May 24, 2021

Senator Martin Looney

Representative Matt Ritter

State Capitol

210 Capitol Avenue

Hartford, CT 06106

Senator Karen E. Spilka

Representative Ronald Mariano

Massachusetts State House

24 Beacon Street

Boston, MA 02133

Senator Dominick J. Ruggerio

Representative K. Joseph Shekarchi

82 Smith Street

Providence, RI 02903

Senate Presidents and House Speakers:

As the trade associations representing energy marketers in your states, we are writing to you about the profound concerns we have about the Transportation Climate Initiative (TCI) and the adverse impact it will have on fuel supply, residents and businesses.

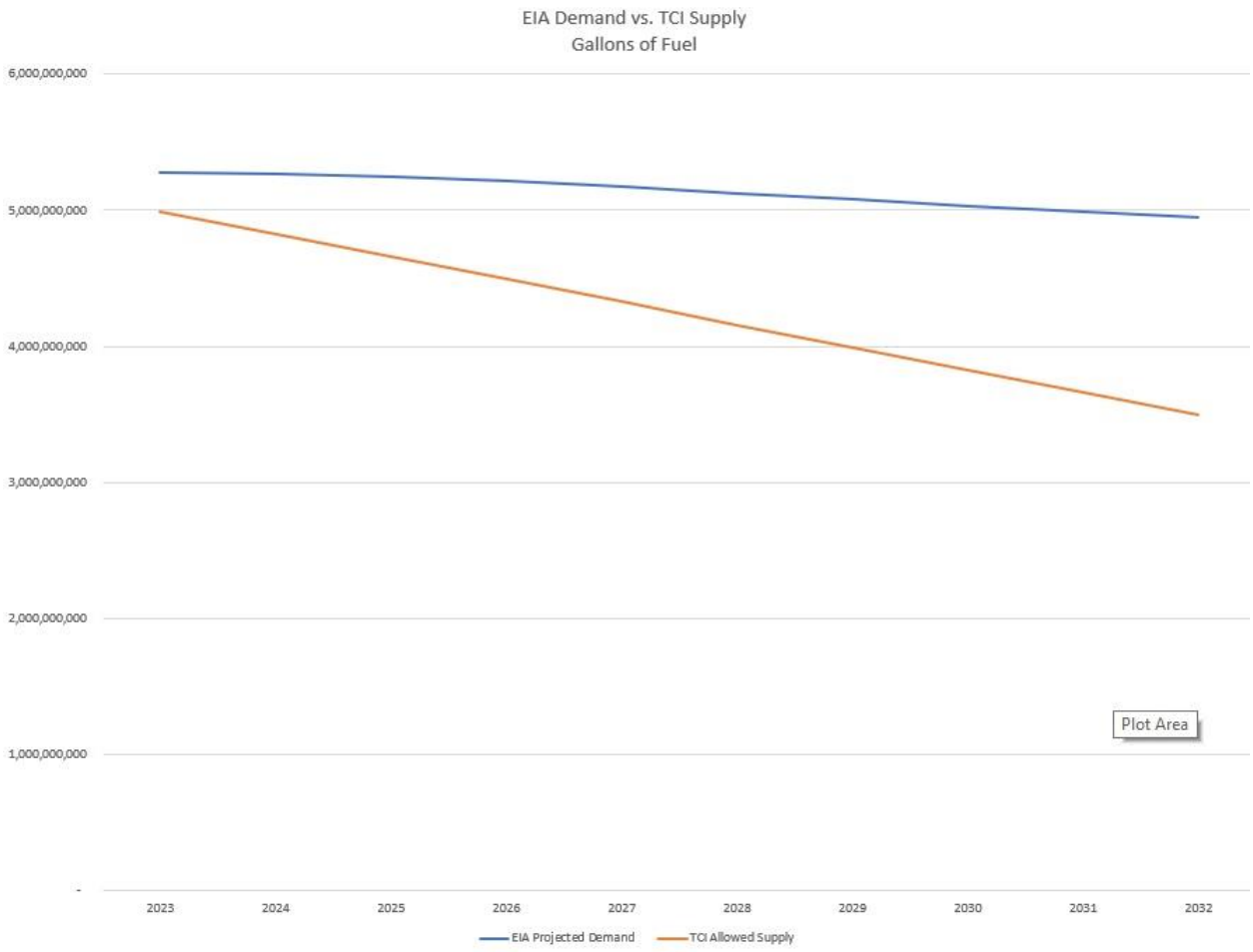
While we recognize the evolving landscape for mobility, including clean fuels, imposing a utility cap and invest model inappropriately onto a complex gasoline and diesel chain that will continue to provide the majority of fuels for many years to come has consequences that have not been fully evaluated. Following are some of our concerns which we believe must be more carefully studied before proceeding with TCI.

The likelihood for fuel shortages is of particular concern to us, and should raise red flags for the public, legislators and policymakers.

The reason for this is quite simple. TCI's stated goal is to reduce fuel consumption in the region by 30% over ten years (2023-2032) by reducing the number of allowance credits that fuel suppliers must purchase. Each such allowance being directly proportional to gallons of gasoline and diesel that can be sold.

The fuel shortage can be projected by subtracting the demand for fuel from supply. Rather than rely on the biased guesswork of the Georgetown Center for Climate (GCC), which were the framers behind TCI, we're using disinterested projections from a neutral government source, the U.S. Energy Information Agency. They're projecting about a 7% decline in gasoline consumption and a 2% decline in diesel consumption in New England from 2023 to 2032, or a combined decline of 6.3%.

The difference between EIA's forecast of just a 6.3% drop in demand and TCI's reduction in allowance availability is a concerning divide. This is illustrated clearly in the following graph which shows projected demand for fuel in CT, MA, and RI – the blue line which declines about 6% - versus the supply of fuel allowed under TCI – the brown line which declines 30% over the period.



Source: [US EIA Annual Energy Outlook 2021: New England]

The space between the two lines shows the fuel shortage – i.e., the difference between supply and demand. In the first year of the program, that shortfall is 285 million gallons. By 2032, it's 1.4 billion gallons. Over the ten-year period, the cumulative shortfall is 8.9 billion gallons. And this letter isn't even showing the huge loss in state fuel taxes that will result from these shortfalls. We'll save that for another day. These numbers are broken out in the Appendix at the end of this letter.

We've seen what happened recently when the southeastern region of the United States experienced the Colonial Pipeline shutdown, when some 17,000 gas stations ran out of fuel. TCI has similar potential to create fuel runouts at retail gasoline stations in our states, but not just over the course of a week, but over years. TCI either ignores this possibility, or they're counting on it in order to reduce fuel consumption, or they're naively hoping that enough consumers buy electric vehicles (EV), decide to work from home, or switch to public transportation to counterbalance the declining amounts of fuel that can be sold.

We are presenting this information to you since, as your states' highest policymakers, you can decide whether the gamble of implementing TCI is worth the real harm it can cause to your constituents and economies through years of fuel shortages and disruptions. The issues we raise are serious enough that they warrant a deeper, more comprehensive study by stakeholders, so that a better-informed decision can be made.

Respectfully,

Christian Herb	Jonathan Shaer	Diane Quesnelle
President	Executive Director	Executive Director
CEMA	NECSEMA	EMARI
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APPENDIX
All numbers in gallons of fuel

A.1 CONNECTICUT

	EIA Projected Demand	TCI Allowed Supply	(Shortfall)
2023	1,723,020,895	1,628,172,603	(94,848,292)
2024	1,720,969,679	1,573,900,171	(147,069,508)
2025	1,712,764,818	1,519,627,739	(193,137,079)
2026	1,702,508,741	1,465,355,307	(237,153,435)
2027	1,688,150,234	1,411,082,874	(277,067,359)
2028	1,673,791,726	1,356,810,442	(316,981,284)
2029	1,659,433,219	1,302,538,010	(356,895,209)
2030	1,640,972,281	1,248,265,578	(392,706,703)
2031	1,628,664,989	1,193,993,146	(434,671,843)
2032	1,614,306,481	1,139,720,714	(474,585,768)
			(2,925,116,479) 10-year cumulative shortfall

A.2 MASSACHUSETTS

	EIA Projected Demand	TCI Allowed Supply	(Shortfall)
2023	3,116,442,000	2,966,316,106	(150,125,894)
2024	3,112,731,950	2,867,438,903	(245,293,047)
2025	3,097,891,750	2,768,561,699	(329,330,051)
2026	3,079,341,500	2,669,684,496	(409,657,004)
2027	3,053,371,150	2,570,807,292	(482,563,858)
2028	3,027,400,800	2,471,930,089	(555,470,711)
2029	3,001,430,450	2,373,052,885	(628,377,565)
2030	2,968,040,000	2,274,175,682	(693,864,318)
2031	2,945,779,700	2,175,298,478	(770,481,222)
2032	2,919,809,350	2,076,421,274	(843,388,076)
			(5,108,551,746) 10-year cumulative shortfall

A.3 RHODE ISLAND

	EIA Projected Demand	TCI Allowed Supply	(Shortfall)
2023	437,682,000	398,083,436	(39,598,564)
2024	437,160,950	384,813,988	(52,346,962)
2025	435,076,750	371,544,540	(63,532,210)
2026	432,471,500	358,275,093	(74,196,407)
2027	428,824,150	345,005,645	(83,818,505)
2028	425,176,800	331,736,197	(93,440,603)
2029	421,529,450	318,466,749	(103,062,701)
2030	416,840,000	305,197,301	(111,642,699)
2031	413,713,700	291,927,853	(121,785,847)
2032	410,066,350	278,658,405	(131,407,945)
			(874,832,442) 10-year cumulative shortfall

A.4 CT + MA + RI TOTAL

	EIA Projected Demand	TCI Allowed Supply	(Shortfall)
2023	5,277,144,895	4,992,572,146	(284,572,749)
2024	5,270,862,579	4,826,153,062	(444,709,517)
2025	5,245,733,318	4,659,733,978	(585,999,340)
2026	5,214,321,741	4,493,314,895	(721,006,846)
2027	5,170,345,534	4,326,895,811	(843,449,722)
2028	5,126,369,326	4,160,476,728	(965,892,599)
2029	5,082,393,119	3,994,057,644	(1,088,335,475)
2030	5,025,852,281	3,827,638,561	(1,198,213,720)
2031	4,988,158,389	3,661,219,477	(1,326,938,912)
2032	4,944,182,181	3,494,800,393	(1,449,381,788)
			(8,908,500,668)

METHODOLOGY

First Column: EIA projected demand for each state used actual 2019 diesel and gasoline consumption (the most recent data available from EIA) as the starting point for 2023, then reduced those amounts according to EIA's projections for 2023 to 2032 found here U.S. Energy Information Administration's (EIA) . Though the EIA data are in BTUs for motor fuels and distillated under the Transportation Sector heading, it's the rate of decline that we're interested in.

Second Column: TCI supply starts with the initial baseline allowance for each state in 2023, according to TCI's model, then reduces that annually so that by 2032 there is a 30% reduction. These numbers are in metric tons of CO2, which are multiplied by 2205 to get pounds of CO2, then divided by each state's average ratio of pounds of CO2 per gallon of gasoline and diesel to get the numbers we see in this column.

Third Column: The shortfall is simply the TCI supply less the EIA projected demand for each year.