

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4701
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: JUNE 1, 2017

SUMMARY

- Synopsis:** Requires State’s full participation in Regional Greenhouse Gas Initiative.
- Type of Impact:** Annual offsetting revenue and expenditure increases to the Global Warming Solutions Fund.
- Agencies Affected:** Board of Public Utilities, Department of Environmental Protection, and Economic Development Authority.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Revenue Increase	\$36,000,000
State Expenditure Increase	\$36,000,000

- The Office of Legislative Services (OLS) estimates that the bill would produce annual offsetting State revenue and expenditure increases of approximately \$36.0 million related to the sale of emission allowances under the Regional Greenhouse Gas Initiative (RGGI); however, annual revenue collections can be expected to vary greatly, depending on fluctuations in market conditions.
- When the State formerly participated in RGGI it collected \$113.3 million in total proceeds from RGGI auctions held between December 2008 and December 2011. By extrapolating from New Jersey’s collections from the early RGGI auctions and calendar year 2016 auction results for participating RGGI states, the OLS estimates that if New Jersey had participated in RGGI in calendar year 2016 it would have collected approximately \$36.0 million. It should be noted that this estimate is based on 2016 market conditions.

BILL DESCRIPTION

Assembly Bill No. 4701 of 2017 requires the State’s full participation in RGGI. P.L.2007, c.340 previously authorized New Jersey’s participation in RGGI. The State initially joined the initiative but withdrew therefrom effective at the end of calendar year 2011.

P.L.2007, c.340, commonly referred to as the RGGI implementing law, was enacted to further the purposes of the “Global Warming Response Act” (GWRA), P.L.2007,

c.112 (C.26:2C-37 et al.). The RGGI implementing law partially implements the policies of the GWRA by creating an emissions auction and trading mechanism to reduce the level of greenhouse gas emissions, especially carbon dioxide (CO₂). P.L.2007, c.340 recognizes the State's participation in RGGI by setting forth the parameters to be followed for allowance auctions; creating the special, non-lapsing Global Warming Solutions Fund; and statutorily dedicating all the proceeds received from the sale of allowances through a greenhouse gas emissions allowance trading program to the fund.

P.L.2007, c.340 also directs the Economic Development Authority (EDA) to use 60 percent of fund receipts to provide financial assistance to commercial, institutional, and industrial entities to support energy efficiency projects, combined heat and power production facilities, and new efficient electric generation facilities. The Board of Public Utilities (BPU) is to use another 20 percent of the proceeds to support programs reducing the electricity demand or costs of low- and moderate-income residential ratepayers primarily in urban areas. The Department of Environmental Protection (DEP) is to use the remaining 20 percent to manage the State's forests and tidal marshes and to support local government initiatives designed to lower greenhouse gas emissions.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill would produce annual offsetting State revenue and expenditure increases of approximately \$36.0 million related to the sale of emission allowances under RGGI; however, annual revenue collections can be expected to vary greatly, depending on fluctuations in market conditions.

When the State formerly participated in RGGI it collected \$113.3 million in total proceeds from RGGI auctions held between December 2008 and December 2011. By extrapolating from New Jersey's collections from the early RGGI auctions and calendar year 2016 auction results for participating RGGI states, the OLS estimates that if New Jersey had participated in RGGI in calendar year 2016 it would have collected approximately \$36.0 million. It should be noted that this estimate is based on 2016 market conditions. The supply, demand, and resulting auction prices of emission allowances, however, fluctuate. For example, the OLS notes that allowance clearing prices in the four auctions held during 2016 were \$5.25, \$4.53, \$4.54, and \$3.55 per ton. The OLS also notes that CO₂ allowances are issued by each RGGI state and, together, all the CO₂ allowances issued by all the RGGI states comprise the RGGI cap. The RGGI cap and the CO₂ allowances issued by each state are adjusted yearly.

The OLS estimates that the bill would result in the annual expenditure of \$36.0 million in anticipated Global Warming Solutions Fund balances. P.L.2007, c.340 requires the deposit of emission allowance auction proceeds in the Global Warming Solutions Fund. The law also requires the expenditure of fund balances for certain environmental purposes. The EDA is to use 60 percent of fund receipts to provide financial assistance to commercial, institutional, and industrial entities to support energy efficiency projects, combined heat and power production facilities, and new efficient electric generation facilities. The BPU is to use another 20 percent of the proceeds to support programs reducing the electricity demand or costs of low- and

moderate-income residential ratepayers primarily in urban areas. The DEP is to use the remaining 20 percent to manage the State's forests and tidal marshes and to support local government initiatives designed to lower greenhouse gas emissions. A total not exceeding eight percent of collections may be used by the EDA, BPU, and DEP combined to pay for administrative expenses related to P.L.2007, c.340.

Section: Environment, Agriculture, Energy and Natural Resources

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).