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Sides swap hot air over cap-trade effort's end

Businesses say N.J.'s pullout won't lower prices, despite Christie claims

By Evelyn Lee

Backers of the Regional Greenhouse Gas Initiative say the governor is full of hot air in linking New Jersey's high energy costs to the program, and argue RGGI has funded multiple projects that have helped New Jersey companies to lower their energy bills.

But factoring RGGI allowances into pricing increases costs for businesses, said **Sara Bluhm**, vice president of environment, energy and federal affairs at the New Jersey Business and Industry Association. New Jersey's electricity rates in the residential, commercial and industrial sectors are among the highest in the nation, according to the U.S. Energy Information Administration; "as we're trying to remain competitive, it helps to eliminate some of these fees that are a burden," she said.

And RGGI "lacks the teeth to change behavior," said **Todd Hranicka**, vice president of sales and marketing at Vanguard Energy Partners, in Branchburg. The state's support of the renewable energy industry through other programs — like Christie's push to expand solar on landfills — is "an effective and sustainable approach to lower emissions," he said.

But **Scott Needham**, president of Princeton Air, an HVAC contractor based in the Princeton Junction section of West Windsor, said New Jersey's withdrawal "seems a little short-sighted." In the long term, RGGI would likely have put downward pressure on electricity prices by reducing energy demand.
And RGGI doesn't really amount to a business tax, he said, as "I don't see it as a huge burden for my business, and I don't hear my customers talking about a huge burden."

At a press conference late last month, **Chris Christie** said he was pulling the state out of RGGI by the end of the year, saying it "does nothing more than tax electricity, tax our citizens, tax our businesses with no discernable or measurable impact upon our environment."
New Jersey will be the first state to leave RGGI — the cap-and-trade program 10 states launched in 2008 to reduce greenhouse gas emissions. Each participating state caps carbon dioxide emissions from power generators and requires power plants to acquire carbon dioxide allowances equal to their emissions over a three-year control period.

The majority of allowances are auctioned on a quarterly basis, with proceeds invested in energy efficiency, renewable energy, energy bill payment assistance and greenhouse gas-reduction. Generators and other parties that produce carbon emissions include the cost of purchasing allowances in their pricing, according to the state's Board of Public Utilities.
While New Jersey has high electricity rates, "it is not because of RGGI," said a **Matt Elliott**, a clean-energy advocate at Environment New Jersey. "The cost of RGGI has really been overstated," as the state's electricity rates from carbon allowances amount to less than half a percent.

BPU was unable to confirm the percentage increase, but said the average RGGI impact on ratepayers last year was 0.016 cents per kilowatt-hour for the Day Ahead market — where the majority of energy is purchased — and 0.04 cents per kilowatt-hour for the Real Time market, where energy shortfalls and surpluses on traded. But in pulling out of RGGI, "we will be losing a pretty valuable source of funding for the clean-energy economy," in which New Jersey has nationally been a leader, Elliott said. Demand for energy efficiency projects "will probably diminish greatly, due to the incentives that would go away," said Needham, whose firm added 14 employees from 2008 to 2010 because of increased demand for such work.

New Jersey had generated more than $102 million in proceeds from the auction and direct sale of carbon allowances through Dec. 31, according to Regional Greenhouse Gas Initiative Inc., the New York nonprofit that supports the development and implementation of the initiative. Of that, the Economic Development Authority's Clean Energy Solutions Capital Investment Loan/Grant program has received about $36 million, and as of March 31 has closed on more than $12.3 million in CESCI funds to six projects that are expected create 50 new jobs and leverage more than $30 million in private investment, according to the agency.

Awards have ranged from a $670,000 loan to health care equipment manufacturer Hausmann Industries Inc. to purchase a 210-kilowatt solar electric system, to a $5 million loan to Nautilus Solar to install a 3-megawatt solar photovoltaic system for William Paterson University, in Wayne. The authority also has approved $14.8 million in CESCI incentives for four other projects, including a $5 million loan to WM Renewable Energy LLC to build a 2.25-megawatt solar array at a former landfill in Mount Holly.

David Hausmann, CEO of Hausmann Industries said it was difficult to comment on the RGGI pullout, because he didn't fully understand the program. But he said RGGI's impact on electricity costs has not been significant for his business, as he's been able to purchase cheaper power through a third-party provider since 2009, saving $10,000 a year. The CESCI-funded solar system has allowed the firm to cut electricity purchases by about 50 percent, reducing energy costs by an additional $40,000 a year, he said.

According to its website, EDA stopped accepting applications for CESCI in October 2009 "due to the overwhelming demand and the availability of funding for the program." In its place, agency spokeswoman **Erin Gold** said, it's launching similar incentives programs — such as the Edison Innovation Green Growth Fund, which would provide loans with a performance grant component of up to $1 million to renewable energy or energy-efficiency companies.

The agency will allocate remaining RGGI funds to various programs, including loans to clean-energy manufacturers and support for combined heat and power projects.

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