

December 2nd, 2022

To: Chairman DeAngelo and members of the Assembly Telecommunications and Utilities Committee
CC: Sponsors Assemblyman Karabinchak and Senate President Scutari

Re: Opposition to A577

We, the undersigned, are writing to express our strong opposition to A577, which would direct the BPU to establish a program concerning renewable natural gas and provide gas public utilities with a customer rate recovery mechanism for costs associated with the program.

The bill is based on the premise that renewable natural gas (RNG) is beneficial to ratepayers and will facilitate our transition to renewable energy sources. We fundamentally disagree based on the following:

- **RNG development is insufficient to offset the gas industry's impact on the environment, but the cost to ratepayers is massive.**
- **RNG will not help New Jersey transition to a clean energy economy, and this infrastructure will be obsolete long before ratepayers are done paying for it.**
- **RNG will not improve public health, especially when compared to electrification with clean energy.**

The bottom line is that the RNG initiatives in this bill create climate impacts at odds with the state's climate goals, and A577 would force ratepayers to foot the bill, ultimately trapping residents in a high-cost, low-benefit contract. We have met with the Assembly sponsor's office to discuss our concerns with the bill, which are explained in detail below.

RNG Costs Ratepayers and Creates Obsolete Infrastructure

There is currently no financial estimate from OLS on what this bill will cost, but there are numerous studies that show these actions will impose a heavy financial toll on ratepayers, who are already faced with 25% rate increases this winter.

We are particularly concerned about the impacts of this cost to low-income and communities of color which would be disproportionately harmed by the increases.

An [NRDC analysis](#) of studies on the availability, economics, GHG Reduction potential, and public health impacts all indicate that *usage of RNG in the distribution system is a prohibitively expensive approach to decarbonizing buildings*, and that there is an insufficient supply to do so. Additionally, [an Earthjustice report has shown that](#) replacing fossil fuels with fossil gas alternatives like RNGs is 4 to 17 times more expensive than fossil gas.

A study conducted by [NJ Natural Gas](#) found that developing all 7 of NJ's landfills and 22 of NJ's Wastewater Treatment plants could only provide less than 1% of NJ Gas Demand. Most projects were not viable due to existing biogas-to-electricity projects and pipeline distance. These analyses serve to highlight that the high cost of biofuels including the associated cost of new infrastructure, and their

meager emissions savings make this strategy a high-cost approach to reducing emissions, and that more cost-effective strategies are required, which include energy efficiency and building electrification that uses increasingly clean electricity from solar and wind.

Even the American Gas Foundation's own [RNG study](#) estimates that ***New Jersey's RNG supply potential is between just 3-6% of NJ's current natural gas demand.***

New Jersey's 2019 Energy Master Plan found that the least-cost way to decarbonize the building sector is through end-use electrification of heating and cooling. In addition, NYSERDA's [Integration Analysis](#), which underlies New York's plan for implementing its climate law, concludes that there is a minimal role for RNG in buildings and upwards of 90% of buildings should be electrified. These analyses conclude that the most promising uses for biogas and hydrogen are supporting hard-to-electrify sectors of the economy—such as long-haul travel, aviation, and industrial processes.

Investing in RNG will not create a “smooth transition” to a clean energy future as market forces and massive federal investments are now accelerating the adoption of electric heat pumps and other technologies. Hydrogen degrades current gas infrastructure and would require expensive, large-scale replacement of existing pipelines and equipment. As customers leave the gas system, existing gas pipeline infrastructure will become underutilized and RNG investments simply add to this problem. **These are major, long term capital expenses that take us in the wrong direction, away from true clean energy.**

Utility Cost Recovery is Regressive and Lacks Transparency

A577 creates a new source of profits for any gas utility that chooses to pursue RNG and forces New Jersey ratepayers to pay the bill. The bill actually removes normal protections for ratepayers during a period of high inflation, rising energy costs and high rates of non-payment of utility bills. We are particularly concerned about the impact of higher gas bills on low-income and communities of color, given that low-income households in New Jersey already spend more than 7% of their income on energy bills.

A577 allows utilities to automatically recover capital investments, operating costs and the costs of procuring RNG through a “periodic recovery mechanism” stripping BPU of its ability to ensure that such investments are prudent.

It will also allow regulated utilities to purchase RNG through affiliate companies. This process is ripe for abuse as these contracts are generally confidential purchase agreements and lack transparency. There is currently ***no market for RNG in New Jersey and no agreed-upon market price,*** which leaves the doors wide open for parent companies to pay their affiliates whatever they *say* RNG should cost. This lack of transparency leaves New Jersey ratepayers at risk of price manipulation.

RNG Will Not Meet Our Emissions Reduction Goals or Health Priorities

Not all RNG is created equally, and some methods may actually increase, not decrease, existing methane emissions. According to an [American Gas Foundation study](#), between 40-50% of New Jersey's estimated potential RNG production capacity would be sourced from thermal gasification that requires intentionally creating methane where it would not have otherwise existed. Even captured methane from landfills and farm waste leads to methane emissions as leakages inevitably occur during production,

delivery, and end use. Because RNG also produces the same non-greenhouse gas pollution as fossil gas, its use will not improve the health of communities burdened with poor air quality.

Hydrogen is included in the definition of RNG under A577, yet [a study by Environmental Defense Fund](#) has shown that hydrogen has a stronger indirect greenhouse effect and near-term warming potential than previously accounted for. Combusting hydrogen also produces large amounts of nitrogen oxides (NOx) due to the increased temperature at which it burns. *We should reserve hydrogen for decarbonizing the most difficult sectors to electrify like steel production, cement making, heavy equipment, and aviation.*

Hydrogen mixed fuel in appliances could also be detrimental to the health and safety of NJ residents – especially in low income and communities of color that statistically live in older buildings with less ventilation. This legislature should not approve blending proposals until utilities can guarantee compatibility with existing appliances and behind-the-meter piping. Otherwise, it poses a public health and safety risk that is not worth taking.

The health and well-being of our communities and our environment depends on the decisions we make today. The intent of this bill is in direct opposition to New Jersey's Energy Master Plan and moves us in the wrong direction. In order to achieve our climate and clean energy goals, we need to focus our investments on *real* clean energy.

We respectfully ask that this committee vote **NO** on bill A577 to protect the health, safety, and wallets of New Jersey residents.

Sincerely,
New Jersey LCV
New Jersey Sierra Club
New Jersey Conservation Foundation
Natural Resources Defense Council
Environmental Defense Fund
Regional Plan Association
Vote Solar
MnM Consulting