

**United States House of Representatives
Committee on Energy and Commerce**

**Subcommittee on Energy and Air Quality Hearing
Climate Change: State and Local Perspectives
March 15, 2007**

**Testimony of
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Thank you Mr. Chairman and members of the committee for inviting me to testify. I want to commend all the committee members on both sides of the aisle for holding this hearing and taking the steps necessary to begin tackling the issue of climate change. Now is the time to initiate the steps necessary to preserve our planet for our children and grandchildren by adopting aggressive requirements for the reduction of greenhouse gas emissions.

New Jersey is especially vulnerable to the environmental, economic, and public safety effects of climate change, including the effect of sea level rise on the State's densely developed coastline from increased incidence and severity of flooding and storms. Likewise, my State's economy is especially vulnerable to the effects of climate change with our active ports, a vibrant agricultural sector and a significant coastal-based tourism industry.

In response to this challenge, Governor Corzine recently issued an Executive Order that sets statewide targets for stabilizing New Jersey's greenhouse gas emissions at 1990 levels by 2020. Furthermore, his order looks long term by setting a target for the State to reduce greenhouse gas emissions to 80% below 2006 levels by 2050.

To reach this goal, the Governor has directed various state agencies, in consultation with stakeholders, to evaluate methods to meet and exceed the 2020 target reductions. Within the next six months, I will make specific recommendations to meet the targets while taking into account the economic benefits and costs of implementing these recommendations. This evaluation will be done in conjunction with the state's Energy Master Plan, which the Governor has directed to be completed by this October, that incorporates the 2020 greenhouse gas reduction target.

Under Governor Corzine's Executive Order, my agency will report progress towards the reduction targets every two years and will recommend additional actions that may be necessary to reach the targets.

The Governor also directed the Director of Energy Savings in the Department of the Treasury to develop targets and implementation strategies for reducing energy use by state facilities and vehicle fleets.

New Jersey is not the only state that has recognized not only the essential need to reduce greenhouse gas emissions but also the economic opportunities that are presented by this effort. Unfortunately, thus far the states have had to go it alone. It was only just recently that, despite years of mounting scientific evidence, the Administration grudgingly acknowledged that climate change was real and that human activity played a significant role.

In the vacuum of federal leadership in addressing climate change, the Regional Greenhouse Gas Initiative – or RGGI – was formed. RGGI, a cooperative effort of the Northeastern and Mid-Atlantic states of New Jersey, Maine, Vermont, New Hampshire, New York, Massachusetts, Connecticut, Rhode Island, Delaware and Maryland is leading the charge on working to reduce carbon dioxide emissions from the electric power sector.

I note that a number of the RGGI states are represented on this subcommittee. I would like to thank each and every one of you for the hard work your States are putting forward in this important effort.

Each day, additional states make commitments to fight the battle against global warming, in large part because of the lack of leadership at the federal level. California, Arizona, New Mexico, Washington, and Illinois have all set aggressive greenhouse gas emissions reduction targets for their states. Governors of five western states have formed the Western Regional Climate Action Initiative.

I invite those of you who represent states that have not yet joined us in these initiatives to step forward.

To address this important environmental issue, the RGGI participating states are developing a regional strategy for controlling emissions of greenhouse gases, which are not bound by state or national borders. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. This is the first-ever cap-and-trade program addressing CO₂ in the United States. The proposed program will require electric power generators in participating states to reduce carbon dioxide emissions.

As a member of RGGI, New Jersey will adopt rules to implement our portion of the regional cap-and-trade program to address carbon dioxide pollution from power plants that generate electricity in New Jersey. RGGI will cap regional power sector CO₂ emissions in ten Northeast and Mid-Atlantic states at approximately current levels through 2014 and reduce emissions to 10% below this level by 2019, a reduction of 16% relative to projected 2020 business-as-usual emissions.

We also intend to auction up to 100% of New Jersey's CO₂ allowances under RGGI to support consumer benefits. Revenue from the auction of allowances will be used to provide support for energy efficiency and clean energy technologies that will reduce the cost of meeting the RGGI CO₂ cap, in turn reducing the impact to electricity ratepayers. We are presently working with the New Jersey Legislature to dedicate up to 100% of these funds to promote energy efficiency, renewable energy, and other projects that benefit electricity users.

My main purpose today has been to provide you with information on the direction New Jersey, both solely and in concert with other states, is moving to do its part to reduce greenhouse gas emissions. However, I would be remiss if I did not take this opportunity to strongly urge the Congress to also do its part in developing a strong federal initiative.

While states are currently taking the lead, we need federal action to set minimum requirements that allow businesses to make long-term capital planning decisions. State and regional efforts will provide many useful lessons to inform the design of federal legislation. However, absent unifying federal policy that sets minimum requirements, multiple state efforts will create an environment of uncertainty for business.

Perhaps the most crippling barrier we face is the false idea that we cannot reduce greenhouse gas emissions without hurting the economy. This has been a constant mantra of the current administration in Washington, but this is patently false. If nothing else, you can rest assured that Governor Corzine, as a former CEO, is not going to pursue a path that would decrease our economic competitiveness. On the contrary, the goals and the long-term vision laid out in his Executive Order will provide the foundation for sustainable economic growth, putting New Jersey in a stronger economic position in the future.

While climate change presents acute risks for New Jersey, addressing this challenge also provides great opportunity. Reducing greenhouse gas emissions will support New Jersey's economic growth strategy by creating economic drivers that build markets for energy efficiency and clean energy technologies, and spur technical innovation and job growth.

Moving aggressively now to reduce greenhouse gas emissions will also place New Jersey's economy at a competitive advantage in responding to the requirements of an anticipated federal program to reduce greenhouse gas emissions.

Today I ask you to redouble your efforts to pass meaningful federal climate change legislation. The long-term wellbeing of New Jersey – and of every state in the union – ultimately depends on a strong federal program to reduce greenhouse gas emissions, as well as a reengagement by the federal government in international negotiations to further develop a global response to climate change. It is imperative for Congress to act, but it is also imperative for Congress to act to create meaningful, not symbolic, federal laws. Weak or marginal federal laws will only turn back the progress states have made.

I have attached a list of principles for federal action on climate change that draws from the approach Governor Corzine's administration has taken to designing emissions reduction policies and measures, both at the State level and through regional efforts, such as the Regional Greenhouse Gas Initiative.

I hope that you will find these principles useful as you consider the multitude of federal climate change bills that have recently been introduced.

At a minimum, federal climate change legislation should establish strong science-based emissions reduction limits. An emissions reduction on the order of 80% relative to current levels by 2050 will likely be needed to avoid dangerous interference with the climate system.

Federal legislation should also acknowledge that a portfolio approach is required, and that implementing a federal cap-and-trade program alone would be ill advised and insufficient. State climate change action plans have evaluated a multitude of policy measures for reducing greenhouse gas emissions. This portfolio approach should inform the development of federal legislation.

Additionally, more emphasis needs to be placed on energy efficiency initiatives, such as new appliance standards and enhanced building codes. I urge you to increase the Corporate Average Fuel Economy ("CAFE") standards. In New Jersey, nearly 50% of our carbon dioxide emissions are from the transportation sector. Increased fuel mileage standards at the federal level will greatly assist in our efforts to meet our climate change goals.

States' actions are the foundation for future federal programs and, as such, the federal government needs to recognize the critical resources states bring to bear on this issue. Federal monies need to be made available now to states that are leading in the development of policies on this issue, acknowledging the critical role that those states' planning and actions have on development of federal programs.

Federal legislation should acknowledge an ongoing role for states in the design and implementation of a federal emissions reduction program. Congress can learn a great deal by reviewing the work already done at the state level to evaluate and develop greenhouse gas emissions reduction policies. It should be noted that the states – and New Jersey in particular – have often been where new federal legislative initiatives to protect the public have started. Superfund, Right-to-Know, wetlands protection are all examples of where leadership at the state level has eventually led to strong federal protections. Climate change will be yet another example where the federal government has learned valuable lessons from state experiences. I urge you to closely monitor the work of the states, in particular RGGI, which is the only effort in the U.S. to date to actually articulate the detailed design of a CO₂ cap-and-trade program for the power sector.

Finally, I want to underline that the states are currently the leaders in addressing climate change, and will likely continue to push the envelope after federal legislation is enacted. Federal legislation should facilitate the role of the states as policy innovators by explicitly preventing federal preemption of state programs that go beyond federal minimum requirements, as well as preventing preemption of state programs outside the scope of federal initiatives.

New Jersey is a great example of this innovation. While the targets Governor Corzine has set for New Jersey are aggressive, we believe they can be met, and we intend to meet them by building on actions already underway to reduce greenhouse gas emissions.

Thank you for this opportunity to testify on this important issue. I am available to answer any questions you may have.

ATTACHMENT

Principles for Effective, Scientifically Sound Federal Climate Change Legislation

Emissions Reduction Requirement

- Incorporate a science-based, long-term emissions reduction requirement with a goal of avoiding dangerous anthropogenic interference with the climate system. Based on current state of the science, legislation should stabilize and begin to reduce greenhouse gas emissions within the next ten years, and achieve emissions reduction of 80% relative to current levels by 2050.
- Legislation should institutionalize a periodic review of climate science and allow for a revision of emissions reduction requirements based on the current state of the science.

Policy Approach

- Pursue a portfolio approach to reducing emissions, acknowledging that a cap-and-trade program may be appropriate for some sectors (e.g., large stationary sources), but that other policies may be more appropriate for addressing emissions from other sectors. States have a unique capacity to implement a portfolio of policies and measures that address energy production, energy efficiency, transportation, waste management, agriculture, and other economic sectors.

Design Process

- Learn from and build upon the policy work already completed or underway at the state level when crafting federal emission reductions programs (e.g., RGGI, California AB 32, state climate action planning processes).

Implementation Process (Role for States)

- Institutionalize a role for states in designing and implementing statutorily mandated federal emissions reduction regulations under the auspices of a federal portfolio approach. This would provide a role for states to help articulate the details of federal emissions reduction programs, building upon the analyses being done by leadership states through their climate action planning processes and regional emissions reduction programs such as RGGI.
- Explicitly prevent federal preemption of state programs that go beyond federal minimum requirements, as well as preemption of state programs outside the scope of federal initiatives.

Cap-and-Trade Program Design

- Avoid the use of safety valves or price caps.
- Allocate allowances in a manner that maximizes consumer benefits and market transformation impacts. In the electric power sector, allowances should be auctioned,

in recognition that large portions of the U.S. have instituted competitive wholesale electricity markets. The monies from the auctions should be used for measures that both reduce our carbon footprint and enhance our competitiveness, such as energy efficiency projects.

- Signal that new conventional coal-fired power plants constructed from this day forward will not be grandfathered under a federal cap-and-trade system, and will need to purchase allowances on the open market.
- Limit the use of emissions offsets, to ensure that a majority of emissions reductions are achieved from the capped sector or sectors. Emissions offsets should be incorporated as a flexibility mechanism that is designed to be supplemental to on-system emissions reductions.
- Design robust requirements to ensure that emissions offsets are of high quality and represent incremental emissions reductions beyond business-as-usual reductions. Should include strong additionality criteria to avoid crediting of “anyway tons” and provide a reasonable assurance that the cap-and-trade program is what is actually driving emission reductions achieved through offsets. Quantification and verification protocols should be rigorous and detailed, and apply conservative assumptions when appropriate.