

Good morning. I'm Brian Moran and I'm the Director for Government Affairs with the New England Convenience Store & Energy Marketers Association.

For the record NECSEMA is not against sensible policies to reduce GHG emissions nor are we opposed to the proliferation and transition toward Electric vehicles (EVs). My role at NECSEMA is to help policymakers craft sound policy on a variety of issues impacting our members, including climate emission reduction programs. We have constructively commented on TCI's development since its public release in 2019. Our members possess unique insights on this program not considered by legislators and policy makers given our experience supplying gas and diesel into everyone's cars or trucks. It's an incredibly complex process that unfolds every day within a hyper-competitive marketplace. We do oppose programs and policies that possess little value, are overly burdensome, and risk supply disruptions.

I can confidently say that implementing the Transportation Climate Initiative would be a mistake, given it risks causing fuel outages and shortages, its lack of meaningful emission reductions, and resulting net loss of revenue for transportation and climate projects.

Officials tout that by 2032 TCI will reduce transportation related emissions by 26% and generate over \$3B for complimentary policies and programs, especially for those benefiting communities overburdened by air pollution and underserved by public transportation. The reality is that it doesn't do either very well. According to TCI's own projections 25.7% of the 26% emission reductions by 2032 will be achieved without implementing TCI but through existing and anticipated new car fuel economy standards. So, by 2032 TCI will reduce transportation related emissions by only 0.3 %. This is truly underwhelming.

TCI fees are expected to generate over \$3B thru 2032 across CT, RI, and MA, and Washington DC, but officials failed to consider the net loss from declining gas and diesel excise tax revenue caused by the programs design. This oversight reveals that TCI will create **a net revenue gain for MA of \$440M in MA, due to its lower excise taxes and greater volumes sold. But for RI and CT it a far different story plays out. Rhode Island has the second highest excise taxes in the region and lowest volume can expect to see a net revenue loss of \$64M. Connecticut has**

**the highest excise taxes in the region and moderate volume will see a net revenue loss of \$500M.** No wonder Massachusetts has been a cheerleading TCI, because the numbers for 2032 show MA will be the only state to benefit. Leaving a substantial deficit for CT and RI totaling \$564 million.

TCI was purposely designed by the Georgetown Climate Center and state regulators to eliminate any state legislative approvals for any future motor fuel tax increases by artfully designing it as a fee and not a tax. If enacted by the legislature TCI will set in motion an unending series of annual fuel price increases that will only stop if the state exits the program. Until that happens, every year going forward the citizens of these participating states won't have any say over these prices increases, instead they will be set by a group of state regulators.

NECSEMA believes TCI's time has come and gone. A main reason for its public release in 2019 was likely borne out of frustration with a lack of action and federal leadership toward addressing climate change. That is not the case now, as the Biden/Harris Administration has tasked and focused the entire federal government on this essential goal - to address the impacts of climate change.

TCI is an incredibly burdensome regulatory program whose design risks disrupting supply chains and creating localized or even statewide shortages. TCI's design is built around a declining emissions cap and a corresponding decline in available allowances. Reducing at a rate of 3% per year and by 2032 TCI will reduce gasoline and diesel consumption by 30%. However, according to the US Energy Information Administration demand during this same period is predicted to only drop 6.1%. Implementing TCI creates a pinch-point where 24% of projected demand for these fuels will become unmet. According to our calculations this unmet demand will create related price spikes and shortages within the first two-years implementing TCI. The significance being that if fuel suppliers cannot obtain enough allowances, then they cannot supply fuel to replenish retail gas stations.

Compounding this design flaw is that anyone may purchase allowances at the public auction - not just regulated entities. For example, in California's cap and trade program on March 2020 they identify 738 registered auction participants, of which 303 were regulated entities. Most of participants were not regulated entities but were speculators. They include names you will recognize: Nature Conservancy, United Airlines, Royal Bank of Canada, Bank of Australia,

Middlebury College, National Audubon Society, Merrill Lynch, MA Audubon Society, Lockheed Martin, John Hancock Life Insurance, JP Morgan Ventures Energy, BP Amoco Chemical, Anheuser-Busch, and ADM to name a few. The bottom line is if you buy allowances on the secondary market, you will expect to pay a premium for them or if not, a fuel supplier may choose to not sell as much fuel or suspend sales until they can get allowances at the next public auction three months later.

As I said at the outset of my remarks, NECSEMA is not opposed to sensible approaches to reduce transportation emissions. We are not against the proliferation and transition toward electric vehicles (EVs) either. We do object; however, to how TCI proposes to do that through its design, risking outages and shortages, and excluding peoples voices the process, and its overall poor value and net loss of revenue. There are far more transparent and streamlined approaches to raise the revenue without upsetting the fueling marketplace, to jumpstart this mobility evolution. However, TCI is not it.