



New Jersey Propane Gas Association

PROPANE
EXCEPTIONAL ENERGY

July 25, 2008

New Jersey Board of Public Utilities
Office of Policy and Planning
Attention: Draft EMP Comments
Two Gateway Center
Newark, New Jersey 07102

RE: Draft New Jersey Energy Master Plan Comments

Dear Members of the NJ Energy Master Plan Committee:

Through the process of the New Jersey Energy Master Plan (EMP) the state of New Jersey has demonstrated to the residents of the state that it is committed to a greener environment, cleaner burning fuels and an affordable energy supply.

The New Jersey Propane Gas Association's mission is to educate the public, the media, the industry and legislative and government officials about the safety and efficiency of propane and related products. The NJPGA has served the New Jersey propane marketers for more than 50 years. It is a non-profit organization designed to promote the utilization of propane as an energy source.

In an effort to provide input to the EMP, the New Jersey Propane Gas Association's (NJPGA) white paper on Positioning the Propane Industry on New Jersey Climate Change Legislation is attached. Additionally, the member companies of the New Jersey Propane Gas Association stand willing and able to assist the state in achieving the goal of reducing the states carbon footprint by 2020.

New Jersey has focused many of its efforts on reducing the state's energy consumption and carbon emissions. One way to achieve the states carbon reduction goals is to use propane gas instead of other fuels. In fact, many school buses and fleets of trucks use propane gas as an alternative fuel, which is cleaner burning and thus a safer alternative for the environment and the passengers in the vehicles.

In fact, propane can be used for water heaters, clothes washers and dryers, space heaters, grills, lighting and even to heat your pool. With advances in technology, you could convert propane into an electrical source thanks to fuel cells. Propane is one of the most versatile energy choices you have. Its portability makes it the ideal energy source for all of your needs in and out of the home. It is also economically efficient: according to the U.S. Department of Energy, utilizing propane as your major energy source can save you as much as half off your overall energy bill over other energy choices such as electricity.

Sincerely,

Trisha Jones
President, NJPGA

Attachment

White Paper: Positioning the Propane Industry on New Jersey Climate Change Legislation

Summer 2008

Background

There is a growing consensus among both U.S. federal policy makers and New Jersey policy makers that legislation to reduce greenhouse gas emissions (particularly carbon dioxide) is necessary. On February 13, 2007, Governor Jon S. Corzine signed Executive Order 54 to adopt proactive and ambitious goals for the reduction of greenhouse gas emissions in New Jersey. The order specifically calls for reducing greenhouse gas emissions to 1990 levels by 2020, approximately a 20 percent reduction, followed by a further reduction of emissions to 80% below 2006 levels by 2050.

Shortly after Executive Order 54, Governor Corzine signed the Global Warming Response Act adopting proactive and ambitious goals for the reduction of greenhouse gas emissions in New Jersey. This legislation made New Jersey only the third state in the nation to make law greenhouse gas reduction goals.

Specifically, the legislation calls on the Department of Environmental Protection (DEP) to develop a 1990 greenhouse gas emission inventory as well as a system for monitoring current greenhouse gas levels so that progress toward goals set in Executive Order 54 can be accurately tracked. To further reduce emissions, the order calls for the Director of Energy Savings to develop targets and implementation strategies for reducing energy use by state facilities and vehicle fleets.

To reach this goal, the Commissioner of DEP will work with the Board of Public Utilities (BPU), the Department of Transportation (DOT), the Department of Community Affairs (DCA) and other stakeholders to evaluate methods to meet and exceed the 2020 target reductions.

Only six months after the Global Warming Response Act was signed into law, the NJ legislature also enacted legislation that authorized the auction of greenhouse gas allowances and established the "Global Warming Solutions Fund." This law sent a signal to the region and enabled the state to participate in the Regional Greenhouse Gas Initiative (RGGI) which is a cooperative effort by nine Northeast and Mid-Atlantic states to discuss the design of a regional cap-and-trade program initially covering carbon dioxide emissions from power plants in the region. The goal of RGGI will initially be aimed at developing a program to reduce carbon dioxide emissions from power plants in

the participating states, while maintaining energy affordability and reliability and accommodating.

The details of the NJ RGGI action plan establishes guiding principles for the program design, including: emphasizing uniformity across the participating states; building on existing successful cap-and-trade programs; ensuring that the program is expandable and flexible, allowing other states or jurisdictions to join in the initiative.

In addition to the new laws, Governor Corzine launched the current Energy Master Plan process more than a year ago with the aim of planning for New Jersey's energy needs through 2020. Public participation began with a series of stakeholder meetings in which several pieces of legislation were introduced and focused on increasing the use of cleaner burning fuels such as liquefied natural gas and propane gas.

To date, the state's energy master plan process continues and the state is determining the next steps for implementation of several programs and initiatives that will allow New Jersey to reach its carbon reduction goals by 2020 and 2050.

Industry-Specific Principles

I. Point of Regulation

One of the main advantages to propane when compared with the other “cleaner burning” fuels, is that it is located domestically thus relieving the United States dependency on countries overseas. The NJ Propane Gas Association (NJPGA) defines the point of regulation as the place in the chain of energy production, distribution and use where the requirement to submit allowances or permits is imposed. We strongly hold that this point should be upstream.

II. Don't Promote Renewable Fuels at the Expense of Alternative Fuels

CO₂ emissions from propane powered vehicles are 21% lower than that of conventionally fueled vehicles. Propane, along with other alternative fuels, has made a demonstrable contribution toward reducing greenhouse gasses and our nation's dependence on foreign oil. Propane, next to natural gas, has the lowest carbon dioxide release per BTU than any other fuel. To date, there have been numerous bills introduced in NJ that would require an increase in the percentage of propane used in both state and private vehicles as well as in home heating and other appliances. The NJPGA supports these bills, however, advocates that the NJ legislature should not enact policies which promote renewable fuels at the expense of alternative fuels.

Objectives:

- Establish unified standards for efficient appliances.
- Use technology and alternative fuels such as propane in the transportation industry and standby generation for industrial, commercial and residential production.

- Establish standards in NJ that rely more on cleaner burning fuels.
- Through incentives and rebates encourage the use of cleaner burning fuels.
- Define propane made from biomass as a renewable fuel.

III. Extend Program to Include Transportation Sector

In 2005 the Transportation sector was responsible for 28% of the U.S. Greenhouse gas emissions. While the first phase of the Energy Master Plan targets heating and conventional sources of energy, the NJ Transportation Energy Master Plan will build on the progress from the initial master plan. Currently numerous bills have been introduced in the NJ legislature that would regulate the percentage use of propane and encourage vehicles such as school buses and state and private fleets to run on propane gas.

With the recent spike in the price of oil, propane, which is the leading alternative fuel in the world for transportation, is now cost effective when compared to the recent average price for a gallon of gasoline or diesel fuel.

IV. Balance Research and Development Resources

Climate legislation will certainly include authorization for research and development of advanced emission control technology. The NJ policy makers should ensure that R & D funds are reasonably balanced with respect to the energy sources involved and look at a regional solution.

Broader Economic Interests

I. Safeguards to Prevent Severe Economic Consequences

Energy consumption and economic growth are inextricably tied together. Legislation that imposes unworkable limits or unrealistic time frame could result in severe economic dislocation affecting manufacturing, employment and consumer energy costs.

Objectives:

- All new programs and initiatives should be incremental and start as a pilot project in order to achieve the carbon emission targets in NJ.
- Advocate circuit-breaker provisions linked to economic indicators.

II. Support Domestic Exploration and Production

The bedrock of energy security is domestic production of energy. NJ energy policy should encourage domestic oil and gas extraction where it can be conducted in an environmentally-sensitive manner. NJPGA supports provisions

that will enhance domestic oil and gas production capability and encourage an expansion of domestic refinery capacity.

Steps Forward

In preparation for the longer-term debate over legislation in NJ, the NJPGA seeks to provide education and information to policy makers to ensure well-rounded and thoughtful goals to be achieved. We believe it is beneficial for the state and the region to include propane into the states discussions centered on cleaner energy in order to reduce carbon emissions and to also help NJ achieve the goals in the RGGI and the Global Warming Response Act. We should understand from the outset that the dialogue on this issue is and will continue to be fluid.

Specifically, New Jersey could focus on is our school busses and vehicle fleets because propane delivers a cleaner burning fuel, cleaner air, and less wear and tear on vehicle engines. The use of propane would result with more economic friendly state vehicles and less money spent on maintenance in the long run.

Determining our interests and objectives should be considered through the prism of the following assumptions:

- Any broad based carbon reduction program will increase the cost of most forms of energy.
- A carbon emissions program will create higher (perhaps much higher) demand for lower carbon fuels like propane.
- Besides natural gas and propane, the remaining petrochemical feedstock options all have higher carbon contents.

We stand willing and able to assist New Jersey in forming and shaping the State's energy policy. The New Jersey Propane Gas Association welcomes the opportunity to work with policy makers to ensure the goals of reducing the state's carbon footprint are achieved and sustained through many generations.