

## 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 joining the Transportation & Climate Initiative Program (TCI-P) – a regional cap-and-invest program – as a primary policy and regulatory approach to reduce emissions from the transportation sector. Mere weeks prior to the deadline for the Climate Action Plan (CAP) adoption, TCI-P became unviable, and the VCC agreed to include a notice in the CAP that we would continue work on an alternative recommended policy or set of policies to TCI-P (as well as pursue TCI-P if it again became viable). The 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 Transportation Task Group, Cross Sector Mitigation Subcommittee, and the VCC identified a timely opportunity to undertake the analysis required to understand a potential preferred recommendation or set of recommendations to fill the transportation gap in the 2021 Climate Action Plan. That opportunity was the Carbon Reduction Strategy (CRS) and its accompanying planning and public engagement process.

To access federal Infrastructure and Jobs Act Funding, the Federal Highway Administration required states to develop a CRS and plan to help identify priority pollution-reducing transportation strategies and investments of those dollars. The VCC looked to leverage this opportunity – widening the view and utility of the CRS effort and analysis beyond what was required of the FHWA – agreeing to utilize this planning process to inform the potential additional recommendation/set of recommendations to fill the transportation gap in the December 2021-adopted CAP. Similarly, the Legislature, in [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.”* 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 (B) recommendations regarding additional policy or revenue sources to close any implementation gap 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/capital budget 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 plan to the Federal Highway Administration. The CRS analysis projects significant gaps between projected “business as usual” (“BAU”) emissions vs. overall and transportation sector specific emissions reductions necessary by 2030. Even with additional programmatic options and investments beyond the BAU, the modeling shows that a significant gap is expected without adoption of additional policies. The CRS reaffirms recommendations in the initial CAP and the transportation-focused addendum: that a cap and invest program and/or a performance standard for transportation fuels, either individually or together, are the only known options that can confidently deliver emissions reduction in line with the legal obligations of the GWSA.

However, the CRS falls short of a concrete, clear recommended path forward. As such, there is a need for further, more detailed analysis of these policy options for VCC consideration and potential recommendation of a final proposed policy recommendation or set of recommendations.

Building off the CRS, this memo represents the recommendation of the Transportation Working Group to the Cross-Sector Mitigation Subcommittee for a process to arrive at one or more specific policy recommendations to reduce transportation sector GHG pollution in line with GWSA obligations.

We 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 options of Vermont joining either:

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

or

b) New York’s impending rule for their cap and invest program (NYCI). This should also consider the potential economic costs and impacts of Vermont not joining NYCI’s program.

Specifically, that analysis should assess the pros, cons, and key considerations of Vermont joining for each program. This should include, at minimum:

- Projected emissions reductions

- Revenue allocation and ability to invest resulting revenues for equitable emissions reduction 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 join each program in a sector-specific way (i.e., covering transportation fuels) as compared to multi-sectoral coverage, including transportation, industrial, waste, potentially other sectors
- Potential timeline for joining, implementation, and being able to make investments with resulting revenue
- Make a recommendation for a potential preferred policy path forward

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.)

2. The Legislature appropriate funding for an independent consultant to undertake this analysis to identify a preferred pathway or recommendation/set of recommendations that will enable Vermont to meet its sectoral share of climate pollution reduction in the transportation sector in the most cost-effective, equitable, co-beneficial way possible. The analysis should include a policy recommendation for specific action by December 1, 2024.

3. Vermont join as a formal observer to the New York Cap and Invest (NYCI) program, with the Agency of Natural Resources (ANR) serving as the primary point of engagement, in consultation with VTRANS and the Public Service Department. ANR routinely reports back to the Cross Sector Mitigation Team through the Transportation Sub-committee.

4. Develop and undertake a public engagement, outreach, and communications strategy to engage policymakers, key stakeholders and the public in the consideration of program and potential design options. Work with the Just Transitions subcommittee to undertake this effort.