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From: Smita B Brunnermeier (smita@Princeton.EDU)  
[mailto:smita@Princeton.EDU]  
Sent: Wednesday, May 21, 2008 5:16 PM  
To: Haun, Chris  
Subject: Re: NJ Energy Master Plan Call Summary

Dear Chris:

Thank you for giving us the chance to review the Energy Master plan, and provide feedback and apologies for the delay in writing back. I was in Paris attending an International Energy Agency workshop on the "EU-ETS and Carbon Leakage". Given the coincidental timing of NJ's advisory panel meeting and IEA's expert meeting, I couldn't help but be struck by the difference in tone of the two meetings. The Europeans are very concerned about the effect of costly carbon constraints on local jobs and industry competitiveness, and the leakage of GHG emissions to unregulated nations. In contrast, your report seems to assume that compliance costs are very low, or possibly negative (so regulations is not going to hurt or may even help NJ's competitiveness). Both policies are based on ex-ante models. The bottom line to me is to make sure everyone does thorough sensitivity analyses to predict a range of scenarios, and then see which underlying parameter assumptions and associated outcomes seem most plausible.

I have no bias against the optimistic energy efficiency and low cost scenarios used in your report (nor do I have the engineering skills to judge which cost estimates are most accurate). But I do hope there is a contingency plan in place (that is, the commitment to reduce greenhouse gas emissions is maintained ) even if it turns out that emissions reductions are costlier than you assumed.

Best regards,

Smita

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