



Dennis Hart, Executive Director

**Re: Comments Regarding 2019 Energy Master Plan – Promoting Energy Efficiency and Affordability
As Prepared for delivery on September 13, 2019 – Stakeholder Written Comment Period**

On behalf of our 100 member companies representing the \$25.5 Billion state industry and 40,000 jobs, the Chemistry Council of New Jersey (CCNJ) submits the following comments on the Draft 2019 Energy Master Plan (EMP).

Our members continue to be concerned with the high cost of energy in New Jersey. In a CCNJ membership survey conducted during the months of June and July of 2018, respondents for the eleventh consecutive year, unanimously ranked energy costs as one of the top issues of concern facing their companies in New Jersey. Energy is a vital component of our industry's cost structure, and higher energy prices can have a substantial impact on both jobs and the bottom line of our member companies. New Jersey's industrial energy rates are still some of the highest in the nation, about 45% above the national average. As large energy users, the state's energy policies are of critical importance to our members.

The Council is on record expressing our support, and sometimes concerns for previous Energy Master Plans. While we applaud the efforts of the Murphy Administration to once again reevaluate the state's energy policies, recent action taken by the administration seems focus heavily on development of new technologies and little on rate-payer impact. It is imperative that affordable and reliable energy be at the forefront as the state proceeds with the development of a new Energy Master Plan. The future of New Jersey's energy policy must adequately address the cost of energy and overall ratepayer impact.

Due to the impact on the cost structure of higher energy prices on our members and the consumers of their products, we support goals aimed to drive down the cost of energy for all customers. While we understand the need to promote a diverse portfolio, it is imperative that we promote clean, in-state generation, reward energy efficiency and energy conservation, and reduce peak demand. However, in order to attain these goals, the state needs to consider all energy generation solutions to maintain and hopefully reduce energy costs, while continuing to work towards the state's environmental goals.

The Council is supportive of these environmental goals and understands that they are in the best interest of all energy consumer. The implementation of cleaner types of energy will lead to significant improvement in energy utilization and ensure that the environment remains protected. Additionally, there is enormous potential to foster this innovation and create economic growth in these new sectors. However, we caution against an approach that could hinder grid reliability, and negatively impact the state's residents and businesses.

Promote Cost-Effective Conservation and Energy Efficiency

CCNJ encourages the promotion of energy efficiency in New Jersey. We are an industry that has been regularly engaged in this practice with much success. In fact, our industry has improved its energy efficiency by more than 50% since 1974. In addition, many of our member companies produce innovative, energy-saving materials for the construction market. Nevertheless, we caution that the state must be mindful to avoid setting standards that cannot be met. Until technology can meet the needs of our efficiency goals, we are limited to the energy efficiency innovation currently available.

When pursuing energy efficiency policies, we urge the state to recognize a diverse set of energy efficiency guidelines and be sure all appropriate standards are available for use within New Jersey. Like with renewables, CCNJ strongly believes that there is no need for the state to promote any one efficiency standard. A sensible approach that authorizes a variety of respected guidelines will allow for the proper balancing of energy efficiency and fiscal responsibility and accountability.

By fostering an equal, competitive playing field, New Jersey can best further policies that encourage energy efficiency. Currently, individual states have primary responsibility for adopting codes that encourage more energy efficient buildings. However, by adopting, implementing and enforcing the latest International Energy Conservation Code and passing laws that automatically adopt updated codes, states can dramatically reduce energy use and realize the economic and environmental benefits.

For this reason, the Council is opposed to allowing utility companies to ascertain control of the state's energy efficiency program. In the past, a utility-controlled program failed to achieve the desired goals and resulted in higher energy bills for ratepayers. If provided the opportunity again, a new utility run program will most certainly continue to cost more to residents and businesses, than if administered through the BPU. Additionally, we believe it would fail to promote uniformity in these programs moving forward, be designed to maximize the utility's profitability, and fail to meet energy efficiency goals of this administration.

Expand In-State Energy Resources

Based on information provided in the 2019 Draft Energy Master Plan, the State would set a goal of 100% clean energy by 2050. This is an ambitious goal, considering New Jersey's clean energy portfolio is nowhere near close to attaining this number. Currently, the state subsidizes Class I and Class II renewables so that they can remain competitive in the marketplace. The Council is concerned that an energy policy that relies heavily on only one type of generation will continue to drive up New Jersey's already high electricity rates. Clean energy, as it is currently structured, will be no different.

The safe expansion of the natural gas pipeline system is needed and supported by the Council. CCNJ members are experiencing a manufacturing renaissance due to the access to cheaper natural gas – making their products competitive in the international market. While we understand the desire to move toward cleaner generation, it is essential to have a cheaper and reliable source of energy to bridge the gap to when clean energy technologies are both as reliable and as cost efficient as natural gas.

We fully support the expansion of New Jersey's natural gas pipeline system, which will help support the chemistry industry's re-growth and the greater population's energy needs. The final Energy Master Plan should demonstrate support for high efficiency natural gas in lieu of oil for both power generation and residential and commercial applications. The chemical industry's ability to create and retain jobs, both in New

Jersey and across the United States, depends on a stable supply and the competitive pricing of natural gas for use as both a power source and feedstock, and we fully support the safe and environmentally sound development of natural gas resources.

As companies announce exciting new investments and expansions and power generators begin a large-scale shift to natural gas, we caution the state to avoid market-distorting incentives and the pursuit of policies that could threaten the reliability of natural gas supplies. The access to vast new supplies of American natural gas from shale deposits is one of the most exciting domestic energy developments in decades, particularly for the business of chemistry. New Jersey stands to benefit if the Energy Master Plan does not impede on the accessibility of this immense supply of natural gas while protecting the environment.

Support the Development of Innovative Energy Technologies

The CCNJ supports energy generation and utilization upgrades that will take advantage of technological advances so that we can more efficiently move electricity throughout the state, which will have a positive impact on New Jersey's high energy costs. In fact, the draft EMP acknowledges that certain proposed policies cannot be implemented given the current technology, including battery storage, new transmission and distribution systems and zero emission vehicles. We support and urge the state to continue monitoring the emerging technologies identified in the EMP.

However, when reviewing any potential incentives, the administration must be careful to ensure that such programs are cost efficient and can produce net benefits for all ratepayers. The chemistry industry is part of the solution, and its presence in New Jersey allows for New Jersey's residents to not only benefit from its innovations, but from employment and economic impact to the state. The industry, through an innovative process called catalysis will help society do more with less; therefore, improving sustainability and our quality of life.

Catalysis is a powerful technology that will play a crucial role in efforts to improve energy efficiency, reduce greenhouse gas emission, feed a growing population, and improve health and living standards. Given its benefits, support for catalysis should be a priority for governments, industry and researchers. Catalysts are added to substances that increase the rate of chemical reactions. Less energy is used per unit of product.

For example, in addition to saving energy with a high energy efficiency washing machine, you can now buy laundry detergents that contain enzymes that let them work in cold water – that's catalysis. For many years New Jersey has benefited from cleaner air by reducing car emissions, this is achieved by catalytic converters in cars. This research is done right here in New Jersey. Catalysis even helps with the production of chemicals, pharmaceuticals, energy, and agriculture. About 90% of chemical processes already use catalysis for efficient production, but there is enormous potential for further energy savings in the chemical industry. We believe it would be important for the EMP to consider policies that promote this technology.

Zero emission vehicles or electric vehicles is another important area of development as we look for ways to become less oil dependent. Many of our member companies are heavily involved in the development and evolution of electric vehicle construction. Additionally, CCNJ members have inquired or considered installing charging stations on their property. However, recent conversations and legislation seems to be geared toward a program that would be completely controlled by the New Jersey's public utility companies.

This type of development model would mean that New Jersey ratepayers will subsidize the development of this new infrastructure. Essentially, ratepayers would be providing utilities with enormous profits from the sale of the electricity at the charging stations they control, while virtually eliminating any risk for the utility as they would be guaranteed a return on their investment through a rate increase. New Jersey ratepayers cannot afford to continue paying inflated rates and certainly not for a program that would pick clear winners and losers in the marketplace. Instead, we need innovative ideas, such as providing a tax credit or other incentive for corporations that install electric vehicle charging stations at their facilities. New Jersey corporations should be encouraged and rewarded to become active participants in this future development, not remanded to sidelines.

CCNJ supports electric vehicles and their continued development, however, we believe the market should promote infrastructure development. In Europe, the automobile manufacturers began the effort to develop charging throughout the region, understanding this would lead to increased sales. We fully understand that utility companies must be part of this growing industry, but they must assume the same market risk as any other company. Additionally, state governments role will also be necessary as we transition into this new market. However, the focus should be to incentivize private investment perhaps using existing monies through funds such as Societal Benefits Charge (SBC), or incentives that would promote the sale of more moderately priced electric vehicles. This could enable most New Jersey residents the opportunity to afford and make an electric vehicle purchase.

Promote Energy Affordability

New Jersey can no longer afford to subsidize its way to energy efficiency or clean renewable energy. The EMP must identify new ways to encourage energy efficiency and develop renewable sources of generation. By updating energy efficiency building codes and supporting combined heat and power at industrial facilities, we can better achieve energy efficient standards. Additionally, simple changes to the New Jersey's renewable energy programs for solar and wind could significantly reduce rate payer cost, as these technologies have become more competitive in the market.

It is important that the Energy Master Plan consider the ultimate cost to consumers – not just environmental costs – but real rates. New Jersey energy rates overall are the 10th highest in the nation, about 27% above the national average. As the state implements more policies, subsidies, and fees to support a carbon neutral future by 2050, the state needs to take into consideration at what cost to those paying the tab.

It has been easy to demand greater efficiencies from industrial and commercial users, and the chemistry industry has certainly done its fair share to reduce its emissions and energy usage, and will continue to do so as innovation advances, but we can't chase out the industries that helped New Jersey become the innovation state. Just as the BPU employs the "positive benefits" standard in merger or "takeover" cases, perhaps a similar standard should be put in place in the EMP to ensure that the ratepayers are not continuing to subsidize programs or energy generation companies for improving efficiencies or reducing energy use with limited benefit.

Conclusion

The Chemistry Council of New Jersey commends the Murphy Administration for once again reviewing the state's Energy Master Plan, however, to meet our state's economic and environmental goals, CCNJ supports a comprehensive energy strategy that promotes and develops all of our own energy resources including conventional and shale natural gas, oil, wind, nuclear, solar, etc., while also promoting energy efficiency and alternative sources, such as energy recovery.

Often, our member companies compete with facilities within their own organization. If the cost of doing business in New Jersey is too high, it would be easy for a company to shift work to another facility. We caution the administration to ensure that realistic goals are advanced that promotes a diversified energy portfolio that will be sensitive to the electricity rates consumers will ultimately pay. The Energy Master Plan must promote the needs of all ratepayers, encourage energy diversity and security, protect the environment and foster innovation and economic growth.

The EMP has the potential to produce initiatives that ultimately reduce electricity rates, stimulate New Jersey economy, and secure New Jersey's energy future. That is why the Council hopes that the final EMP does not again select winners and losers regarding energy generation, and will include language and policies that support fair prices and reliable service, accountability, and consumer protections that will help balance utility needs and ratepayers' concerns about energy pricing and transparency.

Respectfully submitted by the Chemistry Council of New Jersey.

About the Chemistry Council of New Jersey

The Chemistry Council of New Jersey (CCNJ), founded in 1955, is the trade and advocacy organization representing the interests of more than 50 New Jersey manufacturers and 45 firms in the business of chemistry. Our membership consists of large and small companies that are part of New Jersey's chemical, pharmaceutical, consumer packaged goods, petroleum, flavor & fragrances and precious metals industries. The CCNJ is committed to a better quality of life through science.