

March 25, 2010

STATEMENT ON GREENHOUSE GAS EMISSIONS ALLOWANCES AND TRADING IN NEW MEXICO

The American Trucking Associations, Inc.¹ (“ATA”) submits this statement highlighting the adverse impacts that a state-based greenhouse gas emissions (“GHG”) control proposal, would have upon the trucking industry and other energy consumers.

As the national representative of the trucking industry, ATA is vitally interested in matters affecting truck fleets, including the supply, price and specifications of the diesel fuel fleets depend upon to deliver the Nation’s freight. ATA’s membership will be directly affected by the cap and trade program contemplated in the Draft Issues Paper entitled *Greenhouse Gas Emissions Allowances and Trading*.² Given the short comment period, we are not able to offer specific comments on the various options for distributing allowances; however, we do offer comments on the general impact that a cap and trade program will have on the trucking industry and other energy consumers.

ATA is committed to reducing the trucking industry’s carbon footprint. ATA has enacted a sustainability plan, which could reduce annual carbon emissions by more than 900 million tons over the next 10 years, or roughly 20% of the trucking industry’s total domestic carbon emissions.³ Notwithstanding our demonstrated commitment to reducing the trucking industry’s carbon emissions, we have serious concerns with a state or regional based GHG control measures.

Myths and Realities of Implementing a Cap and Trade Program in New Mexico:

Myth: The New Mexico cap-and trade program will produce a significant reduction in GHG emissions level and will help prevent global climate change.

¹ ATA is a united federation of motor carriers, state trucking associations, and national trucking conferences created to promote and protect the interests of the trucking industry. Directly and through its affiliated organizations, ATA encompasses over 35,000 companies and every type and class of motor carrier operation.

² We note that the Draft Issues Paper was dated March 16, 2010 and interested parties have been afforded 13 days to file comments. This abbreviated comment period impairs the ability of interested parties to fully understand the impacts of such a significant and expensive program and ultimately precludes the State from making an informed decision.

³ A copy of ATA’s sustainability recommendations may be viewed through the following link:
<http://www.trucksdeliver.org/recommendations/index.html>

Reality: Unlike other criteria pollutants (*i.e.*, particulate matter, NO_x) that are of concern to the trucking industry, the impact of GHG on the environment is not dependent upon their point of emission. While the impact of particulate matter is limited to a finite area surrounding the location from which the pollutant is emitted, the emission of GHGs will have an equivalent impact upon climate change whether they are emitted in New Mexico, New Hampshire or New Zealand. For this reason, GHG regulation needs to be addressed at the national level (and arguably at the international level). Reducing New Mexico's GHG emissions will have a negligible impact on the global problem of greenhouse gas emissions, but will have a significant adverse impact on New Mexico's businesses and citizens.

The white paper recognizes this by stating that New Mexico will not implement a state cap-and-trade program unless there are sufficient North American trading partners to make the program efficient and cost effective. In that regard, we note that Arizona has indicated that it would not participate in the Western Climate Initiative cap and trade program on the grounds that it will raise costs for consumers and businesses and slow the State's economic recovery. Indeed, California remains the only state that is moving forward with a cap-and-trade program.

Myth: Cap and Trade will save money.

Reality: Under the heading of Economic Stability, the White Paper actually states that the GHG emissions reduction targets can be met with a small net savings to the total economy. This is simply not true. Cap-and-trade is a hidden tax on all energy consumers. For trucking companies, this translates to an increase in the price of the fuel required to deliver virtually all of the consumer products sold in New Mexico – food, medicine, clothing and gasoline are all delivered by truck. As refiners are forced to purchase carbon allowances, the cost of producing the diesel fuel we depend upon will rise and be passed on to the consumers of these essential commodities. Indeed, cap and trade will increase the cost of virtually every product or service that depends upon the consumption of energy. Unfortunately, the lack of commercially viable alternatives to diesel fueled trucks means that the trucking industry will not be able to avoid this hidden tax and will have to pass on these new costs to consumers, while continuing to use diesel fuel whose price has been artificially increased by the State.

Myth: Cap-and-trade will not disadvantage New Mexico's businesses.

Reality: One of the numerous economic consequences of a New Mexico Cap and Trade program is an artificial increase in the price of gasoline and diesel fuel. For trucking companies based in New Mexico, this means that the price of the fuel they require will be higher than the price of fuel in neighboring states. This puts New Mexican trucking

companies at a competitive disadvantage to interstate trucking companies that can fuel in Arizona, Texas, Oklahoma or Colorado and then transport freight into and out of New Mexico. The same logic applies to other New Mexican based businesses, whose production costs will rise, making them less competitive with businesses located in other States.

Myth: A New Mexico cap-and-trade program will not impact the quality of the fuel offered for sale in New Mexico.

Reality: Under a cap-and-trade program, some refiners will blend low carbon alternative fuels to reduce the amount of carbon allowances they must purchase. Unfortunately, today's cars and trucks were not designed to run on high percentage blends of these alternative fuels. These fuel substitutes may create operational challenges, increase maintenance requirements, and could result in costly equipment malfunctions. In addition to the operating challenges presented by these alternative fuels, they generally cost more than petroleum based transportation fuels, which operates as another hidden tax on consumers.

Myth: New Mexico must act now to ensure that GHG emissions are reduced.

Reality: State based approaches to this international problem are ineffective and expensive. U.S. EPA is prepared to move forward on a national solution to this global problem. Moreover, the U.S. Congress is considering the issue, with several bills to regulate GHG emissions presently being debated.

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Considering the significant adverse economic impacts on New Mexico's businesses and consumers and federal efforts to address this issue, New Mexico should reject a state or regional-based cap and trade system.