

EXECUTIVE ORDER NO. 317

WHEREAS, global atmospheric warming, driven largely by human activities that emit greenhouse gases and other climate pollutants, is leading to significant changes in climate patterns here in New Jersey and around the world, presenting an existential threat to residents of New Jersey and their health, communities, businesses, environment, and way of life; and

WHEREAS, New Jersey's overburdened communities disproportionately bear the burdens of climate change; and

WHEREAS, it is the policy of this State that, as a key part of its efforts to curtail the serious impacts of global climate change caused by greenhouse gas emissions, New Jersey must pursue an equitable and smooth transition to clean and renewable energy sources while building a stronger and fairer economy; and

WHEREAS, New Jersey's first Scientific Report on Climate Change, issued by the Department of Environmental Protection ("DEP") on June 30, 2020 pursuant to Executive Order No. 89 (2019), described impacts of climate change that are presently occurring in New Jersey as a result of increased atmospheric levels of greenhouse gases; including increasingly mild winters and related ecosystem harms, more intense rainfall, more severe flooding, sea level rise, damage to aquatic habitats, increased air pollution, more severe droughts, and damage to agricultural and marine resources; all of which threaten public health, safety, and the State's infrastructure and economy, and will likely be more severe in years to come; and

WHEREAS, the DEP's October 15, 2020 Global Warming Response Act ("GWRA") 80x50 Report found that, without steep and permanent reductions in greenhouse gas emissions, New Jersey will increasingly experience significant adverse effects of climate change; and

WHEREAS, on July 6, 2007, the State enacted the GWRA, P.L.2007, c.112, establishing a statewide goal of reducing greenhouse gas emissions to 80 percent below 2006 levels by 2050; and

WHEREAS, on July 23, 2019, I signed into law P.L.2019, c.197, which reinforced the GWRA by requiring action in the short-term to better enable the State to meet its goal of reducing greenhouse gas emissions to 80 percent below 2006 levels by 2050; and

WHEREAS, on November 10, 2021, I signed Executive Order No. 274, setting a policy for the State of reducing greenhouse gas emissions to 50 percent below 2006 levels by 2030, to complement the GWRA's goal of an 80 percent reduction in emissions by 2050; and

WHEREAS, today, in Executive Order No. 315 (2023), in furtherance of these emission reduction goals, I set a goal that 100 percent of the electricity sold in the State be derived from clean sources of electricity by January 1, 2035, including through clean energy market mechanisms; and

WHEREAS, pursuant to Executive Order No. 28 (2018), on January 27, 2020, the New Jersey Board of Public Utilities ("BPU") released New Jersey's 2019 Energy Master Plan ("EMP"), which provided a comprehensive, forward-thinking blueprint for an equitable and smooth transition from reliance on fossil fuels that contribute to climate change to 100 percent clean energy sources on or before January 1, 2050; and

WHEREAS, the EMP found that building space and water heating, appliances, and industrial uses are responsible for 28 percent of state emissions and 62 percent of the State's total end-use energy consumption; identified electrification as a significantly more cost-effective means of meeting emissions targets than switching to carbon-neutral fuels; and called for electrification of 90 percent of building space and water heating by 2050; and

WHEREAS, today, in Executive Order No. 316 (2023), I set a target of electrifying 400,000 residential and 20,000 commercial buildings by 2030, directed my Office of Climate Action and the Green Economy, in consultation with the Clean Buildings Working Group; to release a New Jersey strategic roadmap to clean buildings; and directed the

Department of Community Affairs ("DCA") to develop guidance for builders, including voluntary enhanced standards, to support achieving these goals; and

WHEREAS, the Clean Energy Act of 2018 required natural gas public utilities to achieve annual reductions in the use of natural gas of at least 0.75 percent of the average annual usage in the prior three years within five years of implementation of their energy efficiency programs and allowed the BPU to set further usage reduction targets and timeframes; and

WHEREAS, in an Order dated June 10, 2020, in In the Matter of the Implementation of P.L.2018, c.17 (BPU Docket No. Q019010040), the BPU directed natural gas public utilities to propose energy efficiency and peak demand reduction programs in compliance with the Clean Energy Act of 2018 for implementation beginning July 1, 2021; and

WHEREAS, the BPU's August 2022 New Jersey EMP Ratepayer Impact Study, which incorporated the findings of the EMP into a comprehensive model of customer rate and energy cost impacts; found that if the State continues to follow the approach laid out in the EMP; retail natural gas sales will fall by 25 percent by 2030 and an average residential customer will pay 25 to 30 percent more for natural gas heat, and have higher overall non-vehicle energy costs, in 2030 than in 2020, while a customer adopting electric heating and energy efficiency will have lower overall non-vehicle energy costs; and

WHEREAS, the Ratepayer Impact Study found similar trends when modeling a pathway to 100 percent clean energy in 2035 instead of 2050; and when looking at impacts on low-income residential customers as well as commercial and industrial customers; and

WHEREAS, the BPU's June 29, 2022 Order on the Exploration of Gas Capacity and Related Issues found that, through 2030, New Jersey has sufficient natural gas pipeline infrastructure to meet the State's firm demand for design-day conditions and could meet demand for extreme cold weather occurring once every 90 years if the State meets

half of its building electrification goals coupled with effective voluntary demand reduction or higher energy efficiency program targets; and

WHEREAS, the need to reduce greenhouse gas emissions and the economic realities of the transition to a clean energy economy necessarily require significant reductions in the consumption of natural gas; and

WHEREAS, New Jersey's natural gas public utilities continue to provide a critical service to residents and businesses, and provide numerous well-paying jobs; and

WHEREAS, it is appropriate to conduct a thoughtful and thorough assessment and planning process that takes into account the implications of New Jersey's decarbonization goals and future changes to energy needs on the State's natural gas industry, operations, infrastructure, and customers; and

WHEREAS, New Jersey's natural gas public utilities, consumer and environmental advocates, commercial and industrial gas users, electric utilities, delivered fuel companies, clean energy developers, labor unions, academics, Division of Rate Counsel, and other stakeholders all have key insights that should be considered in this planning process;

NOW, THEREFORE, I, PHILIP D. MURPHY, Governor of the State of New Jersey, by virtue of the authority vested in me by the Constitution and by the Statutes of this State, do hereby ORDER and DIRECT:

1. The BPU shall immediately initiate a proceeding to formally engage with stakeholders concerning development of natural gas utility plans that reduce emissions from the natural gas sector to levels that are consistent with achieving the State's 50 percent reduction in greenhouse gas emissions below 2006 levels by 2030, as directed in Executive Order No. 274 (2021); and within 18 months, develop recommendations for how the natural gas industry can best

meet these goals, considering cost and support for well-paying jobs, including union jobs, necessary to deliver on these goals.

2. In conducting the proceeding, the BPU shall give consideration to:

- a. Competitive market mechanisms to drive the lowest cost methods for reducing total greenhouse gas emissions associated with the natural gas sector, including but not limited to, adoption of a "clean heat" standard that would allow natural gas public utilities to select from a suite of measures to meet emission reduction standards, which may include accelerated energy efficiency and peak demand reduction targets, enhanced building electrification targets, leak minimization, or other similar measures;
- b. The need to ensure reliable operation and long-term financial viability of natural gas public utilities and the business model needed to keep the gas system intact while accounting for a shrinking customer base; including ensuring that gas distribution company growth assumptions and peak usage calculations factor into State decarbonization policies and minimize investment in new infrastructure so as to reduce risk of stranded asset costs;
- c. Alternative programs and investments that could provide natural gas utilities with new revenue streams and promote good-paying jobs, including union jobs, such as the potential to convert existing pipeline infrastructure to provide decarbonized heating and cooling to New Jersey's residents and businesses;

- d. Elimination of subsidies that encourage unnecessary investment in natural gas infrastructure that is likely to result in stranded costs to customers;
- e. Long-term impacts on residential and industrial customers who fail to or are unable to switch away from natural gas; with particular attention to the needs of and barriers faced by low-income customers; and ways to reduce barriers to transition, including rate design, incentive structuring, and pilot programs to accelerate infrastructure conversion;
- f. Electric grid readiness to handle electrification of building heating and cooling, as well as transportation, including recommendations for shifting investment funding from natural gas to electric system infrastructure upgrades; and
- g. Any other issues the BPU deems relevant to the central purpose of the proceeding.

3. In developing the scope of the proceeding and the recommendations arising from it, the BPU shall consult with the Governor's Office of Climate Action and the Green Economy, the Clean Buildings Working Group, the DEP, the DCA, the Economic Development Authority, and any other implicated State agencies.

4. Following the conclusion of the stakeholder process, and no later than eighteen months from the date of this Order, the BPU shall prepare a report summarizing the findings from the proceeding, as well as recommendations to address issues surfaced in the proceeding and advance the goal of reducing greenhouse gas emissions while keeping costs to ratepayers in check.

5. Nothing in this Order shall be construed to confer any legal rights upon entities whose activities are regulated by State entities; nothing shall be construed to create a private right of action on behalf of any such regulated entities or other persons; and

nothing shall be used as a basis for legal challenges to rules, approvals, permits, licenses, or other action or inaction by a State entity. Nothing in this Order shall be construed to supersede any federal, State, or local law.

6. This Order shall take effect immediately.

GIVEN, under my hand and seal this
15th day of February,
Two Thousand and Twenty-three,
and of the Independence of the
United States, the Two Hundred
and Forty-Seventh.

[seal]

/s/ Philip D. Murphy

Governor

Attest:

/s/ Lisa M. Almeida

Deputy Chief Counsel to the Governor