

Cap-and-Trade For Cars Considered in Seven Northeast States

By Gerald B. Silverman and Adrienne Appel

Posted Dec. 6, 2018, 7:01 AM

- The states and D.C. could announce plan this month to control carbon emissions in transportation sector
- Massachusetts and New York are expect to lead efforts

Northeast states could be close to an agreement on a regional program to control greenhouse gas emissions in the transportation sector, several people with knowledge of ongoing discussions told Bloomberg Environment.

A statement from the states could come by the end of December, although the details remain unclear. Connecticut, Delaware, Maryland, Massachusetts, New York, Rhode Island, Vermont, and Washington, D.C., agreed to develop the plan.

Ben Grumbles, secretary of Maryland's Department of the Environment, said Dec. 4 that an announcement from the states on addressing greenhouse gases from transportation was expected "in the coming weeks."

Massachusetts and New York are expected to lead, according to people watching the process closely. Though those states have clamped down on greenhouse gases from power plants, emissions from their transportation sectors have risen in recent years.

RGGI Model?

A memorandum of understanding or a statement from the states is expected soon, said Daniel Gatti, a transportation analyst and advocate at the Union of Concerned Scientists. That view was shared by three other people who follow the issue closely in the Northeast, but spoke on condition of anonymity.

All said they were expecting a statement to be released by the states soon announcing a commitment to crafting a cap-and-trade program for transportation that is modeled after the Regional Greenhouse Gas Initiative (RGGI).

Under that model, prime suppliers of gas and diesel would be required to purchase carbon allowances at auction. The auction proceeds would be used to fund clean transportation, public transportation, and clean vehicles programs.

A multistate program in the transportation sector would have a significant environmental and economic impact in the region, where almost half of all carbon emissions come from transportation. The program could raise \$4.5 billion a year for the states, according to Gatti.

Massachusetts Gov. Charlie Baker (R) endorsed a regional transportation emissions program in his campaign for governor this year. New York Gov. Andrew M. Cuomo (D) also endorsed the program, directing state agencies to work with other states.

Long Road to Agreement

The road to a formal agreement on transportation has been a long one for the states, particularly when compared to the path they took to control carbon emissions in the power sector with RGGI. The RGGI states—Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont—took only two years to develop a memorandum of understanding and another year to write a model rule.

By contrast, it's been three years since five states—Connecticut, Delaware, New York, Rhode Island, and Vermont—announced their intention to develop a regional program to reduce greenhouse gas emissions in the transportation sector. Since then, Massachusetts and Maryland signed on, several "listening sessions" were held, and high-level discussions have been held among state regulators.

There have been no formal agreements, however, and no timeline.

"Transportation has a lot of moving parts," said Pete Rafle, a spokesman for the Georgetown Climate Center, which has been facilitating the multistate effort.

Jordan Stutt, director of carbon programs at the Acadia Center, a nonprofit regional environmental group, said the transportation sector is more complex than the power sector.

"Power plants don't move," Stutt said.

But Daniel Riesel, a principal in the law firm Sive, Paget & Riesel P.C., said the main obstacle facing the states is a lack of political will. "It certainly isn't technical," he told Bloomberg Environment.

Riesel said the political challenge is overcoming the view that cap-and-trade amounts to a regressive carbon tax on gas.

Long-Term Emissions Goal

The transportation initiative is being driven by the states' greenhouse emission reduction goals. Transportation is a large source of greenhouse gas emissions.

In New York, for example, the state's energy plan calls for a 40 percent reduction in greenhouse gas emissions from 1990 levels by 2030. The state is about halfway toward that goal as of 2016, according to a Bloomberg Environment analysis of data from the U.S. Energy Information Administration and the Georgetown Climate Center.

Carbon emissions from New York's power sector dropped by 56 percent between 1990 and 2016, but carbon emissions from transportation actually increased by 17.5 percent in that time.

In Massachusetts, a 2008 law called the Global Warming Solutions Act requires carbon emissions be reduced by 80 percent from 1990 levels by 2050. According to a Bloomberg Environment analysis, the state reduced its total emissions by 23.6 percent from 2009 to 2016.

Carbon emissions from the power sector fell by 57 percent from 1990 to 2016 in Massachusetts, but emissions from transportation rose by 11 percent.

"None of these states are going to make it without something big on transportation," Gatti said.

In all, the seven states plus Washington, D.C. had total carbon emissions of 351 million metric tons in 2016, according to EIA data. The transportation sector accounted for 46.4 percent of emissions, which was more than double the amount from the power sector.

Oil and Gas Industry

The oil and gas industry has participated in listening sessions for stakeholders. The American Petroleum Institute declined requests for comment from Bloomberg Environment, as did Royal Dutch Shell Plc, Marathon Petroleum Corp., and BP Plc.

Rob Underwood, president of the Petroleum Marketers Association of America, said "any increased costs to refiners will be passed on to the marketer and ultimately the consumer in the form of higher prices at the pump and higher heating fuel prices."

"As we move into the future with liquid fuels, automakers and refiners are currently entertaining the move towards more efficient high compression engines, coupled with a new fuel known as 95 RON, which would reduce greenhouse gases," he told Bloomberg Environment in an email, referring to a 95 octane gasoline. "These engines could be a game-changer for the future which would preserve the reliable liquid fuels industry."

Underwood said electric vehicles "are not the end-all solution" for reducing carbon emissions because their widespread use will require more power from fossil fuel-burning electricity plants.

Pain at the Pump?

John M. DeCicco, a research professor at the University of Michigan Energy Institute and director of the university's Energy Survey, said the impact on gasoline prices from a carbon tax on fuel or from a cap-and-trade program would be less than the normal fluctuation in oil prices due to market volatility.

DeCicco estimated that a \$10 per-ton tax on carbon would raise gas prices at the pump by 9 cents per gallon and a \$40 per ton carbon tax would raise gas prices by 36 cents per gallon at the pump. He said it was "very economically manageable" to expand the RGGI model to the transportation sector.

The Energy Survey polled consumers in 2017 to measure their threshold for pain at the pump. It found that 90 percent of those surveyed would consider gas prices affordable, even with a 36-cent increase resulting from a carbon tax of \$40 per ton.

—With assistance from Leslie A. Pappas.

To contact the reporters on this story: Gerald B. Silverman in Albany, N.Y. at gsilverman@bloomberglaw.com; Adrienne Appel in Boston at aappel@bloomberglaw.com

To contact the editors responsible for this story: Gregory Henderson at ghenderson@bloombergenvironment.com; Renee Schoof at rschoof@bloombergenvironment.com; Andrew Childers at achilders@bloombergenvironment.com

Related Articles

[Northeast States Tap the Gas Pump for Carbon Emissions Cuts](#) (Dec. 21, 2017, 8:41 AM)

[Northeast States Hit the Brakes on Carbon Emissions From Cars](#) (Oct. 16, 2017, 8:47 AM)

© 2018 The Bureau of National Affairs, Inc. All Rights Reserved