M-Tokens Policy Concept

M-Tokens ('M' is for mobility) is a policy concept that would guarantee reductions in emissions from light fleet mobility by progressively limiting the amount of fossil fuel that can be purchased for light fleet use.

Every adult would receive a **free** allocation of M-Tokens each quarter.

One M-Token would confer the right to purchase an amount of petrol or diesel for a light fleet vehicle, whose combustion produces 1 kg of CO_2-e.

Buying fuel for a light fleet vehicle would therefore require money and surrender of M-Tokens.

M-Tokens Quantity, Allocation, and Market
The first quarter M-Token total would be calculated from recent light fleet emissions.

Organisations would receive no allocation. Because M-Tokens covering both household and organisational light fleet fuel use would be allocated to all adults, people collectively would receive more M-Tokens than households need.

People who do not need their full allocation could sell their surplus. Organisations, and people needing additional M-Tokens, would buy them. Licensed market-makers would stand ready to buy and sell M-Tokens with supply and demand setting the price.

The number of M-Tokens issued each subsequent quarter would decline in line with the required reduction in light-fleet emissions.

Ensuring Equity within M-Tokens
An **Equity Adjustment Factor (EAF)** would provide a greater than average allocation to people whose circumstances create additional mobility needs or constrain their ability to reduce fossil-fuel use. This would not increase the total number of M-Tokens issued.

An Equity Backstop would reserve M-Tokens for people who would otherwise be unable to obtain the M-Tokens they need. Backstop M-Tokens could be used but not sold.

Further Notes
M-Tokens can be described as a downstream cap-and-trade solution in which the quantity of fossil fuel available for light fleet use would be capped and progressively reduced.

Any existing upstream Emissions Trading Scheme would remain in place.

Fuel retailers would be required to surrender M-Tokens reconciled to all their sales of fossil fuels for light fleet vehicles. The used M-Tokens would then be cancelled.

M-Tokens would be managed digitally, primarily through an app.

Estimating Winners and Losers
Early modelling (for New Zealand) suggests that initially

- more than two thirds of households would have surplus M-Tokens to sell, and
- up to three quarters of voters would live in households with surplus M-Tokens.

Co-Benefits of M-Tokens
Reduced fossil-fuel use can be expected to improve energy resilience, improve productivity, reduce health costs from vehicle pollution, and reduce the cost of meeting international climate commitments.

For more information about M-Tokens please contact paulminett@tripconvergence.co.nz.

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