

**Ralph Izzo Oral Testimony**

**U.S. House of Representatives**

**Select Committee on Energy Independence and Global Warming**

**Business Opportunities in a Low Carbon Economy**

**October 10, 2007**

Chairman Markey, Ranking Member Sensenbrenner, and members of the Committee, I am honored to appear before you today on behalf of Public Service Enterprise Group.

PSEG, headquartered in New Jersey, is an energy services company. In addition to our regulated utility, we own and operate competitive electric generating capacity in eight states, including coal, natural gas and nuclear capacity.

We believe that climate change is the preeminent challenge of our time and with it comes significant business opportunities and responsibilities.

Our company has been a leader in the effort to limit greenhouse gases for more than 15 years. Some of the steps we have taken include:

- Being the first utility in the country to sign a pre-Kyoto, voluntary, Greenhouse Gas reduction accord.
- Voluntarily agreeing in 2004 to reduce our carbon dioxide emission rate by 18 percent from 2000 levels by 2008.

- And, being a leading advocate for a national, economy-wide cap-and-trade program to reduce greenhouse gas emissions to 1990 levels by 2020 and 80 per cent below current levels by 2050.

We are also improving the efficiency of our own electric delivery system. Some initiatives include:

- investing in state-of-the-art distribution cables and energy-efficient transformers.
- using a biodiesel fuel blend in our vehicle fleet, and
- replacing 1,300 cars and light trucks with hybrid electrics and retrofitting 450 bucket trucks with electric drives to power the lifts.

Mr. Chairman, if you ask whether climate policies have influenced our business decisions, and whether we think there are significant opportunities for businesses to participate in the climate challenge ahead, the answer is a resounding “yes.”

To do so, PSEG and other companies will need to apply our expertise in new ways to reduce energy demand, spur development of renewable resources, and develop carbon-free central station power. In short, we will have to change the way we run our businesses, and enter into a new era of collaboration with state and federal policymakers.

Energy efficiency offers one such opportunity -- but it will require a new regulatory compact. These are investments that can be made right now, using existing technology.

For example, in 1970 a typical refrigerator consumed around 2,000 kilowatt-hours of electricity annually. Today, an Energy Star refrigerator of the same size consumes about one-fifth of that amount. The problem is that customers are not making decisions to invest in efficiency opportunities like this refrigerator.

Energy utility companies are uniquely positioned to change this dynamic by investing in energy-saving appliances and fixtures ourselves, and receiving compensation, as we do for investing in pipes and wires.

- Consider the fact that utilities engage in millions of interactions with customers daily and employ a highly skilled workforce that can be engaged to promote efficiency.
- Also, utilities can make long-term investments and can assure that all customers, especially low-income customers, benefit from energy efficiency .

On the renewable energy front, PSEG has requested State approval to invest \$100 million to finance solar projects in New Jersey.

- PSEG proposes to provide loans to solar developers, making solar energy more accessible and affordable for households and businesses.
- We are also anxious to explore direct investment in solar energy, if Congress enacts the provision in the energy tax package that allows utilities to claim the investment tax credit available to others.

## **NATIONAL CAP AND TRADE PROGRAM**

Mr. Chairman, I conclude by saying what you already know – for the U.S. to meaningfully address climate change, a uniform national greenhouse gas reduction policy that establishes a market price for carbon is needed. This will drive development of new, low-carbon technologies.

This should be a single, economy-wide, cap-and-trade program; and, a single greenhouse gas trading market with consistent emission reductions targets across all states.

Congress should take its cue from the 10-state Regional Greenhouse Gas Initiative and develop a comparable national program that will render regional programs unnecessary.

By comparable I mean: enacting requirements that are at least as stringent as RGGI.

Other key components of a national program should include:

- transitioning to a federal allowance auction over a 10-year period and using proceeds to fund research and development and low income assistance.
- allocating a portion of allowances at no cost to electric generators based on an updating, output-based formula. This approach will spur investment in higher-efficiency power plants and provide incentives for investing in advanced low-and-zero carbon technologies.

Mr. Chairman and Members of the Committee, thank you again for the opportunity to participate in these important hearings. I look forward to your questions.