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On behalf of the Bipartisan Policy Center

Before the Committee on Environment and Public Works

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Good morning and thank you Madame Chairman and Ranking Member Inhofe. I commend you and members of the Committee for holding this hearing. I am pleased to appear before you this morning and very much appreciate the invitation.

I am here on behalf of the Bipartisan Policy Center (BPC), which was founded by four former Senate majority leaders, Tom Daschle, Bob Dole, Howard Baker and George Mitchell. BPC was created to help provide the motivation and infrastructure to forge the bipartisan consensus we believe is necessary for durable change across a range of difficult policy challenges. The model of principled, bipartisan compromise we pioneered with the National Commission on Energy Policy (NCEP) and later with the National Transportation Policy Project (NTPP) came to serve as the founding projects for the Bipartisan Policy Center. I am speaking to you today as one of four NTPP Co- Chairmen: myself, your former colleague Slade Gorton, former Congressman Martin Sabo, and former Detroit Mayor Dennis Archer. Your current colleague, Senator Mark Warner, was an original Co-Chair before stepping down to join you in this august body. Aside from its Energy and Transportation projects, the BPC also has conducted projects that address a broad suite of other issues, including: national security, agriculture, health care, financial services and science. The BPC's mission is to develop and promote sound policy solutions that can attract public support and political momentum to achieve real progress.

Climate Legislation

Let me start by commending you Madame Chair for the introduction of S. 1733, the Clean Energy Jobs and American Power Act, which will ensure that the Senate addresses an issue that many would rather ignore. Climate change is this generation's leading environmental threat. Doing nothing to address the threat will not only negatively and severely impact this generation, but generations to follow. As we continue to defer needed common-sense solutions, the inevitable task at hand simply continues to grow more difficult and expensive. Evidence continues to accumulate about the effects of a changing climate and we are more convinced than ever that enacting a comprehensive program with appropriate safeguards in place is a must.

I would ask to submit for the record a recent National Commission on Energy Policy (NCEP) report, *Climate Change and the Economy* that measures the economic impacts of a changing climate on key sectors and regions of the country (i.e. Montana forests, North Carolina coastlines, New Mexico water, etc.). This report is an attempt to provide information about the cost of inaction to help counter those who cite the cost of a cap-and-trade program as the basis of their opposition.

Your legislation represents an important and necessary step forward for addressing the issue and for hopefully convincing your colleagues that the time for action is now-- in this Congress!

Cap-and-Trade Approach

Although we have witnessed opposition to a cap-and-trade approach for a variety of reasons, cap-and-trade, while certainly not a perfect policy, represents the best option for achieving necessary reductions of greenhouse gases in a timely and a cost-effective manner. Most stakeholders on all sides of the debate generally agree that a program mandated by Congress is far preferable to the command and control approach that EPA would have to impose following the landmark 2007 Supreme Court ruling in Massachusetts v. EPA. And realistically, that is the alternative: Congress or EPA taking the lead role. Inaction by both would be unacceptable.

Cost Certainty

Since the cap-and-trade debate began, the ability to form a meaningful consensus has been hampered by disagreements over the projected costs of compliance. Taken together, even moderately different views on the cost of new technologies, the speed at which they will deploy, the availability of offset credits, and the macro-economic response to a price on greenhouse gas emissions can lead to dramatically different estimates. Such disparities point to the inherent difficulty of making predictions, particularly when it involves complex social, economic, and technological factors. As a result, the debate over compliance costs remains a formidable barrier to forging a legislative consensus.

I would like to commend the bill for trying to reconcile the need for environmental certainty with economic certainty. While some believe that the early year emissions reduction targets may be unreachable, a well functioning market with an appropriate price collar would ensure that the allowance price stays in an affordable and predictable price band. We believe that the ability to point to a reasonable price collar and strategic reserve of allowances is essential for reassuring your constituents that the cost of the program will be manageable. Let me restate my basic proposition: the cost of inaction would be the greatest to all.

I ask to submit for the record NCEP's recent policy paper, *Managing Economic Risk,* which provides more detail on how to structure such a reserve to ensure its success.

NCEP has also recently completed policy papers on *Domestic and International Offsets*, *Oversight of the Greenhouse Gas Trading Market* and the *Case for Action.* I also request that these be entered into the record.

In short, we believe that a climate bill must have elements of both price and emissions certainty. It is our view that simplifying and strengthening the cost containment provisions in this legislation is critical to building a bipartisan consensus for meaningful action this year. We commend you for increasing the size of the strategic reserve to about 3.5 billion tons from 3 billion tons in your earlier draft and from the 2.7 billion tons in Waxman-Markey bill. However, NCEP modeling shows that in the event that offsets projections are too optimistic and/or if low carbon technologies advance slower than predicted, a reserve closer to the 6 billion tons (authorized in the Lieberman-Warner-Boxer climate bill passed by the EPW Committee in 2008) would be necessary to ensure that $28 is the true ceiling price. This would more effectively address concerns raised by some opponents that the reserve approach is inferior to a true price collar.

Transportation Provisions in the Climate Bill

As one of four Co-Chairman of the National Transportation Policy Project (NTPP), I strongly applaud efforts undertaken in this bill that emphasize investment in the transportation sector and situate it as both central to the reduction of greenhouse gas emissions and to improvements in energy security. As you know, improving performance of our nation's transportation systems is necessary to meet the four urgent national priorities called for in S. 1733, including: putting America back in control of our energy future, reasserting American economic leadership and competiveness, protecting our families from pollution, and ensuring our national security. Incorporating *clean transportation* solutions into climate and energy legislation will bring massive benefits to our nation. Making the policy connections between these historically divergent issues more explicit will lead to efficient solutions that will maximize limited resources.

The 2009 National Transportation Policy Project report, *Performance Driven: A New Vision for U.S. Transportation Policy*, the executive summary of which I request be entered into the record, lays a framework for federal transportation policies that are performance driven, linked to a set of clearly articulated goals, and held accountable for results. Energy security and environmental protection together represent one of five national goals that our Project believes should be used to guide federal transportation policies and investment decisions. Awareness of the energy security and environmental protection dimensions of transportation is not new. However, in the past these concerns have largely been addressed outside transportation policy, often through separate policies regulating vehicle or fuel characteristics, but not as a factor informing our transportation planning and investment decisions. NTPP believes the federal government should play a key role in integrating climate change, energy security, and environmental protection with

existing mechanisms for transportation planning and decision-making, rather than approach these issues separately.

I recognize that this committee has the unique ability to bring these areas together, and that scope extends beyond this climate legislation. This same integration needs to occur in the upcoming transportation authorization legislation. The federal transportation program, extended under a 31-day continuing resolution, is likely to be subjected to many more short-term extensions before full authorization is in place. This process of short-term extensions is detrimental not only to states attempting to maintain and invest in their existing transportation infrastructure, but is harmful to the national economy at a time when substantial reinvestment is needed. We understand the position of this committee and the Administration is to seek an 18-month extension of current law to allow for development of a new 21st century vision for federal transportation policy. Part of this vision should include the integration of climate and energy considerations into transportation investment decision-making. I am very pleased to see this committee putting forward climate legislation that sets the stage for this larger integration.

My testimony will cover several facets of the transportation provisions in the bill. First I want to highlight some of the elements of the bill that are directly in line with the recommendations in the NTPP report. I commend you for putting forth legislation that addresses five critical needs, each of which I will address in my testimony. The legislation:

1. *Allocates specific funding for necessary investment in transportation*
2. *Recognizes the benefit of integrating mutually beneficial policies across the sectors of transportation, energy and the environment*
3. *Frames a national vision addressing national objectives*
4. *Uses competitive programs that allow flexibility and incentivize innovation*
5. *Elevates the importance of data collection for improved transportation planning*

Next I will offer some NTPP suggestions for strengthening certain aspects of the legislation, consistent with the following principles:

1. *Transportation investments, even those made with climate revenues, can be optimized to achieve not only environmental and energy outcomes, but also economic, safety, and accessibility outcomes*
2. *Mode-neutral funding leads to greater system efficiency and innovation, and ensures that investments can advance over-arching national goals*
3. *Carbon pricing is necessary but not sufficient in and of itself for sending a key price signal to transportation system users*

Highlights of the Clean Energy Jobs and American Power Act

Funding Set Aside for Investment in Transportation

Setting aside funds from a cap-and-trade scheme for investment in the transportation sector, as this legislation does, is critical. A carbon pricing or cap-and-trade policy that devotes a portion of revenues toward advancing transport-sector technology solutions and providing incentives for climate-friendly transportation policies is a necessary step in the right direction. Given that transportation contributes approximately one-third of greenhouse gas emissions nationally, it follows that the sector should bear an appropriate burden and receive a commensurate portion of any carbon revenues.

Tying investments in more efficient transportation to climate revenues is important for two reasons. First, it allows for some portion of revenues from the transportation sector to be put back into transportation, thus enabling the sector to make smart investments that will eventually reduce its level of greenhouse gas emissions. Without these revenues, the systemic changes to our transportation network that will be essential for combating climate change will not be possible.

Second, it provides additional funding for an essential sector of the economy that has been strained to capacity. The federal surface transportation program needs to be more performance-driven no matter what its size – but the transportation infrastructure needs for a growing economy far exceed what is currently available in terms of funding. Climate revenues provide a sensible and stable source of funding for essential investments as long as those investments are made in accordance with clear national goals.

The revenues set aside for transportation in this legislation are an excellent beginning. But they are well below the portion of revenues that transportation should receive based on the contribution of that sector to the climate change problem. I know Senator Carper will be working to increase the funding set aside for transportation in this bill and we look forward to working with him to make that happen.

Integrating Mutually Beneficial Policies

Addressing both the environmental protection and energy security aspects of transportation simultaneously, and thus integrating what have historically been thought of and addressed as separate policies, is essential for the future of this nation. Existing environmental and energy-related policies that have a direct connection to transportation range from vehicle fuel economy standards to biofuels mandates to investments in new facilities. In the past such policies have not generally been integrated into a national transportation strategy. Importantly, this legislation attempts to rectify that oversight.

As stated previously, the transportation sector has significant climate liabilities directly related to petroleum fuel consumption and emissions. Oil use for transportation accounts for a large share—approximately one-third—of overall U.S. energy-related greenhouse gas emissions, largely because the transportation network is 97% dependent on oil[1]. In fact, the transportation sector's contribution to national emissions is second only to that from electricity production[2], and transportation consumes almost 70% of all oil used in the U.S[3]. *Within* the sector, surface transportation—that is, cars, trucks, buses, and rail—accounts for about 86 percent of carbon emissions.[4] It is therefore timely and critical that this legislation, as well as the next surface transportation authorization bill, comprehensively address the connections between the transportation, energy and environmental sectors.

Critics often assume that most transportation investments have adverse environmental outcomes. But recognizing that policies to improve the quality or efficiency of the transportation network often deliver energy and climate benefits is essential. For example, policies that promote smoother traffic flow can ease congestion while simultaneously reducing gasoline consumption and greenhouse gas emissions. Policies that result in freight shifts from truck to rail transport can lead to the more efficient movement of goods while also reducing diesel consumption, road wear, and emissions. In cases like these, where multiple problems can be tackled at the same time, the existence of co-benefits can substantially increase overall returns on the investments. This bill makes notable strides towards such an approach. Given the shortage of available public resources and the magnitude of environmental risk involved making these connections through legislation is essential.

Framing a Vision Addressing National Objectives

Framing a vision that addresses national-level concerns and establishes policies with national objectives related to environmental protection and energy security is critical. Efforts to address environmental concerns of transportation infrastructure in particular have in the past been limited to considering the direct local impacts of a particular project. Additional efforts are made to mitigate these impacts once they are identified, but national or global-level environmental issues such as climate change have not typically been taken into account in any systematic way.[5]

For example, the environmental impact statement (EIS) required during the planning and construction phase of a new transportation project is designed to identify the environmental effects of a project as well as possible alternatives. If the project is forecast to increase traffic,

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[1] Department of Energy, Energy Information Administration, "Annual Energy Review 2004" (doe/eia-0384), pages 42 and 154.
[2] U.S. Environmental Protection Agency. "Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2007." April 2009. http://www.epa.gov/climatechange/emissions/usinventoryreport.html
[3] Department of Transportation, Bureau of Transportation Statistics, Transportation Statistics Annual Report 2004, Chapter 2 Section 15
[4] U.S. Environmental Protection Agency. "Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2007." April 2009.
[5] 1) World Business Council for Sustainable Development. "Mobility 2030: Meeting the Challenges to Sustainability." July 2004. 2) Transportation Research Board. "Toward a Sustainable Future – Addressing the Long Term Effects of Motor Vehicle Transportation on Climate and Ecology, Special Report 251." 1997. 3) Sperling, Dan and Deborah Gordon. "Two Billion Cars – Driving Toward Sustainability." 2009.

then the particulate pollution from that increase is calculated. If the roadway will create more noise in surrounding communities, then a sound wall is constructed to mitigate the problem. These project-level responses are not necessarily deficient in terms of addressing local impacts, but they are inadequate for the broader challenges facing our nation. The EIS occurs at the project level, while energy and climate impacts are most clearly seen through a larger aperture, at a systemic level.

By devoting a portion of transportation grants to investments that will reduce greenhouse gas emissions, this legislation establishes an over-arching and specific national objective for transportation investments with climate revenues. These types of grants are useful because of the flexibility built in for local entities as to how they want to accomplish national objectives. This type of bottom-up approach also helps to provide incentives for collaboration across various transportation agencies. In order to achieve real greenhouse gas reductions and effectively compete for federal grants, regional agencies will need to collaborate in a systemic and programmatic way.

This concept of a national vision and goals but local strategies and planning requires a fundamental shift in the way we think about transportation investments. We usually think about new investments as specific "projects" such as a new transit line. But to actually achieve emissions reductions and other national goals such as economic growth and safety, we need to shift from a project orientation to a programmatic one. This means thinking about how that new transit line can be integrated into an overarching program or plan that considers land use decisions, pricing options, access to the transit line, and any other policy that can improve performance. This programmatic view is evident in the CLEAN-TEA provisions of this legislation, and that means these grants are more likely to be effective in achieving the national goal of reducing emissions.

Using Competitive Programs to Incentivize Innovation

Competitive grant programs are essential for encouraging innovation, as well as flexibility at the state and local level. The transportation greenhouse gas emission reduction program grants contained in this Act specify outcomes, rather than methods, thus encouraging potential recipients to develop new and more effective ways of meeting program goals. They can also help to move beyond a myopic focus on specific infrastructure projects, and towards a programmatic emphasis that allows for other elements such as land use, pricing, and vehicle fuels to be integrated into transportation plans.

NTPP recommends two competitive programs for federal surface transportation policy. One program would be focused on national connectivity and freight, while the other would focus on metropolitan accessibility improvements. In both cases, grant proposals would be evaluated based on their projected improvements among specific performance metrics that are directly

related to national goals. The goal of these programs is to incentivize innovation among both states and metropolitan regions in how they propose to tackle national transportation goals.

The CLEAN-TEA competitive program embedded in this legislation is designed in a way that can foster innovation. It is structured such that funding is distributed to grant recipients based on evidence and analysis regarding how well the grantees can meet specific national goals. The evidence and performance-based structure is essential not only for innovation, but for actually reducing emissions. Keeping such a program truly competitive and evidence-based is critical for its success. One way to do this is to ensure a joint process between Congress and the Executive Branch. Without such a process, any competitive program runs the risk of allowing funds to be distributed without regard for performance. For example, the New Starts program – though not without flaws – effectively distributes funds for new transit projects by using both objective analysis and Congressional oversight. The competitive programs in this Act can and should be structured in a similar manner.

Elevates the Importance of Data Collection for Improved Transportation Planning

Goals that are performance driven, such as in this legislation, rely on quantitative metrics to evaluate performance and to enforce accountability. In order to move toward a performance-based system reliable "real-time" data must be available. Generally, real-time, actionable data does not exist. There must therefore be data improvements, including improvements in the amount of information collected, processed, analyzed and distributed on such things as environmental impact, emissions, and energy consumption of proposed transportation projects.

Collection of data on transportation-related greenhouse gas emissions is not only necessary for integrating climate considerations into transportation planning, but also for determining where available resources might be more effectively invested. If we lack adequate data on transportation-related emissions it will be extremely challenging to make policy changes to address those emissions. It will be even harder to reward innovation and competition that results in emissions reductions. Data collection and planning improvements are therefore essential steps towards real emissions reduction, and are thankfully are not overlooked in this legislation. This bill thoughtfully calls for collaboration among federal agencies in updating and regulating the collection of data on transportation-related energy efficiency and greenhouse gas emissions. The legislation stipulates that federal agencies work toward defining and collecting similar performance data from freight. Also, important is the fact the bill calls for data to be shared among states and government agencies.

Improved data collection efforts can lead to more effective planning, as is recognized in this bill. With a few exceptions, the transportation planning processes that currently exist at the state and metropolitan levels do not support a strategic, performance-based, and accountable approach to decision-making. These planning processes must be reformed. The reach of metropolitan

planning agencies should be extended to incorporate relevant economic geographies, and the responsibilities of planning agencies should be broadened to ensure that (a) transportation planning is conducted collaboratively across jurisdictional lines, (b) planning for the preservation of existing systems is coordinated with system expansion and improvement, and (c) planning decisions are linked to the achievement of national goals. Similarly, the planning that occurs in state transportation agencies must reach across jurisdictional lines so that strategic, performance-based plans and programs can be developed to serve multi-state corridors and/or multi-state metropolitan regions.

It is a step in the right direction that this bill calls for collaboration across federal agencies to establish regulations, updated from time to time, that improve the ability of transportation planning models and tools, including travel demand models, to address greenhouse gas emissions. Also, critical is the fact that the legislation calls for transportation planning requirements to be updated in order to meet the goals of reduced greenhouse gas emissions. However, the focus of government at all levels should be on adequate planning processes, rather than on particular planning structures. No single structure fits all multi-state or metropolitan regions in any case. Adequate planning processes support and promote strategic planning across modes, agencies and jurisdictions, and link transportation planning and investment decisions to other key policy concerns such as land use, housing, energy, and environmental impacts.

Incentives can improve planning, including offering the carrot of additional planning funds in exchange for collaboration across modal, agency, and jurisdictional lines. This will help shift the focus to encouraging adequate planning processes, rather than mandating specific institutional structures. To the extent that current federal financial support for transportation planning is not sufficient or flexible enough to support broader planning efforts by state agencies or MPOs, it should be expanded. Public sector roles and responsibilities must be reshaped and reorganized for effectively planning, funding, building, operating, and regulating the nation's transportation system. The foundations of these necessary collaborations across government agencies are called for in this legislation.

NTPP Recommendations for Strengthening S. 1733

Investments in Transportation Must Be Held Accountable for More than Reducing Greenhouse Gas Emissions

Setting overarching national goals affords states and localities the flexibility to meet the goals in a way that is most suitable for them. As has been discussed, this is one of the strongest features of the proposed competitive grant programs outlined in this legislation. However, we must remember that although we want to reduce emissions with these investments, at the end of the day they are investments in transportation. Transportation does more than simply create emissions – it also has substantial economic and safety impacts that should not be ignored. All

transportation investments must be held accountable for achieving progress toward a *suite* of overarching national goals, including economic growth and safety. Federal transportation funding should not be awarded for demonstrating reduction in greenhouse gas emissions alone; investments must also demonstrate progress toward mutually beneficial goals.

Energy security and environmental protection constitute one of five specific goals that NTPP recommends national transportation policy should be framed. These goals are grouped together because both objectives can often be advanced using the same strategy (particularly to the extent that climate change is considered to be the primary unaddressed environmental concern). The NTPP report identifies a host of performance metrics by which transportation investments can be evaluated. The twin goal of energy security and environmental protection, for instance, has two associated metrics—one focused on petroleum consumption, the other on CO_2 emissions. Using both of these addresses the concern that some strategies to improve energy security alone could have adverse climate impacts (i.e. leading to *increased* CO_2 emissions).

Four additional goals outlined by the NTPP framework include: economic growth, national connectivity, metropolitan accessibility, and safety. There are eight performance metrics associated with these goals, which together form a methodology for measuring progress towards national transportation objectives. Since the report recommends distributing funding to programs that advance all of these goals, consideration of energy and climate becomes integral to all transportation investment decisions. The framework is deliberately not specific about how these goals should be achieved; flexibility is built in for states to determine.

We are pleased to see this legislation following a similar strategy. However, criteria for any grant program should include more than just emissions reduction potential. In particular, we recommend including metrics for economic growth, such as improvements in accessibility to jobs, labor, and other activities. We also would suggest a measure that evaluates the utility of the national transportation network, and how that is being improved, as well as looking at whether investments reduce congestion in specific transportation corridors. For safety, we recommend evaluating whether an investment will reduce fatalities and injuries, both on a per capita basis and per vehicle miles travelled. Reductions in emissions and fuel consumption should be emphasized because this is a climate bill, but that does not mean we can afford to ignore the economic and safety implications of transportation investments. These additional performance metrics must also be included.

Mode-Neutral Funding Leads to Greater System Efficiency and Innovation

Transportation programs and policies have long been characterized by modal "stove-pipes" and distinct interests. Despite efforts in recent bills to reconcile these varying interests and introduce "flexibility" in the use of various funding streams, many transportation policy discussions continue to be dominated by endless debates about what is more subsidized or disadvantaged:

highways versus transit, trucks versus rail, and passengers versus freight. The fact that it remains difficult if not impossible to plan for and optimize across different modes constitutes a major barrier to maximizing returns from transportation investments. Dramatic restructuring is needed to surmount this barrier so that decision makers can focus on finding the most cost-effective solutions to identified problems at the metropolitan, state, and corridor levels.

The current decision-making process is compartmentalized by transportation mode —often with separate rules, procedures, and eligibility requirements for each mode—and is not driven by economic analysis. By their very nature these disconnected funding streams discourage comprehensive strategies to address transportation problems in a way that would most improve the performance of the overall system. While some may be convinced of the relative promise of particular transport options or strategies, no particular mode represents the best solution to all problems in all situations. A holistic approach to transportation investments is of particular importance in the context of severe resource constraints, which limit the ability to fund all competing demands. This suggests that public investments, whether federal, state, or local, should be programmatic in scope rather than project—or mode—specific. In sum, mode-neutral programs, which are designed to prioritize projects on the basis of cost-effectiveness and to enhance connections across different modes, hold the most promise for improving system performance for all users.

Given this approach, funds should flow directly to states on a mode-neutral basis for the purpose of preserving and enhancing elements of existing transportation systems—including roads, freight and passenger rail—that play a role in connecting the nation. This will require a methodical redefinition of what comprises the federal system, to ensure that included facilities are truly in the national interest. A mode-neutral approach optimizes performance across the entire system. No particular mode represents the best solution to all problems and situations, and having a set aside of funds for a specific modes is detrimental because the optimum solution in certain places to demonstrate optimum performance towards reducing pollution, increasing jobs, and ensuring our national security might be through investment in a non-transit based mode.

Section 215 of this legislation allocates funding specifically for investments in public transportation. Although public transit has tremendous potential to reduce overall emissions in many cases, we would still recommend using a mode-neutral approach. Mandating investment in transit forces states and metropolitan regions to invest precious transportation resources in that specific mode, even if they might otherwise make different transportation investments that could actually do a better job of reducing emissions. In fact, it is possible to make poor investments in public transit that actually increase overall emissions. A better approach is to leave the modal choice to grant recipients, and instead focus the federal effort on making sure that these investments will actually provide the greatest emission reductions for the lowest possible cost.

Carbon Pricing is Necessary but Not Sufficient for Sending a Key Price Signal to Transportation System Users

At a national level, one of the most important measures available for integrating environment, energy and transportation objectives is proper pricing. With more accurate price signals to reflect the true cost of transportation people will make more informed decisions about their transportation choices, altering everything from home and vehicle purchases to commuting habits. More accurate price policies should include not only the environmental, but also construction and maintenance, and congestion costs of travel. The Eddington Report, a comprehensive study of national transportation policy in the U.K. notes that the transport sector needs to "play an important role in an economy-wide response" to the climate change challenge. It goes on to argue that transportation "should meet its full environmental costs," and that "getting the environmental prices right across all modes makes strong economic as well as environmental sense."[6]

Cap-and-trade programs represent important policy considerations for the transportation sector. However, carbon pricing is unlikely to cause a large shift in transportation technology, travel demand, or infrastructure investment. EPA estimates that House-passed legislation incorporating a cap-and-trade system to limit greenhouse gas emissions is likely to have an impact on gasoline prices amounting to less than 35 cents per gallon by 2030.[7] As NCEP has noted, this level of price signal alone "would be expected to produce very little improvement in the fuel efficiency of passenger cars and very little reduction in vehicle-miles traveled."[8] Accounting for the additional costs of congestion, construction, and maintenance would result in a stronger price signal and commensurately larger impacts, but the overall effect might still be small relative to the kinds of price swings that the market itself—independent of any targeted policy intervention—has produced in recent years.

In other words, carbon pricing is helpful but it is not enough of a price signal to really make a difference in the climate liabilities of the transportation sector. More accurate pricing of the social, economic, and environmental externalities of travel is required. This would lead to more sustainable development patterns, as well as heighten individual awareness and concern for energy consumption, emissions, and congestion impacts. The NTPP report outlines options for raising transportation revenue from a system of user fees, ensuring that transportation users bear more of the cost of their energy and environmental impacts. This approach offers a range of benefits, not the least of which is an increased awareness of limited resources.

There is a need for increased research and planning in this area to help our nation transition to a user-pay funding mechanism. The goal should be to establish and then implement an achievable

[6] United Kingdom Department for Transport. "The Eddington Transport Study: The Case for Action." 2006. pp. 5-6.
[7] Environmental Protection Agency. Analysis of Waxman-Markey draft legislation.
[8] National Commission on Energy Policy. "Ending the Energy Stalemate, A Bipartisan Strategy to Meet America's Energy Challenges." Dec. 2004.

plan that can generate the support of the American public, and then transition our national transportation system to a user-based revenue system at the earliest possible date. With respect to climate change, we must ensure that transportation users cover the full costs of their carbon emissions, and that an appropriate share of revenues from a carbon pricing scheme go toward supporting transportation infrastructure investments and operational reforms that promote further carbon reduction.

Conclusion

Our nation faces imposing challenges to our economic, environmental, and energy futures. Rethinking transportation systems and investments cannot solve all of these problems – but none of these problems can be fully addressed without dealing with transportation. In that spirit, this legislation must be commended for recognizing that connection. As a Co-Chair of the National Transportation Policy Project I believe that our report provides a framework and recommendations that could help to strengthen the transportation provisions in this legislation.

We hope that you will keep in mind the following, as you continue to develop this legislation:

1. *Transportation investments, even those made with climate revenues, can be optimized to achieve not only environmental and energy outcomes, but also economic, safety, and accessibility outcomes*
2. *Mode-neutral funding leads to greater system efficiency and innovation, and ensures that investments can advance over-arching national goals*
3. *Carbon pricing is necessary but not sufficient for sending a key price signal to transportation system users*

The Bipartisan Policy Center welcomes further opportunities to work with and support the Senate Committee on Environment and Public Works. We ask you to draw upon the work of the National Commission on Energy Policy and the National Transportation Policy Project as the Committee seeks to further define and clarify transportation's role in climate change and reducing greenhouse gas emissions.