

# SENATE ENVIRONMENT AND ENERGY COMMITTEE

## STATEMENT TO

### SENATE COMMITTEE SUBSTITUTE FOR SENATE, No. 237

# STATE OF NEW JERSEY

DATED: MARCH 14, 2024

The Senate Environment and Energy Committee reports favorably a Senate Committee Substitute for Senate Bill No. 237.

This committee substitute, to be known as the "New Jersey Clean Energy Act of 2024," would direct the Board of Public Utilities (BPU) to establish and implement a clean electricity certificate program, under which generators of clean electricity would receive a certificate for each megawatt hour of energy they produce, and suppliers of electricity (e.g., electric utilities) would be required to purchase a certain amount of certificates each year.

The bill defines "clean electricity production facility" to mean: (1) a nuclear, wind, solar, or hydroelectric electricity production facility; or (2) any other electricity production facility that generates electric energy in a manner that produces no more than a de minimis level, as determined by the department, of net greenhouse gas emissions and co-pollutant emissions at the point of generation and at any point in the fuel supply chain of the facility.

Under the bill, electricity suppliers would be required to begin purchasing the new certificates, to be known as clean electricity attribute certificates (CEACs) beginning one year after the bill's enactment. The bill would require electricity suppliers to purchase CEACs equivalent to 80 percent of their retail sales by 2027, 85 percent by 2030, and 100 percent by 2035. The bill would authorize the BPU to accelerate this schedule if it determines that the benefits outweigh the costs to New Jersey residents. The bill would also authorize the BPU to assign a CEAC a different energy equivalence value, i.e., greater or less than one megawatt hour, provided that the new value reflects the relative greenhouse gas abatement achieved due to the electric generation with which the CEAC is associated. The bill would also authorize the BPU to require that a certain amount, or percentage, of CEACs be generated by facilities that are connected to the State's electric transmission and distribution system.

The bill would authorize the BPU to establish a mechanism for tracking the provision of CEACs, and to establish, impose, and collect fees, escrows, and other charges the BPU deems necessary and proper to implement the program. The bill would also require the BPU to implement monitoring and mitigation measures to prevent the exercise

of market power (e.g., the creation of artificial scarcity, the formation of a monopoly, etc.) in the program.

The bill would allow suppliers of electricity to retire certain existing energy certificates in lieu of a CEAC, namely a Class I renewable energy certificate (Class I REC), offshore wind renewable energy certificate (OREC), solar renewable energy certificate (SREC), solar renewable energy certificate-II (SREC-II), transition renewable energy certificate (TREC), or zero emission certificate (ZEC). The bill would also cap the number of CEACs that are able to be procured from existing nuclear power plants, such that the number of CEACs procured plus the number of ZECs procured from exiting nuclear power plants would not exceed 40 percent of the total number of megawatt-hours of electricity distributed by electric public utilities in the State in energy year 2017.

The BPU would be authorized to require an electricity supplier to meet a portion, or all, of its clean electricity procurement obligations established by the bill through participation in a regional clean electricity attribute market established or approved by the BPU, a regional transmission organization (e.g., PJM Interconnection, L.L.C., New Jersey's current regional transmission organization), or another qualified entity. Under the bill, the BPU may also establish policies that prioritize the procurement of a share of clean electricity attribute certificates from new clean electricity production facilities. The bill would also authorize the BPU to establish an alternative compliance payment, which electricity suppliers may make to satisfy the requirements of the bill, in lieu of purchasing and retiring a CEAC.

The bill would establish a State goal that, no later than 2045, 100 percent of New Jersey's electric reliability needs (i.e., the provision of electricity in real time, not in the aggregate) is met by electricity production facilities that operate without net emissions of greenhouse gases. The bill would authorize the BPU to develop and implement programs that would support that goal, and to require electric public utilities to participate in those programs.

In addition, the bill would require that any worker employed in the construction of a clean electricity production facility greater than one megawatt in size that is certified by the BPU would be required to be paid not less than the prevailing wage rate for the worker's craft or trade, as determined by the Commissioner of Labor and Workforce Development pursuant to P.L.1963, c.150 (C.34:11-56.25 et seq.). The bill would also require such projects, as a condition of receiving CEACs, to adhere to the apprentice labor hour requirements that are necessary for the solar facility to be eligible to receive a federal renewable electricity production tax credit. These requirements, which were put in place by the federal "Inflation Reduction Act of 2022," Pub. L.117-169, require, among other things, that 15 percent of the labor hours on a renewable energy project begun after December 31, 2023 be performed by qualified apprentices.

The bill would also provide that a Class II renewable energy facility that commits a substantive permit violation with respect to any permit issued to the facility by the DEP would be ineligible to receive Class II RECs, or any similar financial incentive authorized by the BPU, for the duration of the permit violation. The bill defines "substantive permit violation" to mean a violation that resulted in, or likely resulted in, air, water, or soil pollution in excess of the allowable limits under the relevant permit or other approval, as determined by the DEP.

Finally, the bill would amend P.L.2021, c.169 (C.48:3-114 et al.), which established the SREC-II program (also known as the Successor Solar Incentive Program or SUSI), to require that solar electricity projects greater than one megawatt in size would also be required to follow the federal apprentice labor hour requirements of the federal "Inflation Reduction Act of 2022," Pub. L.117-169, in order to be eligible to receive SREC-IIs.