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At Issue

Incentives, Not Regulation, Keep the Green Movement Going

Some New Jersey companies are going green in a big way. The popular desire to combat global warming combined with rising energy prices has companies in every industry beefing up their green images with energy-saving initiatives of every kind. For many companies, going green makes good marketing sense and leads to a reduction in the cost of doing business. To take full advantage of this growing trend, the state of New Jersey should encourage private-sector green efforts, but adopt policies that keep them voluntary.

The trend towards greater energy efficiency is everywhere. Companies are doing everything from switching to energy-efficient light bulbs and installing solar panels to creating new, energy-efficient buildings. Many companies have incorporated green efforts in their marketing campaigns, but it's not just image-making that's driving this trend. Electricity rates in New Jersey have risen by double digits over the past five years. Even the most basic energy conservation efforts help reduce a company's cost of doing business.

The state has a big stake in encouraging the private-sector's green efforts. New Jersey has adopted a law to reduce emissions of greenhouse gases by 80 percent by 2050, which will require substantial reductions in the emissions caused by electricity generation. At the same time, New Jersey has to find a way to meet the rising demand for electricity amid population growth or face economic stagnation.

New Jersey can encourage companies to be even more energy efficient by providing greater incentives to commercial and industrial electricity users to undertake energy efficiency projects or use renewable energy sources. A business can achieve big savings by adopting various practices and investing in equipment. The problem is that these projects have large upfront costs and long payback periods.

Unfortunately, the state's policies have not recognized this.

Most of the money collected for such incentives has gone to residential conservation and renewable energy projects, even as the data shows that incentives to commercial and industrial electricity users result in three times greater reductions in greenhouse gases. The good news is that state policy may be turning around. Assemblyman Upendra Chivukula, chairman of the Telecommunications and Utilities Committee, is sponsoring a bill that would allocate about \$30 million towards energy conservation at New Jersey businesses, and the State's Draft Energy Master Plan calls for directing greater conservation resources to commercial and industrial users.

Also, the state has provided little education or assistance for green business initiatives. Businesses that are interested in going green are pretty much left to their own devices to sort through issues like so-called "green building codes" (constructing buildings to be more energy efficient), renewable energy, and conservation. If the state were simply to reach out to employers on ways to reduce their energy consumption and take advantage of the programs it offers to help them, it would find many willing participants.

Unfortunately, some policy advocates want to mandate the use of these programs. The energy master plan calls for the mandatory imposition of green building codes for new construction and even retrofitting older buildings for energy efficiency. However, green building guidelines are available now, and many developers have been incorporating them into their designs. But like renewable energy, retrofitting buildings has a steep upfront cost. Mandating use of green building codes would greatly increase costs in a state that is already one of the most expensive places to run a business. The mandate might help reduce greenhouse gases, but only by driving businesses away from our state, not by increasing energy efficiency.

When it comes to energy consumption, New Jersey's policy-makers should recognize that businesses already have an inherent incentive to conserve energy. Market conditions require companies to present themselves as environmentally friendly, and energy costs require them to reduce consumption wherever possible. New Jersey should forgo the regulate-and-mandate approach and seek to take advantage of these market forces by assisting businesses in their energy conservation efforts. 