United State Senate Committee on Environment and Public Works
State, Regional and Local Perspectives on Global Warming
Full Committee Hearing
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Written Testimony
Governor Jon S. Corzine, New Jersey

Thank you Chairwoman Boxer and Senator Inhofe for inviting me to testify. I particularly want to thank my good friend, the senior Senator from New Jersey, Senator Lautenberg, who has long been a leader on environmental protection. I am happy to be back among friends and I want to commend all my former colleagues and 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 on a national level.

As most of you know, I recently issued an Executive Order that sets statewide targets for stabilizing New Jersey's greenhouse gas emissions at 1990 levels by 2020 and reducing greenhouse gas emissions to 80% below 2006 levels by 2050.

Yes, it is true that the challenges New Jersey faces are merely part of a much larger global problem. And, yes, we need to overcome the most crippling barrier we face – the false idea that we can't reduce greenhouse gas emissions without hurting the economy.

But I took this action because climate change, driven by unchecked human-caused emissions of greenhouse gases, will result in severe adverse impacts to both the environment and economy of New Jersey.

New Jersey is especially vulnerable to the environmental and economic 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. Likewise, New Jersey's economy is also especially vulnerable to the effects of climate change with our active ports, a vibrant agricultural sector and a significant coastal-based tourism industry.

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.

In short, reducing our carbon footprint can and should go hand-in-hand with increasing economic vitality.

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.

I am not alone in recognizing the economic opportunities presented by reducing greenhouse gas emissions. My counterparts in Maine, Vermont, New Hampshire, New York, Massachusetts, Connecticut, Rhode Island, Delaware and Maryland, along with New Jersey, are leading the charge through our work on the Regional Greenhouse Gas Initiative (RGGI).

Governors Schwarzenegger of California, Napolitano of Arizona, Richardson of New Mexico, Gregoire of Washington, and Blagojevich of Illinois have all set aggressive

greenhouse gas emissions reduction targets for their states. Additionally, Governors of five western states have formed the Western Regional Climate Action Initiative.

Each day, additional states make commitments to fight the battle against global warming – regardless of whether they are red or blue – in large part because of the vacuum of leadership at the federal level.

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 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.

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 who 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.

To build momentum for federal action, I intend to reach out to other governors that have asserted strong leadership in reducing greenhouse gas emissions to call for the formation of a Governors' Climate Protection Leadership Council. I believe that the time is ripe for states demonstrating leadership in reducing greenhouse gas emissions to coordinate their efforts, both to accelerate progress in implementing emissions reduction policies at the state level and to drive the policy debate at the federal level.

A coalition of leadership states will provide a more effective voice of advocacy for a strong federal greenhouse gas regulatory program that acknowledges a role for states in its design and implementation.

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.

Today I ask you to redouble your efforts to pass meaningful federal climate change legislation. The long-term wellbeing of New Jersey 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.

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.

I have attached a list of principles for federal action on climate change that draws from the approach my 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.

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. One prominent example is the Regional Greenhouse Gas Initiative, which is the only effort in the U.S. to date to actually articulate the detailed design of a CO_2 cap-and-trade program for the power sector. A role for states should be institutionalized through federal legislation.

Finally, I want to underline the following. 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 goals I have 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:

- We have played a leadership role in the Regional Greenhouse Gas Initiative ("RGGI"), the first-ever cap-and-trade program addressing CO_2 in the United States. RGGI will cap power sector CO_2 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 have enacted California's greenhouse gas tailpipe standards for light-duty vehicles, which is projected to result in an 18% reduction in CO_2-equivalent emissions from the New Jersey light-duty vehicle fleet in 2020 relative to projected business-as-usual emissions.

- We have increased the New Jersey Renewable Portfolio Standard to 20% by 2020, which will require 20% of all electricity sold at the retail level in New Jersey to come from Class I renewable energy sources, such as solar, wind, and sustainable biomass.

- I have directed our Energy Master Plan Committee, a multi-agency initiative, to develop recommendations for reducing statewide energy use by 20% in 2020 relative to business-as-usual projections. Approximately 85% of New Jersey's greenhouse gas emissions are due to combustion of fossil fuels for energy.

- I have appointed a Director of Energy Savings in the Department of Treasury to set targets for reducing energy usage in State facilities and reducing fuel consumption by the State vehicle fleet.

These measures take us a long way toward meeting New Jersey's 2020 emissions target, but further actions will be necessary. I have directed New Jersey's Department of Environmental Protection, in coordination with representatives of the Board of Public Utilities, the Department of Transportation, and the Department of Community Affairs, to provide recommendations to me within the next six months for achieving New Jersey's 2020 and 2050 greenhouse gas emissions reduction targets.

Thank you for this opportunity to testify on this important issue. I look forward to working with you as we jointly tackle the historic environmental challenge of climate change at both the federal and State level.

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.