



MEMORANDUM

TO: Transportation Planning Board
FROM: Erin Morrow, TPB Transportation Engineer
SUBJECT: Transportation and Climate Initiative (TCI): Memorandum of Understanding released
DATE: January 14, 2021

On December 21, 2020, the [Transportation and Climate Initiative](#) (TCI) released its [Memorandum of Understanding](#) (MOU) for the Transportation and Climate Initiative Program (TCI-P), a multi-state cap-and-invest program to cap carbon dioxide emissions from transportation fuels and invest revenue from the program into programs and policies to further reduce greenhouse gas emissions from on-road vehicles. The MOU is attached. The TPB received a [briefing](#) on TCI at the TPB Work Session on Climate Change Planning held prior to its October 2020 meeting.

TCI [announced](#) that three states (Massachusetts, Connecticut, and Rhode Island) and the District of Columbia signed the MOU to participate in the TCI-P. Through this MOU, the Signatory Jurisdictions express a commitment to establish a multijurisdictional program, TCI-P, consistent with the MOU.

The MOU establishes five goals for the TCI-P:

- reducing carbon dioxide (CO₂) emissions from the transportation sector
- improving air quality and public health, increasing resilience to the impacts of climate change, and providing more affordable access to clean transportation choices
- promoting local economic opportunity and creating high-quality jobs
- maximizing the efficiency of the multijurisdictional program to ensure greater benefits
- advancing equity for communities overburdened by pollution and underserved by the transportation system

The MOU requires the Signatory Jurisdictions to release a coordinated final Model Rule after providing for a public review and input period on a draft model rule. Additionally, each Signatory Jurisdiction commits to pursue any legal processes within its jurisdiction required to implement its individual program consistent with the Model Rule.

According to TCI's [announcement](#), the TCI-P will work by

requiring large gasoline and diesel fuel suppliers to purchase 'allowances' for the pollution caused by the combustion of fuels they sell in participating jurisdictions. Auctioning those allowances would generate \$300 million every year among the jurisdictions for investments in equitable, less polluting, and more resilient transportation. The total number of emission allowances would decline each year, resulting in less transportation pollution. Jurisdictions will independently decide how to invest program proceeds.

The MOU includes a commitment to dedicate a minimum of 35% of each jurisdiction's proceeds to

ensure that communities underserved by the transportation system and overburdened by pollution will benefit equitably from clean transportation projects and programs. To make sure those investments deliver on the equity and environmental justice goals of the program, each jurisdiction will designate an advisory body to identify underserved and overburdened communities, provide guidance for investments, and define goals and metrics for measuring progress. A majority of the members of each advisory body will be people from or representing underserved and overburdened communities.

The TCI-P could begin as early as January 2022. The [modeling results](#) indicate that the TCI-P could reduce CO2 emissions from 2022-2032 by 26% in the participating jurisdictions. If all of the TCI jurisdictions participate in the TCI-P, up to \$2 billion in annual revenue could be generated by 2032.

In an accompanying [statement](#), TCI noted that eight other states (Maryland, Virginia, Delaware, New Jersey, New York, North Carolina, Pennsylvania, and Vermont) will continue to collaborate with TCI, including working with the four Signatory Jurisdictions to develop the model rule for the TCI-P. Those states can choose to join the TCI-P at any time. This statement also notes that all TCI jurisdictions will continue to:

- collaborate through TCI, including working with the TCI-P Signatory Jurisdictions to help develop a model rule and other clean transportation and emissions reduction program elements that could be implemented within each jurisdiction
- analyze the long-term impacts of COVID-19 on transportation and pollution and ensure the TCI-P is designed to boost our economic recovery and facilitate the future of work in a post-pandemic world
- conduct continued public outreach within their respective jurisdictions to ensure that emissions reductions, as well as the economic and public health benefits from future clean transportation investments, achieve equitable outcomes and directly benefit overburdened and underserved communities

TRANSPORTATION AND CLIMATE INITIATIVE PROGRAM

Memorandum of Understanding

WHEREAS, there is scientific consensus that Earth's climate is now changing faster than at any point in the history of modern civilization, primarily as a result of greenhouse gas (GHG) emissions from human activities; climate change has resulted in the increased frequency and severity of extreme weather events that have adversely impacted each Signatory Jurisdiction; and climate change poses a clear, present, and increasingly dangerous and costly threat to the health, safety, and welfare of the residents of every Signatory Jurisdiction; and

WHEREAS, the Signatory Jurisdictions have statutory obligations or otherwise have committed to mitigate the risks of climate change through strategies intended to reduce GHG emissions across all sectors; and the transportation sector is a significant contributor to GHG emissions in each Signatory Jurisdiction and accounts for approximately 42 percent of GHG emissions in the Signatory Jurisdictions; and

WHEREAS, the Transportation and Climate Initiative was founded in 2010 as a collaboration of states and the District of Columbia to develop strategies to reduce GHG emissions from the transportation sector; and more recently, these jurisdictions have been developing a multijurisdictional program to address the urgent need to reduce GHG emissions and other harmful pollutants generated by the transportation sector; and

WHEREAS, the Signatory Jurisdictions are committed to working with communities, businesses and labor to accelerate the transition to an equitable, safe, and affordable low-carbon transportation sector that will improve public health, create new economic opportunities, and provide enhanced mobility options for communities in each Signatory Jurisdiction; and

WHEREAS, the Signatory Jurisdictions recognize and are committed to working with and investing in communities that are overburdened by air pollution, vulnerable to the impacts of a changing climate, underserved by the existing transportation system, and disproportionately impacted by the COVID-19 pandemic.

NOW, THEREFORE BE IT RESOLVED, that the undersigned Signatory Jurisdictions, through this Memorandum of Understanding (MOU), express our mutual understanding and commitment to establish a multijurisdictional program consistent with this MOU, to be known as the Transportation and Climate Initiative Program (TCI-P), to achieve the goals described in this MOU; and

BE IT FURTHER RESOLVED, that the goals of TCI-P include:

- reducing carbon dioxide (CO₂) emissions from the transportation sector;
- improving air quality and public health, increasing resilience to the impacts of climate change, and providing more affordable access to clean transportation choices;
- promoting local economic opportunity and creating high quality jobs;
- maximizing the efficiency of the multijurisdictional program to ensure greater benefits;
- advancing equity for communities overburdened by pollution and underserved by the transportation system; and

BE IT FURTHER RESOLVED, that the Signatory Jurisdictions will seek to implement TCI-P as outlined herein.

1. TCI-P PROGRAM DESIGN AND SCHEDULE

A. Program Design. TCI-P is a multijurisdictional cap-and-invest program, consisting of individual programs adopted and implemented under the independent legal authority of each Signatory Jurisdiction, designed to ensure reductions in CO₂ emissions from the transportation sector. Each Signatory Jurisdiction, in its discretion, will seek to invest strategically in lower carbon transportation options and other investments to further the goals described in this MOU.

B. Program Schedule. The Signatory Jurisdictions will release a coordinated final Model Rule after providing for a public review and input period on a draft model rule. Each Signatory Jurisdiction commits to pursue any legal processes within its jurisdiction required to implement its individual program consistent with the Model Rule. The Signatory Jurisdictions intend that the first reporting period of TCI-P will commence as early as January 1, 2022, and the first compliance period of TCI-P will commence January 1, 2023 or at such later time as at least three jurisdictions have completed the legal processes required to implement their individual programs. The Signatory Jurisdictions intend to conduct one or more early CO₂ allowance auctions in 2022.

2. MODEL RULE FOR THE ESTABLISHMENT OF TCI-P

A. TCI-P Emissions Cap and TCI-P Participating Jurisdiction Emissions Budgets. The Model Rule shall establish a multijurisdictional base annual CO₂ emissions cap for TCI-P starting in 2023, which will be equal to the sum of the TCI-P participating jurisdictions' CO₂ emissions budgets. Beginning with the initial base annual CO₂ emissions budgets for 2023, the base annual CO₂ emissions budgets shall decline by 30 percent by 2032, by equal amounts each year. The 2023 base annual CO₂ emissions budgets shall be as follows:

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|-----------------------|------------------------|
| Connecticut: | 13,497,957 metric tons |
| District of Columbia: | 877,715 metric tons |
| Massachusetts: | 24,467,216 metric tons |
| Rhode Island: | 3,291,658 metric tons |

B. Affected Fuel and Compliance Entities. "Affected Fuel" shall include the fossil fuel components of motor gasoline and on-road diesel fuel delivered for final sale or consumption in a TCI-P participating jurisdiction. "State Fuel Suppliers" shall be required to obtain allowances to cover CO₂ emissions from the combustion of Affected Fuel and report such emissions. The primary regulated parties shall be Position Holders, namely those owners of Affected Fuel at fuel terminals. Other entities that deliver Affected Fuel will be regulated as State Fuel Suppliers only as necessary to ensure that all Affected Fuel is subject to an allowance holding obligation. State Fuel Suppliers and other fuel supply market participants may have other reporting or recordkeeping obligations.

C. Allowances, Allowance Auctions, and Market Stability Mechanisms. Each TCI-P participating jurisdiction shall originate CO₂ allowances and shall offer all such allowances for sale at auction, but may set aside or retire allowances to be used to achieve other TCI-P goals. The Model Rule shall include a cost containment reserve, an emissions containment reserve, and a minimum auction reserve price below which allowances will not be sold. Unless otherwise provided in this MOU, TCI-P participating jurisdictions shall accept for compliance with their individual programs allowances originated by other TCI-P participating jurisdictions.

D. Compliance and Flexibility Mechanisms. TCI-P shall include three-year compliance periods, allow for unlimited banking of CO₂ allowances for use in future compliance periods, and provide compliance alternatives, including the limited use of offsets to the extent consistent with applicable law.

3. INVESTMENTS, EQUITY, AND COMPLEMENTARY POLICIES

A. Investment of Proceeds from Auction of Allowances. Each TCI-P participating jurisdiction, in its discretion, will seek to invest the proceeds from the auction of CO₂ allowances to achieve TCI-P goals. Each Signatory Jurisdiction is committed to working collaboratively within its jurisdiction to invest, in a manner that reflects the population of overburdened and underserved communities, no less than 35 percent of the proceeds from the auction of allowances to ensure that overburdened and underserved communities benefit equitably from clean transportation projects and programs.

B. Equitable Processes. Each TCI-P participating jurisdiction will ensure that overburdened and underserved communities are able to provide meaningful input into decision making processes. Each Signatory Jurisdiction will establish and support an Equity Advisory Body (or bodies) composed of diverse stakeholder groups, with a majority of members being representatives of overburdened and underserved communities or populations, or designate an existing body that meets this description, to advise on decision making and equitable outcomes for TCI-P. The roles of an Equity Advisory Body include:

- (1) Developing criteria for defining overburdened and underserved communities, building on existing criteria and definitions, where applicable;
- (2) Providing recommendations for equitable investments of program proceeds and complementary policies that would achieve the requisite benefits for overburdened and underserved communities; and
- (3) Developing metrics for evaluating how investments of program proceeds demonstrably provide direct and meaningful benefits for overburdened and underserved communities.

C. Transparency. TCI-P participating jurisdictions will annually review and report the impacts of each jurisdiction's individual program, including with respect to equity. Each Signatory Jurisdiction will work with communities and with its Equity Advisory Body to assess the equity impacts of the program on an ongoing basis, including by monitoring air quality in communities overburdened by air pollution to ensure the effectiveness of policies and investments. Annual reports will specify how TCI-P proceeds are spent by each TCI-P participating jurisdiction and

include lists of projects and programs supported by TCI-P proceeds and the levels of investment received by each.

D. Complementary Policies. The Signatory Jurisdictions recognize that achieving long-term reductions in pollution from transportation will require a combination of policy approaches. Each Signatory Jurisdiction will consider a range of complementary policies to achieve additional emissions reductions, particularly in overburdened and underserved communities.

4. PROGRAM ADMINISTRATION AND REVIEW

A. Administrative Organization. The Signatory Jurisdictions will establish an Administrative Organization to provide administrative support and technical assistance to TCI-P participating jurisdictions. The Administrative Organization shall have no authority to adopt, implement, or enforce the requirements of any TCI-P participating jurisdiction's individual program. The Administrative Organization will be funded by TCI-P participating jurisdictions proportionally to their budgets subject to applicable appropriations processes.

B. Program Review. Within three years after program launch and regularly thereafter, the TCI-P participating jurisdictions will commence a comprehensive review of TCI-P to determine its effectiveness. As part of these reviews, TCI-P participating jurisdictions will consider additional reductions before or after 2032.

5. ADDITION OR WITHDRAWAL OF JURISDICTIONS

The Signatory Jurisdictions will work together to encourage other jurisdictions to participate in TCI-P with the goal of expanding the impact of the program. Any jurisdiction may withdraw at any time from TCI-P in a manner consistent with maintaining the integrity of the program.

[Signatures on following pages]

This Memorandum of Understanding of the Transportation and Climate Initiative Program signed as of this 21st day of December 2020.



THE STATE OF CONNECTICUT

By: *Ned Lamont*
Ned Lamont
Governor

This Memorandum of Understanding of the Transportation and Climate Initiative Program signed as of this 17th day of December 2020.



THE DISTRICT OF COLUMBIA

By: _____

Muriel Bowser
Mayor

A handwritten signature in black ink, which appears to read "Muriel Bowser", is written over a horizontal line. The signature is stylized and cursive.

The Seal of the District of Columbia is hereby affixed, and this certificate is endorsed this seventeenth day of December in the year two-thousand twenty.

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This Memorandum of Understanding of the Transportation and Climate Initiative Program signed as of this 21st day of December 2020.



THE COMMONWEALTH OF MASSACHUSETTS

By: *Charles D. Baker*
Charles D. Baker
Governor

This Memorandum of Understanding of the Transportation and Climate Initiative Program signed as of this 21st day of December 2020.

THE STATE OF RHODE ISLAND

By: 

Gina M. Raimondo
Governor

