be developed in two phases with Phase I establishing a methodology for evaluation of the Capital Program by the start of the 2023 legislative session and Phase II developing the investment strategy by Fall 2023. That timetable is approximately one year longer than what the Vermont Climate Council committed to for making a recommendation(s) in the transportation space and, importantly, putting the pieces in place to set Vermont on a path to legally required greenhouse gas emission reductions. While we must strategically build on the CRS analysis as a foundation and maximize emissions reductions through existing programs (including the unprecedented recent infusion of federal funds), to ensure more time is not lost waiting on that analysis, it is imperative that groundwork is laid for Vermont to advance a sector

wide regulatory or policy framework for transportation. This will help ensure that when the CRS analysis is completed, the state is positioned to act as needed to meet our legal obligation for certain, equitable pollution reductions over time.

For that reason, the Transportation Task Group recommends the following steps be undertaken – as outlined in the adopted CAP or as otherwise deemed necessary for forward progress:

- **Follow through on the Climate Council’s commitment in the December 2021 adopted plan to “pursue a comparable cap and invest program for transportation fuels, both in Vermont and regionally, or other policies or programs that reduce emissions and drive similar outcomes as anticipated in participation in TCI-P.”**

Technical analyses to date and professional expertise suggests that current programs and policies will fall short in meeting our statutory emission reduction requirements. It is anticipated that it is likely that the only way to meet our emission reduction requirements cost-effectively will be through a cap and invest/cap and reduce and/or performance-based regulatory approach to deliver, with high confidence, an equitable path to reduce emissions in the transportation sector. Vermont specific analysis on these particular approaches is yet to be completed.

To determine the preferred approach – and the design of any potential policy – it must be informed by how far the CRS will take us, as well as more in-depth economic analyses of these different approaches. Vermont specific analysis on any particular approach awaits further work to define which options are feasibly open to Vermonters (for example, some would be in the context of a multi-state program) and to review -the benefits and costs of any specific proposal.

To inform the best sector-wide approach and to continue forward progress, we recommend:

- **Continuing to advance the transportation recommendations laid out in the initial Climate Action Plan** adopted in December 2021. That includes advancing cornerstone measures like Advanced Clean Cars II and Advanced Clean Trucks as well as other strategies identified and designed to foster more equitable and inclusive public process and setting the stage for more significant cost- and carbon-cutting transportation measures, such as creating a Transportation Equity Advisory Body. Consistent, effective collaboration and information sharing among the Vermont Legislature, the Vermont Climate Council and the new Climate Office in state government will be essential.
- Continuing and to ramping up outreach and public engagement to help identify preferred public priorities and inform and shape preferred policy and program design. Work in collaboration with the Just Transitions Subcommittee of the Vermont Climate Council to undertake this effort, and then undertake modeling to confirm the cost- and carbon-effectiveness of the selected approach(es). During consideration of potential new economy-wide policies or regulatory programs, as noted in the bullet above, a framework for and ensuring that legal and legislative jurisdiction should also be developed and considered and developed- exists for the state to be ready for potential new economy-wide policies or regulatory programs. More consistent collaboration and information sharing among the Vermont Legislature, the Vermont Climate Council and the new Climate Office in state government will be essential.

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- **Analyzing and implementing strategic revisions to the state's EV incentive programs that will help cut gasoline use faster, more efficiently, and at a lower cost;** maximize the carbon reductions of the EVs put into use; and improve equity. While we aim to design strategies that reduce reliance on the single occupancy vehicle, we must foster a transition that prioritizes benefits of essential vehicle ownership to lower income and historically overburdened Vermonters. One scenario that must be included in any analysis is structuring incentives and programs to get the drivers burning the most gasoline to switch to electric vehicles first. In a rural state, many Vermonters rely on a vehicle for job access and retention and to get them where they need to go. Incentives and strategies that prioritize people who have to drive more will reduce emissions more efficiently and will do a better job advancing equity in the transition to EVs based upon data that shows these heavy users are more likely to drive pickups and SUVs, more likely to live in more remote areas, spend on average 8% of their income on gasoline – more than twice that of average users – and more.

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- **Structuring incentives and programs aimed at getting the drivers burning the most gasoline to switch to electric vehicles first. In a rural state, many Vermonters rely on a vehicle for job access and retention and to get them where they need to go. While we aim to design strategies that reduce reliance on the single occupancy vehicle, we must foster a transition that prioritizes benefits of essential vehicle ownership to lower income and historically overburdened Vermonters. Incentives and strategies that prioritize people who have to drive more will reduce emissions more efficiently and will do a better job advancing equity in the transition to EVs based upon data that shows these heavy users are more likely to drive pickups and SUVs, more likely to live in more remote areas, spend on average 8% of their income on gasoline—more than twice that of average users—and more. Strategic revisions to the state's EV incentive programs will help cut gasoline use faster, more efficiently, and at a lower cost; require fewer EVs to achieve the same level of carbon reduction as existing policies; and improve equity.**

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- **Ensuring the state has timely and accurate data** as an essential precursor pairing to any policy or regulatory approach. This is imperative to ensure well-informed programs that address emissions from the fuel sector (transportation and thermal) and industrial and commercial stationary source emitters of GHGs. Therefore, ANR should establish a new GHG emissions reporting program, or, if appropriate, work collaboratively with other agencies to develop a universal reporting program from existing fuel and tax reporting programs that could deliver equivalent data. This data will also improve the annual GHG Inventory by replacing the large federal datasets that are currently used with actual reported values from Vermont entities.

- ~~Continuing and ramping outreach and public engagement to help identify preferred public priorities and inform and shape preferred policy and program design. Work in collaboration with the Just Transitions Subcommittee of the Vermont Climate Council to undertake this effort.~~

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The Transportation Task Group urges the Cross Sector Mitigation Subcommittee to consider and advance these core suggested strategies and next steps and make a recommendation to the full Climate Council for their consideration and action in this space. We believe this approach

– and this combination of actions – is key to put Vermont on a path to meeting the legally binding obligations outlined in the GWSA, as well as ensuring Vermont does its part to mitigate the increasingly high-cost and deadly consequences of a warming planet.

^[1] Climate Action Plan – page 80/88