

## **Potential Transportation Recommendations – for Cross Sector Mitigation Discussion**

### **Context**

In [the December 2021 adopted Climate Action Plan](#), the Vermont Climate Council (VCC) voted to recommend participation in the Transportation & Climate Initiative Program (TCI-P) – a regional cap-and-invest program – as a lead policy and regulatory approach to reduce emissions from the transportation sector. A couple weeks prior to the deadline for the Climate Action Plan (CAP) adoption, TCI-P became unviable, and the Climate Council agreed to include a notice in the Climate Action Plan that the VCC would continue work on an alternative recommended policy or set of policies to make up for the lack of sufficient transportation emissions reduction policy recommendations – as well as pursue TCI-P if it again became viable. A later Council-adopted [addendum to the CAP](#) stated that:

*“The only currently known policy options for which there is strong evidence from other states, provinces, and countries of the ability to confidently deliver the scale and pace of emissions reductions that are required of the transportation sector by the GWSA are one or a combination of:*

*a) a cap and invest/cap and reduce policy covering transportation fuels*

*and/or*

*b) a performance standard/performance-based regulatory approach covering transportation fuels*

*Importantly, based on research associated with their potential implementation, these approaches can also be designed in a cost-effective and equitable manner.”*

The Carbon Reduction Strategy (CRS) and its accompanying planning and public engagement process provided the Cross Sector Mitigation Subcommittee of the Council/Transportation Task Group a timely opportunity to undertake additional analysis required for a potential preferred recommendation(s) to fill the transportation emissions gap.

The Federal Highway Administration , through the federal Infrastructure and Jobs Act Carbon Reduction Program, required states to develop a Carbon Reduction Strategy to help identify priority pollution-reducing transportation strategies and investments of those dollars. VTrans looked to widen the view and utility of the CRS analysis beyond the FHWA requirements, and sought to use this planning process to inform the potential additional recommendation(s) for the transportation sector . The Council, via the above referenced addendum, supported this approach to fill the gap in the Climate Action Plan.

Similarly, the Legislature, in [Section 31 of the 2023 Transportation Bill](#), also looked to the CRS to:

*“identify and evaluate the effectiveness of other policies and programs to reduce transportation sector greenhouse gas emissions as required by the Global Warming Solutions Act... and as identified in the Vermont Climate Action Plan as amended...”.*

Further, the Legislature asked for the CRS to include:

*“an analysis of the potential to generate revenue sources sufficient for ongoing greenhouse gas emissions reduction and implementation” and “recommendations regarding additional policy or revenue sources to close any implementation gaps identified in subdivision (a)(1)(B) of this section.”*

(Note: Subdivision (a)(1)(B) directs the Vermont Agency of Transportation to develop a methodology to measure the gap between emissions reductions achievable by the State’s Transportation Program and those required by the Global Warming Solutions Act – 10 V.S.A Section 578.)

On November 17, 2023, the Agency of Transportation delivered the final Carbon Reduction Strategy to the Federal Highway Administration. The CRS analysis models that Vermont may meet its 2025 reduction requirement in the transportation sector. However, even with additional investments for programmatic, policy, and regulatory options, the modeling shows a gap between projected “business as usual” emissions in the transportation sector vs. the portion of GWSA emission reduction requirements for 2030 and 2050 that are attributable to the transportation sector. The CRS reaffirms that without adoption of additional policies this portion of the required emissions reductions in the GWSA will not be met and states that:

*“Of the additional programs, a cap-and-invest and/or Clean Transportation Standard program are likely the two most promising options to close the gap in projected emissions vs. required emissions levels for the transportation sector”.*

While the CRS provides considerations for actions towards those additional policy options, it does not recommend which of those two approaches Vermont should take. Thus there is a need for further, more detailed analysis of these policy options for VCC consideration of a final proposed policy recommendation(s).

We therefore recommend the following next steps for reducing transportation sector GHG pollution as required by the GWSA:

1. An independent analysis be undertaken by an expert in comprehensive transportation policy, with a core focus on emission reductions and economic modeling to understand and compare the following options of Vermont participating in either:

a) The Western Climate Initiative (WCI) cap-and-invest program with Quebec, California and Washington State,

or

b) New York's impending cap-and-invest program (NYCI).

Specifically, that analysis should assess the pros, cons, and key considerations of Vermont's participation in either program. This should include, at minimum:

- Projected emissions reductions in accordance with target year(s)
- Revenue generation, allocation, and ability to invest resulting revenues for timely equitable emissions reduction and other climate action strategies
- Potential cost per ton/per pollution allowance
- Potential resulting benefits beyond emissions reduction (micro and macro economic effects, including reductions in fossil fuel spending for transportation; health effects, etc.)
- Implementation/administrative questions, including auction process/platform; covered entities; needed staff capacity in Vermont; the ability to include each program in a sector-specific way (i.e., covering transportation fuels) as compared to an all-fuels or multi-sectoral coverage, including transportation, industrial, waste, and other sectors
- Economic impacts and benefits to Vermonters, including benefits and costs accruing to Vermonters by economic and other demographics
- Total administrative resource cost estimates
- Potential timeline for program participation, implementation, and ability to make investments with resulting revenue

The analysis should also explore a Low Carbon/Clean Transportation Standard as a policy complementary to cap and invest and/or other potential complementary policies (feebate etc.). In coordination with the Just Transitions subcommittee, the analysis process should also provide for robust public engagement to hear from key stakeholders, policy makers and Vermonters on program choice, design options, and implementation. The analysis should conclude with a recommendation for potential preferred policy or policies.

Further, we recommend:

- The Agency of Natural Resources prioritize the use of Carbon Pollution Reduction Grant planning funds to advance the study in early 2024 with a goal of completing it by November 15, 2024.
- The study be led by the Climate Action Office with the assistance of an expert independent consultant(s) and in partnership with VTRANS.
- The study will be closely coordinated with members of the VCC. At a minimum, the state partners will coordinate closely with Councilors appointed by the Legislature to provide "expertise in energy and data analysis", "expertise and professional experience in the design and implementation of programs to reduce greenhouse gas emissions" and "representation of a statewide environmental organization". Additional expertise will be drawn on from the Cross Sector

Mitigation Subcommittee. Collaboration with the Council will include support to develop:

- the project scope of work
  - framing the analysis; and
  - establishing goals, assumptions, and key questions.
- The outlines, drafts and final deliverables from contractor(s) will be available for review and comment, with ample time provided for feedback and comment back to the contractor. All raw data, analyses, and recommendations from the consultant will be available to members of the Climate Council in unedited form, if requested.
  - Two staggered updates to legislative committees with relevant jurisdiction, including the House and Senate Transportation Committees, the House Environment and Energy Committee and the Senate Natural Resources and Energy Committee are provided.

2. Vermont initiate discussions with New York State to more closely understand current program development and rulemaking processes, including relevant modeling and analysis.