



February 15, 2019

NJ Department of Environmental Protection
Air Quality, Energy, And Sustainability
Division of Air Quality

Re: AWEA Comments on CO2 Budget Trading Program Rules N.J.A.C. 7:27C

Submitted via <http://www.nj.gov/dep/rules/comments>

The American Wind Energy Association (“AWEA”) submits these comments in response to the NJ Department of Environmental Protection’s (“EPA”) proposed rule “CO2 Budget Trading Program Rules N.J.A.C. 7:27C.” AWEA strongly supports Governor Murphy’s January 29, 2018 Executive Order committing New Jersey to rejoin the Regional Greenhouse Gas Initiative (RGGI).¹ As discussed below, we encourage the adoption of a cap of 12 to 13 million tons in 2020, rather than the proposed 18 million tons of carbon dioxide; the lower cap level is more consistent with the state’s current trajectory, achievable, and economically reasonable.

From 2009 to 2011, New Jersey’s participation in RGGI produced both economic and environmental benefits for the state, including more than \$150 million in growth and 1,700 job-years added to the state’s economy.² When the previous administration withdrew New Jersey from

¹ Governor Philip D. Murphy, Executive Order No. 7 (Jan. 29, 2018), www.nj.gov/infobank/eo/056murphy/pdf/EO7.pdf (“Executive Order”).

² Analysis Group, *The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States: Review of the Use of RGGI Auction Proceeds from the First Three-Year Compliance Period*, (2011), available at www.analysisgroup.com/uploadedFiles/Content/Insights/Publishing/Economic_Impact_RGGI_Report.pdf.

RGGI in 2012, that decision deprived New Jersey of nearly \$300 million in revenues,³ which could have been invested in clean energy and generating benefits for residents. Rejoining RGGI will help New Jersey get back on track and once again secure the benefits of clean energy.

While AWEA is supportive of RGGI⁴ and New Jersey's efforts to re-enter, we encourage New Jersey to take even a greater leadership role in reducing carbon emissions and investing in a clean energy future by setting an initial carbon emissions budget that is more in line with emissions expected in 2020. The proposed cap of 18 million tons in 2020 is far in excess of what can be done by then. In addition, modeling suggests that if the cap is set at that level it could undermine climate progress not only in New Jersey but throughout the RGGI region.

To identify the appropriate starting point for New Jersey's RGGI emissions cap, the Natural Resources Defense Council engaged in extensive modeling to determine a baseline for New Jersey's power-related carbon emissions in 2020.⁵ The modeling results from this analysis confirm that a New Jersey 2020 emissions cap of 12.6 million short tons of carbon, with cap reductions of 3 percent per year through 2030, is achievable. The modeling also showed that New Jersey's state cap would produce modest RGGI allowance prices in the range of \$3 per ton of carbon across the 2020-2030 decade. These allowance prices are lower than current prices in the RGGI market; therefore, adopting a cap above New Jersey's likely emissions trajectory would

³ Executive Order, *supra* note 1.

⁴ RGGI is complementary to the clean energy policies of states and reduces the compliance cost for renewable portfolio standards and other similar state programs.

⁵ See NRDC, et al., Ensuring New Jersey's Re-Entry into RGGI Includes a 2020 Carbon Cap Level That Maintains the Program's Environmental Integrity (June 5, 2008), available at file:///C:/Users/ggrace/Downloads/Joint%20Comments%20on%20NJ%20and%20RGGI.pdf.

undermine RGGI's benefits and frustrate climate progress in both New Jersey and the wider RGGI region, by creating excess carbon allowances that could result in increases in carbon pollution.

Based on this modeling and analysis,⁶ it appears reasonable and achievable for New Jersey to adopt a state RGGI emissions cap of between 12 and 13 million short tons of carbon in 2020. This cap level is consistent with New Jersey's current power sector emissions path, as well as anticipated emissions reductions under Assembly Bill 3723, which establishes ambitious renewable energy and energy efficiency targets for the state.

New Jersey's emissions cap should also decline by 3 percent per year (relative to the state's 2020 cap level) through 2030, consistent with the post-2020 emissions reduction trajectory recently agreed to by the current nine RGGI states last fall. New Jersey's power plant emissions are already declining, even before the state joins RGGI. According to data from the U.S. Environmental Protection Agency, in 2017, New Jersey's in-state power plant emissions were 18.59 million short tons of carbon.⁷ This reflects a 15 percent year-over-year decline in in-state power sector carbon pollution from 2016.⁸ Carbon emissions are projected to continue to decline in the next few years.

In conclusion, we strongly support New Jersey rejoining RGGI and believe the adoption of a 2020 cap of 12 to 13 million short tons of carbon in New Jersey is consistent with the state's current trajectory, achievable, and economically reasonable.

Sincerely,

⁶ *Id.*

⁷ U.S. EPA, Continuous Emissions Monitoring System (CEMS), ampd.epa.gov/ampd/.

⁸ According to EPA CEMS data, NJ power sector emissions were 21.80 million short tons in 2016. *Id.*

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