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**Submitted Electronically**

New Jersey Board of Public Utilities  
Re: 2019 Draft Energy Master Plan Comments

Phillips 66 Company appreciates the opportunity to submit comments on New Jersey's Draft Energy Master Plan.

Phillips 66 Company is a diversified energy manufacturing and logistics company with businesses in Refining, Midstream, Chemicals, and Marketing & Specialties.

The Phillips 66 Bayway Refinery is located in Linden, New Jersey. The refinery supports 1100 direct jobs, and contributes \$30+ million annually in state taxes. The refinery is the largest in the Northeast, and supplies over half of New Jersey's gasoline demand. The refinery converts crude oil into transportation fuels, home heating oil, and marine fuels. We also produce plastic pellets that are used to produce everyday items such as bottles, food containers, medical devices, baby diapers, and many more.

At Phillips 66, we are well-positioned to help fulfill global energy needs. We provide energy that improves lives and meets the world's growing needs. Affordable, reliable and abundant energy is essential to sustaining human health and wellbeing while simultaneously improving the global standard of living.

At the same time, climate change is a global issue that requires long-term commitment, action by every segment of society, technology development and free-market solutions. Phillips 66 recognizes the climate challenge and is making investments that advance a lower carbon future. Even with advances in energy efficiency and increased availability of non-fossil fuel sources of energy, fossil fuels will continue to be a significant portion of the future energy mix.

We embrace actions which improve energy efficiency. Phillips 66 supports advancements in a lower carbon economy through investments in efficiency and lower carbon fuels. We produce high quality premium coke which is a component in batteries for electric vehicles and electronic devices, produce synthetic lubricants which improve engine efficiency, blend renewable fuels, and produce diesel made from renewable sources. We also research other cutting-edge technologies, such as solid oxide fuel cells and organic photovoltaic panels which will provide clean power for homes and businesses in the future.

## General Comments

We applaud the state's efforts to take steps to reduce energy consumption and work towards a lower carbon future. We are concerned that the recently issued Draft 2019 New Jersey Energy Master Plan (EMP) is overly ambitious in its strategies and goals, and that technologies may not materialize quickly enough to meet the plan's goals.

Additionally, the draft EMP does not yet contain specific design elements, goals, and dates. As a result, providing detailed comments is difficult. The work of the New Jersey Board of Public Utilities (NJBPU) in their development of an Integrated Energy Plan study that will model scenarios reflecting the draft EMP's strategies will be critical in identifying strategic and least-cost pathways. Prioritization of the array of potential goals and strategies will be critical to success, and must consider impact, timing, cost, resources, and ease of implementation. These critical details are important for all stakeholders to understand and review.

We respectfully request an opportunity for public comment when these crucial elements are finalized and incorporated into the EMP. This will support Governor Murphy's vision for a "Stronger and Fairer" New Jersey, ensure transparency, and provide an opportunity for informed stakeholder comment.

Phillips 66 looks forward to working with policy makers as the plan is further developed.

Our comments are based on the available details included in the draft EMP. The following observations are noted:

- We support efforts to increase New Jersey's overall energy efficiency through awareness, strengthening building codes and identifying solutions for new construction
- Efforts to reduce traffic congestion and idling reduces overall emissions and is net positive for the environment
- Several of the goals rely on technologies that are not yet mature, or may need to be developed. This creates significant uncertainty in meeting the plan's targets.
- For many goals, the State might consider adopting intermediate goals that capture realistic near term reductions rather than setting overly ambitious goals that may increase costs and rely on technology that is not yet available
- The plan highlights the use of incentives to advance policy objectives. If the cost of these incentives are folded into utility rates, all residents of New Jersey will be forced to shoulder increased electricity costs, including those that cannot take advantage of EVs due to economic and geographic constraints. The nature and funding mechanisms of the incentives, the cost to ratepayers, and the countervailing impacts of providing these incentives, should be made transparent.

Additional comments on specific strategies outlined in the EMP are included below:

### **Strategy #1: Reduce Energy Consumption and Emissions from the Transportation Sector**

The strategies for reducing greenhouse gas emissions from the transportation sector appear to focus on a transition to electric vehicles exclusively. We recommend acknowledging the benefits that can be gained from efficiency improvements in existing conventional power trains, and the use of lower-carbon liquid fuels.

- We are engaged with the Transportation and Climate Initiative (TCI), which is a regional collaboration of 13 Northeast and Mid-Atlantic jurisdictions that seeks to develop the clean energy economy, improve transportation, and reduce carbon emissions in the transportation sector. We recommend avoiding complicated overlaps that could occur by implementing additional state programs.
- The goal of having 330,000 EVs on the road by 2025 is extremely ambitious and reflects a 10-fold increase from 2018 actuals. Effective targets should be more realistic, cost-effective, and driven by free-market mechanisms.
- The role of lower-carbon liquid fuels should not be discounted. As the draft EMP recognizes that certain transportation segments will be difficult to electrify, liquid fuels will be an important part of the motor fuel mix going forward.
- While the draft EMP focuses on plug-in electric vehicles, conventional hybrid vehicles should be a key part of the transition and should be included in consumer awareness programs.
- Any incentives/rebates associated with charging infrastructure and vehicles should protect against a tendency to become a de facto regressive tax.
- Utilities should have a limited role in building out EV charging infrastructure. This should be addressed through free-market mechanisms and competitive suppliers, not by regulated monopolies.
- The draft EMP recognizes the challenge created by reduced motor fuels tax revenue, but lacks a strategy to address this very serious issue.

## **Strategy #2: Accelerate Deployment of Renewable Energy and Distributed Energy Resources**

100% clean power targets and strategies must be grounded in feasibility and consider the full cost of integrating renewables. The technology needed to achieve 100% clean power, and the associated costs, should be highlighted as highly uncertain. Cost implications to taxpayers and ratepayers should be identified and transparent. We support the plan's consideration of least-cost options.

- Any analysis of the cost of renewables should incorporate the full costs to integrate the renewables into the grid, including transmission and distribution costs.
- Adequate oversight, transparency, and accountability for all functions managed through regulated monopoly utilities is necessary to protect ratepayers from unnecessary or inefficient spending.
- State RPS programs should apply only to retail power providers.
- Reliability of the electric grid should not be compromised. The short and long term implications of increasing the share of electricity from renewable sources should be well understood.

## **Strategy #3: Maximize Energy Efficiency and Conservation and Reduce Peak Demand**

Utility-run energy efficiency programs must be effectual, cost-effective, and avoid shifting costs across customer classes.

- The types of projects that provide large industrial users with the greatest energy efficiency value (BTU/\$) are different than those for other customer classes.
- We support self-directed programs for large industrial customers that allow for improved utilization of capital resources and more efficient reduction of greenhouse gas emissions.
- We support a mechanism to opt out of tariff-based surcharges to fund programs that are geared towards other non-industrial customer classes. Fundamental cost causation principals should apply.

Phillips 66 Company appreciates this opportunity to comment, and looks forward to additional opportunities to engage in the EMP stakeholder process.

Sincerely,

A handwritten signature in cursive script that reads "Michael A. Bukowski".

Michael A. Bukowski