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# Governor Takes N.J. Out of Cap-And-Trade System

By CHRISTA MARSHALL of [ClimateWire](#)

New Jersey Gov. Chris Christie announced plans yesterday to pull the Garden State out of the nation's only operating cap-and-trade system, spurring environmental anger, conservative cheers and speculation about his national ambitions.

It also stirred confusion about the governor's legal authority and what will happen to the carbon trading program, which caps utility carbon dioxide emissions in 10 Northeastern and mid-Atlantic states, at a time when national climate legislation appears dead on Capitol Hill.

At a news conference in Trenton, N.J., the Republican governor said he believed after months of study and meetings with scientists that humans were causing climate change and that his government needed to put policies in place to curb warming temperatures. That is a shift from last year, when Christie expressed doubts about the science behind global warming.

At the same time, though, he dealt a big blow to the Regional Greenhouse Gas Initiative, or RGGI, calling it a "failure" because it had done little on its own to curb emissions of heat-trapping gases. The initiative, which requires power producers to buy and sell permits for the right to emit CO<sub>2</sub>, has been operational since 2008.

"We remain completely committed to the idea that we have a responsibility to make the environment of our state and world better," Christie said. "We're not going to do it by participating in gimmicky programs that don't work." He said New Jersey would depart RGGI by the end of the year.

"Reduced emissions have been due to increased use of natural gas, and the decreased use of coal. We're seeing that the market, and not RGGI, has created incentives to reduce the use of carbon-based fuels," Christie added.

The state Department of Environmental Protection simultaneously released a [report](#) yesterday about New Jersey's greenhouse gas emissions, which Christie said showed that the state's emissions already stand below goals for 2020, making the program essentially moot.

## National political ambitions?

Other state policies, such as programs to develop offshore wind and put solar panels on landfills, will be more effective at blocking greenhouse gases, Christie said. He announced that the state would not permit new coal-fired power plants.

The decision could gain favor with national Republicans for Christie, considering that cap and trade is an unpopular concept in the GOP, several analysts said. It also has been attacked fervently via state campaigns as an energy tax by groups like Americans for Prosperity, a group co-founded by oil billionaire David Koch.

Christie has said repeatedly in recent weeks that he is not running for president in 2012, but pundit speculation has run high about whether he will change his mind or will privately campaign for a vice presidential slot, given the governor's recent trips to Washington, D.C.

"It has become a litmus test to be opposed to cap and trade if you want to raise your stature in the Republican Party nationally," said Leigh Raymond, an associate professor of political science at Purdue University. "I can't think of another reason why he would do this."

It shows how much the Republican dynamic has changed in the East, he said, considering that GOP governors such as former New York Gov. George Pataki were among the initial backers of RGGI.

In New Jersey, the picture is more mixed.

Party control of both chambers of the Legislature is on the line in November, and this decision could play a role in key swing districts in favor of Democrats, said John Weingart, associate director of the Eagleton Institute of Politics at Rutgers University. Environmental protection continues to be popular in New Jersey among all political parties, so the governor could face some political backlash at the margins, he said.

However, the effect likely could be small, he said, since many New Jersey voters don't know what cap and trade is, despite their history of backing environmental causes.

Environmentalists slammed the decision as one that would deprive New Jersey of millions of dollars in funds for clean-energy programs at a time of a budget crisis. The program has raised more than \$100 million for state coffers via participation in quarterly carbon auctions, according to statistics from the initiative.

### **Funds for renewable energy at risk**

About half of those funds went to renewable energy and energy efficiency programs, with the rest being used for general deficit reduction in New Jersey.

Many of the gubernatorial plans outlined by Christie yesterday -- such as blocking new coal-fired plants in the state -- would have happened anyway, green groups said. They predicted that emissions would go up in the state as a result of the decision, and that it would hurt state businesses receiving RGGI-funded grants.

"We're glad the governor went to global warming school, but he didn't learn the lessons from it," said David Pringle, campaign director of the New Jersey Environmental Federation, about the governor's recent meetings with climate scientists. The state chapter of the Sierra Club said the program has helped create or save 18,000 jobs at a cost of about \$6 yearly to the average ratepayer, and accused the governor of "taking the side of corporate polluters."

Several Democratic governors in the Northeast and the mid-Atlantic also joined in on the attack. Gov. Martin O'Malley (D-Md.) said, "We are in a fight for our children's future. And in this fight, some states will win and some states will lose."

But Christie garnered support from some influential business interests.

Yesterday, New Jersey Business and Industry Association President Philip Kirschner praised the governor for pulling out of a program that increases costs for residents who "are already paying some of the highest electricity rates in the nation."

The head of New Jersey's chapter of Koch-backed Americans for Prosperity, Steve Lonegan, told *ClimateWire* he hoped Christie's action would spur other states such as Delaware to reconsider recent decisions to stay in the initiative (*see related story*).

The legislatures of Delaware, New Hampshire and Maine earlier this month voted against bills that would have pulled those states out of RGGI (*ClimateWire*, May 12).

"I think it's a very, very powerful move for Christie, and probably should lead the way for other states to exit, as well," Lonegan said. "It's going to spell the demise of a failed program that's ineffective and nothing but a gimmick."

Lonegan said he had spent about \$150,000 in New Jersey on anti-RGGI television ads.

A spokesman for Christie, Kevin Roberts, said the governor has the authority under existing state law to leave the program.

### **Legal challenges are possible**

A Democratic official in the state Legislature agreed, saying that the 2008 [statute](#) (pdf) indicates that the state's status in the program is permissive, not mandatory.

Most of New Jersey's electricity comes from in-state producers or states not in RGGI, so there is little issue about consumers continuing to pay for the program through out-of-state utility surcharges if New Jersey departs, the official said.

Yet Franz Litz, an analyst at the World Resources Institute, said the governor must go through a new rulemaking process with the state Department of Environmental Protection that could take time and prompt legal challenges.

"I would be very, very surprised if someone doesn't try to force the governor's hand," said Litz.

State Sen. Bob Smith (D), a RGGI supporter, said he also thought lawsuits were possible, although he said he would wait for a legal analysis of Christie's action from state officials before making any decisions about an official legislative response.

In case of a New Jersey withdrawal, the day-to-day operations of the carbon trading system should not be affected much, Litz said. Under existing [rules](#) (pdf), other participating states in the Northeast and mid-Atlantic "appropriately adjust" allowances bought and sold in the trading market to account for the withdrawal of one state. In a statement yesterday, RGGI said participating states would "evaluate" the departure but would continue with the next planned carbon auction on June 8.

The bigger question, according to political analysts, is whether Christie's action places a long-term chill on prospects for cap and trade in other states. California, along with several Canadian provinces, is looking at a similar carbon trading system. Christie's action also could

hinder a push to tighten RGGI's cap, which has been under criticism for doing little to alter utility behavior, they said.

"It is a serious blow to RGGI and to the notion of any bipartisan cooperation on any form of greenhouse gas regulation," said Stacy VanDeveer, an associate professor of political science at the University of New Hampshire.

*Reporter Evan Lehmann contributed.*

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