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At Issue

NJ Global Warming Policy Ignores Impact on Economy

For the past year New Jersey politicians have jumped on the global warming bandwagon. As a result, new greenhouse gas regulations are coming, though no one really knows what they are going to look like. And the state says it will cut its greenhouse gas emissions by at least 20 percent, although no one quite knows how.

Greenhouse gas reduction is a perfect example of a politically hot topic that was promoted without an understanding of the scientific or economic impacts and without recognizing the efforts that private industry is already undertaking. NJBIA supports voluntary green initiatives and is not against measures to curb greenhouse gas emissions, but it's important to do so in a way that does not harm the state's economy by dramatically increasing the cost of energy.

Take the ten-state collaboration known as the Regional Greenhouse Gas Initiative (RGGI), which includes New Jersey. RGGI aims to cap the amount of greenhouse gases an electricity generator emits and then charge them for the right to emit that amount. In a system known as cap-and-trade, generators pay for the right to emit and therefore have an economic incentive to reduce their emissions.

There is a snag, though. It's called leakage—power coming into a RGGI state generated from a non-RGGI state, such as neighboring Pennsylvania. New Jersey receives its electricity through a multi-state power grid that includes large portions of Pennsylvania. Because Pennsylvania is not a RGGI state, it does not have to abide by the costly RGGI regulations, thereby providing cheaper electricity to New Jersey consumers.

It's not simply a matter of restricting electricity from Pennsylvania, either. The fact is, New Jersey cannot provide enough electricity in-state to meet its own demand. Like it or not, we need electricity from other states just to ensure a reliable supply, regardless of the impact on greenhouse gases.

Without it, there's no guarantee that the lights will still come on when you flick the switch.

In another initiative, the Governor recently signed the Global Warming Response Act to reduce New Jersey's overall greenhouse gas emissions by 20 percent in 2020 and in 2050 to 80 percent of 2006 levels. NJBIA was the only group to actively oppose it, and our lobbying effort did produce some results.

But what will the impact of the Global Warming Response Act be? No one knows. The law gives broad authority to the NJ Department of Environmental Protection and Board of Public Utilities to inventory greenhouse gas sources, recommend policies, and require reductions in overall energy consumption. In other words, the law requires cuts in greenhouse gases, but leaves it up to the BPU and the DEP to figure out how to do it.

Meanwhile, the state's own policies do not make the most of incentives to encourage voluntary reductions in greenhouse gas emissions. The Clean Energy Program, the state's main source of energy efficiency funding, continues to pour more money into residential projects than into business projects, even though the latter produce a much bigger reduction in emissions. Last year, BPU budgeted over \$79 million for residential efficiency programs, while only \$39 million was budgeted for commercial and industrial programs. With only half of the funding, commercial and industrial programs achieved reductions in greenhouse gas emissions nearly three-and-a-half times greater than residential programs (67,969 metric tons versus 19,032 metric tons). Still, BPU refuses to put more funding into commercial and industrial programs.

NJBIA understands that greenhouse gas regulations are coming, but they do not have to be a threat to the business community. If done properly, policies that increase efficiency, develop alternative fuels, and encourage greater use of renewable energy can actually have a positive impact on the economy. But we must recognize that our economy and our energy policies need to work hand in hand. Unfortunately, the state is still stuck in its old regulate-and-mandate approach to solving this problem.