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**Re: CCNJ Comments Regarding New Jersey 2019 Energy Master Plan – Reducing Energy Consumption
*As prepared for delivery on September 14, 2018 – Stakeholder Meeting***

Dear President and Commissioners:

On behalf of the 100 member companies of the Chemistry Council of New Jersey (CCNJ), representing a \$25.5 billion state industry that provides more than 44,000 high-paying jobs, I submit the following comments on the New Jersey 2019 Energy Master Plan (EMP).

In a Chemistry Council of New Jersey (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. One can understand why, since New Jersey's industrial energy rates are the 8th highest in the nation, 45% above the national average. For some energy-intensive products, energy for both fuel and power needs and feedstocks account for up to 85% of total production costs. Because energy is a vital component of the industry's cost structure, higher energy prices can have a substantial impact on jobs and the bottom line.

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. We applaud the efforts of this administration to once again reevaluate the state's energy policies, but we caution the administration to ensure that realistic goals are advanced that promote a diversified energy portfolio sensitive to the electricity rates consumers will ultimately pay. The state needs to consider all energy generation solutions to help bring down energy costs, while meeting the state's environmental goals.

Energy is a vital component of the industry's cost structure and higher energy prices can have a substantial impact on our members and the consumers of their products. As such, we support goals to drive down the cost of energy for all customers, to promote a diverse portfolio of new, clean, in-state generation and to reward energy efficiency and energy conservation and reduce peak demand. The Council believes that these goals are in the best interests of all energy consumers, as their implementation will lead to significant improvement in energy utilization throughout the state, ensure that the environment remains protected, and foster innovation and economic growth.

Promote Cost-Effective Conservation and Energy Efficiency

The 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. As well, 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. More aggressive measures may lead to the further erosion of New Jersey's manufacturing job base.

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 renewables, CCNJ strongly believes that there is no need for the state to promote one particular 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.

In the United States, individual states have primary responsibility for adopting codes that encourage more energy efficient buildings. 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.

Expand In-State Energy Resources

An energy policy that relies on only one source of generation will continue to drive up New Jersey's already high electricity rates, and it is why the CCNJ fully supports a diversified energy portfolio. 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. We encourage the BPU and the administration to 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 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. Nevertheless, 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 promotes the continued accessibility of this immense supply of natural gas while protecting the environment.

Support the Development of Innovative Energy Technologies and Processes

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. 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 innovation, 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 by 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.

Conclusion - Affordability

New Jersey can't afford to subsidize its way to energy efficiency, but must identify new ways to encourage energy efficiency by updating energy efficiency building codes, and supporting combined heat and power at industrial facilities.

The Energy Master Plan must promote the needs of ratepayers of all size, encourage energy diversity and security, protect the environment and foster innovation and economic growth. The EMP has the potential to produce initiatives that can ultimately reduce electricity rates, revitalize New Jersey's economy, and secure New Jersey's energy future. We look forward to continuing to work with the administration to help share, shape, and implement policies that will reduce our energy rates while protecting the environment.

It is important that the Energy Master Plan take into consideration the ultimate cost to consumers – not just environmental costs – but real rates. New Jersey energy rates 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 the real cost to ratepayers. 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 left to subsidize programs or energy generation companies for improving efficiencies or reducing energy use with limited benefit. Lower energy prices are not a problem for residential, commercial or industrial customers.

| | ALL SECTORS | INDUSTRIAL | COMMERCIAL | RESIDENTIAL |
|---|------------------|-----------------------|------------------|------------------|
| Rank Among States | 10 th | 8th | 10 th | 12 th |
| NJ Price (cents per kilowatt-hour) | 13.72 | 10.45 | 12.80 | 15.64 |
| US Average (cents per kilowatt-hour) | 10.78 | 7.18 | 10.82 | 13.02 |
| % Above Nat'l Average | 27% | 45% | 18% | 20% |

Source: http://www.eia.doe.gov/state/state_energy_profiles.cfm?sid=NJ (Monthly Data Collected June 2018)

The business of chemistry uses a lot of energy to make products that help us save energy. The business of chemistry transforms hundreds of millions of tons of natural raw materials from earth, water, and air into valuable products that enable safer and healthier lifestyles. Chemistry unlocks nature’s potential, improving the quality of life for a growing and prospering world population by creating materials used in a multitude of consumer, industrial and construction applications. The transformation of simple compounds into valuable and useful materials requires large amounts of energy. The business of chemistry needs access to safe, cheap, and reliable sources of energy to make the products that will help society achieve its sustainability goals.

The Chemistry Council of New Jersey commends the Murphy Administration for once again reviewing the state’s Energy Master Plan, and how it can achieve the ambitious goal of establishing a state-wide, 100 percent conversion by 2050; 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. It 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, Dennis Hart, Executive Director

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.