

# What New Jersey's RGGI Withdrawal Really Means

*Many have criticized New Jersey's decision to exit RGGI. However, the state maintains it is doing the right thing.*

BY KIMBERLY E. DIAMOND

In May, Gov. Chris Christie, R-N.J., announced that his state would be withdrawing from the Regional Greenhouse Gas Initiative (RGGI), a greenhouse gas (GHG) emissions reduction program, by the end of the year. This resulted in substantial backlash from New Jersey's state legislature, governors of several RGGI member states and others.

New Jersey, Delaware, Maryland, New York and all six New England states participate in RGGI, and New Jersey has been a member since 2005.

Although the governor's decision to exit the program sparked outrage, when analyzed further, Christie's motivations for the withdrawal appear reasonable when factors such as managing state economics, meeting constituents' future energy demands and supporting in-state renewable energy development are considered in conjunction with meeting environmental objectives.

To reach the goal of reducing GHG emissions on a regional level, power generators in RGGI member states must purchase an allowance for each ton of carbon they emit. Each RGGI member state sets its own emissions limit in proportion to its share of the aggregate regional emissions cap, issues allowances in a number equivalent to its portion of such a cap and determines how to implement RGGI within its borders.

Other indirect RGGI goals include power generators' reducing their GHG emissions by implementing improved technologies, investing in wind and solar power to generate additional allowances, and purchasing additional allowances to cover emissions that exceeded the applicable cap. During the first 12 RGGI auctions, electric generators or their affiliates purchased 85% of all allowances sold.

The hope was that restricting the number of available allowances would result in emission reductions. Due to the economic downturn, market forces and new supplies of natural gas, allowance prices dropped. Because allowances were priced low, the plan for paying more to pollute more was not as successful as RGGI members had hoped it would be.

## **A mistake?**

Many believe New Jersey's withdrawal from RGGI is a mistake. The New Jersey Senate Environment and Energy Committee passed bills S-2946 and SCR-164, declaring the withdrawal inconsistent with legislative intent under New Jersey's Global Warming Response Act, which implemented the state's RGGI law.

Governors from other RGGI member states, such as Gov. Martin O'Malley, D-Md.; Gov. Peter Shumlin, D-Vt.; and Gov. Dannel Malloy, D-

Conn., have also condemned Christie's actions. Malloy, for instance, said Christie's decision "reflects the kind of policy-making that must change if we are to move forward as a nation, take control of our energy future and lead the way toward energy independence."

Environmentalists fear that the withdrawal discourages continued emissions reductions and undermines New Jersey's leadership in advocating renewable energy initiatives. A report titled "Statewide Greenhouse Gas Emissions Inventory for 2008," which was issued by the New Jersey Department of Environmental Protection (NJDEP) in May, indicates that during 2008, New Jersey reduced its 2007 annual emissions from 135.9 million metric tons of carbon dioxide equivalent emissions (MMT<sub>CO<sub>2</sub>E</sub>) to 124.9 MMT<sub>CO<sub>2</sub>E</sub> in 2008. This is a decrease of 11 MMT<sub>CO<sub>2</sub>E</sub>, of which 5.6 MMT<sub>CO<sub>2</sub>E</sub> is directly attributed to electricity generation sector emissions reductions. Environmentalists argue that such reductions occurred due to RGGI compliance.

On the same day as the report's release, Christie publicly stated that RGGI is ineffective in reducing GHGs, does not cause allowance prices to be expensive enough to change behavior, has not resulted in decisions to choose lower carbon fuels or more efficient production technologies, and is es-

essentially a tax on businesses and citizens, with no measurable impact on the environment. Responding to the report's findings, Christie attributed New Jersey's reduced GHG emissions to factors other than RGGI participation, such as the state's increased use of natural gas and decreased use of coal.

### **Other factors**

Indeed, other economically driven reasons may have prompted Christie's withdrawal from RGGI. Joining RGGI is not mandatory, and member states must remain economically competitive relative to adjacent non-member states.

Non-member states have a competitive economic advantage because emissions restrictions are only imposed on RGGI member states. New Jersey's neighbor Pennsylvania is not a member of RGGI, so coal plants in the commonwealth do not have GHG emissions caps. However, under RGGI, New Jersey coal plants must comply with such caps. According to Christie, this situation sets up New Jersey's "clean" coal plants to close, while allowing dirtier Pennsylvania coal plants to thrive.

New Jersey passed a law limiting emissions in 2004 – prior to joining RGGI. In 2010, the state's two biggest coal plants started taking steps to install state-of-the-art pollution controls that, when installed, will make them the "cleanest" coal plants in the country.

However, New Jersey is downwind from Pennsylvania power plants that are unregulated for GHG emissions. According to the NJDEP, the Portland

Generating Station in Mount Bethel, Pa., a coal-fired power plant located across the Delaware River from New Jersey, accounts for more mercury emissions than all of New Jersey's power plants combined.

On March 31, the U.S. Environmental Protection Agency granted the NJDEP's petition to prevent the Portland Generating Station from regularly exceeding federal clean air standards by limiting its sulfur dioxide (a GHG) emissions, ordering the plant to reduce such emissions by 81% over three years.

Although New Jersey is pulling out of RGGI, the Christie administration has introduced new plans to reduce statewide carbon emissions, such as the state's 2011 Draft Energy Master Plan (EMP), which focuses on coal plants and offshore wind development.

According to the EMP, the administration remains committed to establishing the Garden State as a leading example in furthering environmental objectives. The administration realizes that reducing energy costs, increasing employment and enhancing environmental objectives are often competing goals, and that informed decisions and trade-offs must be made to balance these objectives.

### **Christie commits to offshore wind**

The EMP also affirms the administration's continued commitment to offshore wind, an energy source that does not emit carbon dioxide during energy production, thereby satisfying RGGI's objective of reducing GHG emissions.

According to the administration,

expanding New Jersey's "homegrown" offshore wind energy resources provides a hedge against future fossil-fuel costs and has the potential to launch a manufacturing and support industry, resulting in job creation and economic stimulation.

In 2010, Christie enacted New Jersey's Offshore Wind Economic Development Act (OWEDA), which encourages the development of offshore wind generation from qualified offshore wind projects on the Atlantic Ocean's Outer Continental Shelf, as well as offers tax credits and other financial incentives to manufacturers to stimulate such development.

OWEDA is the only U.S. law that creates an offshore wind renewable energy credit program to support proposed offshore wind projects. As a result, 11 offshore wind developers recently expressed interest in entering into federal offshore leases in New Jersey's coastal waters.

New Jersey's withdrawal from RGGI should be viewed as an attempt to balance competing energy policy and environmental interests, particularly in light of satisfying state economic objectives. **SNP**

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*Kimberly E. Diamond is counsel in the investment management group at Lowenstein Sandler and is based in the firm's New York office. She can be reached at (646) 414-6980 or [kdiamond@lowenstein.com](mailto:kdiamond@lowenstein.com). The views expressed in this article are the author's and do not necessarily represent those of Lowenstein Sandler.*