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Stop the Raids: The Clean Energy Fund Should Fund Clean Energy

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The health and safety of every New Jersey resident is threatened by the state’s reliance on fossil fuels to power our homes, businesses, and transportation. Fossil fuels — such as gas, oil, and coal — account for a majority of carbon dioxide and greenhouse gas emissions, with a large percentage generated by energy produced for heat and electricity.ⁱ Air pollution and environmental toxins disproportionately harm New Jersey’s low-income families and residents of color, who are more likely to live and work closest to sources of pollution.ⁱⁱ

In recent years, state lawmakers and the Murphy administration have set ambitious goals to reduce emissions that will require a transition to alternative energy sources that are clean, affordable, sustainable, and reliable. Renewable sources of energy have many advantages to fossil fuels — they are abundant, increasingly cost-efficient, healthier, and create jobs — but they require investments in new technology and infrastructure. The state’s Clean Energy Fund, which is supported by a surcharge on monthly utility bills, is designed to support these investments in renewable energy, but the fund has been consistently raided by lawmakers to plug holes in the state budget. Since Fiscal Year 2010, lawmakers have raided nearly \$2 billion from the fund, hampering the state’s ability to meet its clean energy goals, improve air quality, and mitigate against the worst harms of the climate crisis.ⁱⁱⁱ

New Jersey’s Reliance on Fossil Fuels Threatens Public Health and Safety

Almost all of the energy consumed and produced in New Jersey comes from nonrenewable sources that pollute the air we breathe and the environment more broadly. In 2020, nearly 95 percent of energy consumed in the state came from nonrenewable sources, with nearly three-quarters of New Jersey families relying on natural gas as their primary heating fuel^{iv}. In 2021, 90 percent of New Jersey’s energy production came from nonrenewable sources such as natural gas^v.

Most Energy Consumed in New Jersey Comes From Nonrenewable Sources

Energy Consumption in 2020 in New Jersey, in Trillion BTUs



Source: U.S. Energy Information Administration • Created with Datawrapper

Most Energy Produced in New Jersey Comes From Nonrenewable Energy Sources

Energy Production in 2020 in New Jersey, in Trillion BTUs



Source: U.S. Energy Information Administration • Created with Datawrapper

As a result of this overreliance on nonrenewable energy, New Jersey consistently ranks among states with the worst air quality in the nation, and this burden is not shared equally. People of color are significantly more likely to live in a county that received an ‘F’ on the American Lung Association’s most recent air quality report card than white people.^{viii} Air pollution cuts life expectancy by more than 2 years, and particulate matter poses a larger threat to human health than cigarettes.^{viii}

Gas- and diesel-powered transportation are the biggest sources of air pollution in New Jersey, and natural gas and oil account for almost all of the state’s energy-related emissions.^{ix} Natural gas leaks also release air toxins into the atmosphere which are linked to illnesses such as cancer.^{xi}

The burning of fossil fuels and the resulting air pollution come at a severe cost to New Jersey families in regard to both their health and personal finances. In addition to the costs associated with treating illnesses linked to pollution, the prices of nonrenewable energy are on the rise, as exemplified by a recent double-digit rate increase by gas providers serving millions of residents across the state.^{xii} A recent report from the New Jersey Board of Public Utilities found that gas energy prices may continue to rise, particularly for low-income families who cannot afford more efficient appliances and heating and cooling systems.^{xiii} Investing in 21st century technologies that promote clean energy would not only reduce nonrenewable energy consumption and improve air quality, but also save families money in the short- and long-term.

The Clean Energy Fund: A Path to Funding New Jersey's Clean Energy Future

New Jersey lawmakers recognize the threats associated with fossil fuels and the importance of transitioning to a clean energy economy. Since 2018, state lawmakers and the Murphy administration have set the following clean energy goals:

- 50 percent of energy consumed must come from renewable energy sources by 2030,^{xiv} and 100 percent of energy consumed must come from clean energy by 2050^{xv}
- 80 percent reduction in greenhouse gas emissions by 2050 (compared to 2006 levels)^{xvi}
- 100 percent of new NJ Transit bus purchases are electric by 2032^{xvii}
- 100 percent of state-owned light-duty vehicle (i.e. passenger car) sales are electric by 2032^{xviii}
- 11,000 MW of offshore wind production by 2040^{xix}
- 2,000 MW of energy storage by 2030^{xx}

Meeting these clean energy targets will not happen on their own, however; they will require the right policies and funding mechanisms to steward the transition to a clean energy economy.

The Clean Energy Fund is New Jersey's primary mechanism for financing clean energy investments and incentivizing the use of clean energy through the state's Clean Energy Program. Established in 1999, the fund is supported by the Societal Benefits Charge on residential and commercial energy bills, which is set by the Board of Public Utilities and funds numerous social and clean energy programs.^{xxi} In 2021, the fund collected more than \$380 million in revenue to invest in clean energy, with the average customer paying less than \$65 annually on their household electricity bill, and less than \$63 annually on their gas bill, into the Societal Benefits Charge.^{xxixxxiii}

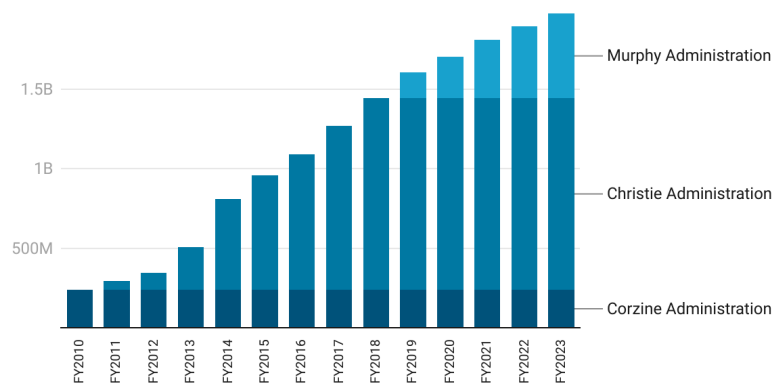
The Clean Energy Program primarily funds two types of investments: energy efficiency measures and renewable energy infrastructure. The energy efficiency measures provide funding for businesses and homeowners to retrofit existing buildings for clean energy technology and purchase more energy-efficient appliances. Investments in renewable energy infrastructure include support for solar technology, development of an offshore wind industry, creation of energy storage, and more.

The Clean Energy Fund is not as effective as it should be, however, as it has been raided for years by Republican and Democratic administrations alike. Since Fiscal Year 2010, lawmakers have raided the Clean Energy Fund to plug budget holes and finance line items unrelated to clean energy, such as state park maintenance and utility bills for state buildings. In total, lawmakers have raided \$1.98 billion (in 2022 dollars) from the Clean Energy Fund.^{xxiv} The

diversions include \$242 million under Governor Corzine, more than \$1.2 billion under Governor Christie, and more than \$533 million under Governor Murphy.^{xxv}

New Jersey Lawmakers Have Raided \$2 Billion from Clean Energy Fund

Clean Energy Fund Diversions Since FY 2010, Cumulative, in 2022 Dollars



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While the Clean Energy Fund has been used to plug various budget holes over the years, the largest percentage of funds were diverted to NJ Transit operations. Public transportation is essential to a thriving New Jersey and deserves to be fully funded, but not at the expense of much-needed investments in clean energy. Ideally, NJ Transit would be funded through the state budget or a new, dedicated source of revenue, and the Clean Energy Fund would be used for its intended purpose. Lawmakers should not be robbing Peter to pay Paul.

In the FY 2023 budget, new language was added that states the Clean Energy Fund raids directed to NJ Transit can be used to pay for bus electrification and other clean energy projects.^{xxvi} However, there is no mandate or guarantee that the funds will be used for those purposes. Since the funding is directed to NJ Transit operations, not capital projects, it is unlikely it will be invested in clean energy projects as the new budget language suggests. Until these raids end, New Jersey will continue to shortchange and delay its transition to a clean energy future.

End the Raids, Invest in New Jersey's Future

There is no shortage of opportunities to use the Clean Energy Fund for its intended purpose, from electrifying NJ Transit's bus fleet, to assisting low-income families with purchasing new energy efficient appliances and heating systems, to developing clean energy infrastructure. Investing in clean energy projects will reduce air pollution across the state, make energy more affordable for families, and create good-paying jobs in the burgeoning green energy economy.

State lawmakers have already set admirable goals for the state’s clean energy future, now it’s time to stop raiding the Clean Energy Fund to make these goals a reality.

Note:

In the context of this report, clean energy means any energy that does not produce greenhouse gas emissions. Renewable energy means any energy that uses a source like sunlight or wind that cannot be consumed or depleted.

ⁱNew Jersey Department of Environmental Protection, New Jersey Greenhouse Gas Inventory, December 2022. https://dep.nj.gov/wp-content/uploads/ghg/2022-ghg-inventory-mcu_final.pdf pages 3-4

ⁱⁱAmerican Lung Association, Disparities in the Impact of Air Pollution, 2022. <https://www.lung.org/clean-air/outdoors/who-is-at-risk/disparities>

ⁱⁱⁱReported in 2022 dollars. NJPP Analysis of FY2010-FY2023 Appropriations Acts.

^{iv}New Jersey State Profile and Energy Estimates, 2020. U.S. Energy Information Administration. <https://www.eia.gov/state/?sid=NJ#tabs-1>

^vNew Jersey State Profile and Energy Estimates. U.S. Energy Information Administration. <https://www.eia.gov/state/?sid=NJ>

^{vi}American Lung Association, State of the Air Report Card Key Findings, 2022. <https://www.lung.org/research/sota/key-findings>

^{vii}NJ Spotlight News, Air quality worse for communities of color, 2022. <https://www.njspotlightnews.org/2022/04/air-pollution-ozone-particle-pollution-communities-of-color-american-lung-association/>

^{viii}Air Quality Life Index, Pollution Facts. <https://aqli.epic.uchicago.edu/pollution-facts/>

^{ix}New Jersey Department of Environmental Protection, Bureau of Mobile Services. <https://dep.nj.gov/stopthesoot/>

^xU.S. Energy Information Administration, State Energy-Related CO₂ Emission Data Tables. <https://www.eia.gov/environment/emissions/state/excel/table2.xlsx>

^{xi}Environmental Protection Agency, Basic Information about Oil and Natural Gas Air Pollution Standards. <https://www.epa.gov/controlling-air-pollution-oil-and-natural-gas-industry/basic-information-about-oil-and-natural-gas>

^{xii}NorthJersey.com, NJ heating bills in line for double-digit increases after state OKs big rate hikes, 2022. <https://www.northjersey.com/story/news/2022/09/08/nj-natural-gas-bills-approved-hikes-pseg-njng/66934128007/>

^{xiii}New Jersey Energy Master Plan Ratepayer Impact Study, August 2022. https://nj.gov/bpu/pdf/reports/2022-08-13%20-%20BPU,%20EMP%20Ratepayer%20Impact%20Study%20Report_PUBLIC_Brattle.pdf#page=6

^{xiv}N.J. Stat. Sec. 48:3-87.8. (d)(2) 2022. https://pub.njleg.gov/bills/2018/PL18/17_.HTM

^{xv}Executive Order No. 28, 2018. <https://www.nj.gov/infobank/eo/056murphy/pdf/EO-28.pdf>

^{xvi}N.J. Stat. Sec. 26:2C-38.2. 2022. https://pub.njleg.state.nj.us/Bills/2018/PL19/197_.PDF

^{xvii}N.J. Stat. Sec. 48:25-3a.(9)(b). 2022. https://pub.njleg.gov/bills/2018/S2500/2252_U2.PDF

^{xviii}N.J. Stat. Sec. 48:25-3a.(8)(b). 2022 https://pub.njleg.gov/bills/2018/S2500/2252_U2.PDF

^{xxix}Executive Order No. 307, 2022. <https://nj.gov/infobank/eo/056murphy/pdf/EO-307.pdf#page=5>

^{xxx}N.J. Stat. Sec. 48:3-87.8. 1(d). https://pub.njleg.gov/bills/2018/PL18/17_.HTM

^{xxxi}N.J. Stat. Sec. 48:3-60.12a. 2022. https://www.njcleanenergy.com/files/file/23_.pdf

^{xxxii}Reported in 2022 dollars. New Jersey Board of Public Utilities Response to Office of Legislative Services Budget Analysis, Fiscal Year 2022. https://pub.njleg.state.nj.us/publications/budget/governors-budget/2023/BPU_Response_2023.pdf#page=7

^{xxxiii}Reported in 2022 dollars. NJPP Analysis of New Jersey Board of Public Utilities Response to Office of Legislative Services Budget Analysis, Fiscal Year 2022. https://pub.njleg.state.nj.us/publications/budget/governors-budget/2023/BPU_Response_2023.pdf#page=8

^{xxxiv}Reported in 2022 dollars. NJPP Analysis of FY2010-FY2023 Appropriations Acts.

^{xxxv}Reported in 2022 dollars. NJPP Analysis of FY2010-FY2023 Appropriations Acts.

^{xxxvi}New Jersey Office of Management and Budget, FY 2022 Appropriations Act, 2021. Page 187, lines 44-48. <https://www.nj.gov/treasury/omb/publications/23bill/AppropriationsAct.pdf>