

# Open Letter on the Transportation and Climate Initiative

January 18, 2021

We, the undersigned, represent citizens and businesses in states currently considering participation in an interstate compact known as the Transportation and Climate Initiative (TCI). This is essentially a carbon tax on gasoline and diesel fuel that aims to drive up costs in order to force people to drive less, therefore reducing carbon dioxide emissions. The tax will start small, but is designed to increase each year.

Of the initial 13 New England and Mid Atlantic jurisdictions that considered joining TCI, fewer than a third ultimately signed on. These participants have been asked to sign a recently released memorandum of understanding (MOU) that includes a starting budget of emission allowances that fuel distributors must buy in order to be permitted to deliver fuel to your local gas station. Eight other states agreed to continue discussions about possible participation in the TCI in the future.

All states should be concerned about the specifics of the new MOU, which replaced a draft that had been under discussion for the past year. Significant discrepancies exist between the ambitious figures put forth in the current memo and the realities it will produce.

For example, the original MOU projected that it would require a 17 cent per gallon increase in order to achieve a 25% reduction in emissions by 2032. Most independent observers found this to be overly generous and one study conducted by Tufts University even found that a 25% reduction would require an increase of 38 cents per gallon to achieve the goal! Yet, the December MOU claims that a 26% reduction can now be achieved with a per gallon cost increase of between just 5 and 9 cents. Given the discrepancies between the independent studies, the initial MOU projections, and the current figures being put forward, states currently considering membership in the TCI compact should be extremely skeptical of numbers that seem designed to alleviate political concerns rather than educate them as to the realities of the program.

Although we are grateful that the overwhelming majority of states chose not to participate in TCI at this time, it is unfortunate that the door has been left open at all. The past year's debate over the program and real world events have demonstrated that TCI is the wrong idea at the wrong time.

Even with a vaccine for COVID-19, our national and regional economies will take years to fully recover. Adding the painful and unnecessary financial burden of a motor fuel carbon tax – billions of dollars annually— onto the backs of our households and businesses will only hamper any recovery and prolong the pain and suffering.

TCI will necessarily hurt poor and rural residents much more significantly than their higher income and urban peers. People drive out of necessity. Higher fuel costs will have to come out of other areas of household budgets leading to hard choices for people already struggling to make ends meet. It will also mean that fuel reliant small businesses that transport goods or provide services will have higher operating costs. Those increased expenses will ultimately be passed along to consumers through higher priced products and services. Economically speaking, this is bad policy. Morally speaking, it's just cruel.

Whether legally required to or not, authorization to join TCI should be coming from elected legislatures or the people through direct democracy. It sets bad precedent for the executive branch of state government to circumvent the will of the people. Please understand that, at its core, TCI is a poor concept that is fundamentally regressive, economically damaging, and places an unnecessary financial burden on people who can least afford it. Please reject it.



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Thomas Pyle  
President  
American Energy Alliance



A handwritten signature in black ink, appearing to read "Christopher Hudson".

Christopher Hudson  
Vice-President for Government Affairs  
Americans for Prosperity



A handwritten signature in black ink, appearing to read "Grover Norquist".

Grover Norquist  
President  
Americans for Tax Reform



A handwritten signature in black ink, appearing to read "John Toedtman".

John Toedtman  
Executive Director  
Caesar Rodney Institute



A handwritten signature in black ink, appearing to read "Leo Knepper".

Leo Knepper  
Executive Director  
Citizens Alliance of Pennsylvania



Chip Ford  
President  
Citizens for Limited Taxation



Rob Roper  
President  
Ethan Allen Institute



Danielle H. Webb  
President  
Fiscal Alliance Foundation



Paul D. Craney  
President  
Fiscal Partners



Regina M. Egea  
President  
Garden State Initiative



Clay Johnson  
President  
The Gaspee Project



Brian Balfour  
Executive Vice President of Research  
John Locke Foundation



Andrew Cline  
President  
Josiah Bartlett Center for Public Policy



Matthew Gagnon  
Executive Director  
Maine Policy Institute



Christopher B. Summers  
President  
Maryland Public Policy Institute



Carl Copeland  
Interim Executive Director  
Massachusetts Fiscal Alliance

Rebecca K. Oyler  
Legislative Director  
NFIB- PA



Christopher R. Carozzi  
State Director  
NFIB – RI & MA



Mike Stenhouse  
Chief Executive Officer  
Rhode Island Center for Freedom &  
Prosperity



Christian N. Braunlich  
President  
Thomas Jefferson Institute for Public  
Policy



A handwritten signature in blue ink that reads "Justin Wilcox". The signature is written in a cursive style and is set against a light blue rectangular background.

Justin Wilcox  
Executive Director  
Unshackle Upstate