

MEMORANDUM

TO: Members of the Authority

FROM: Evan Weiss, Chief Executive Officer

DATE: August 20, 2026

SUBJECT: NJ Cool Pilot Program Phase 2

Request:

The Members of the Board are asked to approve:

1. The creation of Phase 2 of the NJ Cool Pilot Program (“Program”), that will provide grants to retrofit projects in existing eligible Commercial, Industrial, or Institutional buildings in New Jersey to reduce operating greenhouse gas emissions, increase renewable energy generation and energy storage capacity, and reduce energy demand in New Jersey.
2. The utilization of \$25,000,000 of Regional Greenhouse Gas Initiative (RGGI) funds to capitalize the Program from the RGGI Strategic Funding Plan(s) that includes a relevant funding initiative applicable to the scope of the Program.
3. Delegation of authority to the Chief Executive Officer to:
 - a) Approve individual applications for Phase 2 of the NJ Cool Program in accordance with the terms set forth in this memo and the attached program specifications.
 - b) Expand Program geographic eligibility from Overburdened and Adjacent Communities to the entire state one year after the application opens to the public, if Program funding remains available.
 - c) Re-allocate any unallocated funds from Phase 1 of the Pilot Program into Phase 2 of the Program
 - d) Increase Program funding from the initial \$25,000,000 to up to \$50,000,000 based on available RGGI funding if application demand exceeds the initial \$25,000,000 funding allocation.

Background:

On November 16, 2023, the Board approved the creation of the NJ Cool Pilot Program (“Pilot”) and the utilization of \$15,000,000 from NJEDA’s allocation of 2023-2025 RGGI funds. The Pilot provided grants to retrofit projects in existing commercial buildings undergoing physical improvements to reduce their operating greenhouse gas emissions. On October 8, 2024, the Board approved additional program changes to Pilot, updating program definitions, eligibility requirements, and delegated authority to approve additional funding of \$15,000,000 million to the Pilot if program demand exceeded the initial \$15,000,000 allocation. This additional \$15,000,000 was utilized and in April 2026, the Pilot became fully subscribed, and the application portal was closed. While new applications are no longer being accepted, staff continues to oversee program implementation as construction projects are completed and grant funding is disbursed.

New Jersey's building sector is a major contributor to greenhouse gas emissions and energy use, accounting for 62% of the state's end-use energy consumption according to the 2019 Energy Master Plan. New Jersey's Strategic Roadmap for Building Decarbonization underscores the need to install zero-carbon equipment for space heating to achieve the State's goal to cut emissions 80 percent below 2006 levels and transitioning 90 percent of buildings to zero-emission heating systems by 2050.

Additionally, Governor Sherrill's Executive Order 2 identifies both solar power generation and battery storage as key solutions to address the State's energy generation needs and keep up with increased power demands, both major drivers of the current energy affordability challenges. Further, distributed energy solutions like solar and energy storage serve as a key opportunity to offset rising electricity use and load growth demand, while simultaneously decarbonizing the electric grid.

Program Overview:

Phase 2 of the Program establishes a building decarbonization framework that bundles energy efficiency, beneficial electrification, renewable energy generation, and energy storage into a single program offered to existing eligible Commercial, Industrial, or Institutional buildings in New Jersey. The Program provides grant support for projects that achieve energy savings and accelerate the transition away from fossil fuel-based heating systems and high global warming potential refrigerants used in cooling systems. Combined with on-site renewable energy, and on-site energy storage systems, these investments help create efficient, affordable, and more resilient buildings while supporting New Jersey's broader clean energy objectives. The Program is designed to facilitate economic growth and advance clean energy market transformation by addressing up-front cost barriers for these technologies and establishing a scalable model for effective decarbonization in New Jersey. Eligible projects will combine advanced heating and cooling systems, energy efficiency improvements, solar photovoltaic generation, and battery energy storage to create high-performing, low-carbon operating buildings capable of delivering long-term economic and environmental benefits for the State.

Grants will be provided to reduce the investment costs of undertaking retrofit construction projects in existing eligible buildings. Grant awards will cover 50% of eligible project costs, up to a maximum award of \$1,000,000 per project (with a minimum award amount of \$50,000 per project). This approach was also used for Phase 1 of the Program. Applicants may be eligible for one (1) grant bonus consisting of an additional 10% bonus, and a maximum reimbursement rate of 60% of total eligible project costs for projects completing full building electrification, defined as switching 100% of a building's combustion-based space heating loads to non-combustion-based heat systems, rather than the minimum 75% requirement.

Eligible projects must include one (1) scope selection from each of the following two (2) categories:

1. Renewable Energy Generation or Energy Storage
 - a. On-site renewable energy generation (solar, geothermal, etc.)
 - b. On-site energy storage (battery, thermal, etc.)

AND

2. Clean Heating and Cooling

- a. Electrification/Fuel Switching of Space Heating Systems
- b. Refrigeration Modernization of Space Cooling Systems

The Program will be available on a first-completed application, first-served basis to eligible buildings in State Designated Overburdened Communities (OBCs) and formally designated Adjacent Communities as defined by the New Jersey Environmental Justice Law and identified per NJDEP's EJMAP tool. Pending approval of delegated authority, one year after the application is open exclusively to OBCs and Adjacent Communities, any remaining program funds will be made available to all eligible property classes statewide. If the Program is expanded to the entire state under delegated authority, funding would be available on a first-completed application, first-served basis to all eligible building projects.

Program Funding:

The Program will utilize \$25,000,000 in RGGI funds available to NJEDA from the RGGI Strategic Funding Plan(s) that includes a relevant funding initiative applicable to the scope of the Program. Administrative costs for the program will be covered under RGGI administrative funding that is available to NJEDA independently from RGGI project funding.

Grant Amounts:

For all projects, the minimum grant award size is \$50,000. The maximum grant award size is \$1,000,000 per project. A maximum of \$3 million in total grants will be made available per Employer Identification Number (EIN).

Grant awards will be calculated based on the quoted costs of the eligible project scope. The Program will not provide reimbursement for costs already incurred prior to application approval.

Delegated Authority

The Members of the Board are requested to approve delegated Authority to the Chief Executive Officer to

- a) Approve individual applications for Phase 2 of the NJ Cool Program in accordance with the terms set forth in this memo and the attached program specifications.
- b) Expand Program geographic eligibility from Overburdened and Adjacent Communities to the entire state one year after the application opens to the public, if Program funding remains available.
- c) Re-allocate any unobligated funds from Phase 1 of the Pilot Program into Phase 2 of the Program
- d) Increase Program funding from the initial \$25,000,000 to up to \$50,000,000 based on available RGGI funding if application demand exceeds the initial \$25,000,000 funding allocation.

Delegated authority is requested to utilize up to an additional \$25,000,000 in RGGI funds available to NJEDA to expand Phase 2 of the Program if demand surpasses the initial \$25,000,000 funding allocation. The requests are necessary to streamline application approvals and align with previously granted delegated authority requests approved from the NJ Cool Pilot Program. The geographic eligibility expansion request will drive additional program demand if the OBC eligibility requirements result in limited program uptake.

If the Program is expanded to the entire state under delegated authority, funding would be available on a first-completed application, first-served basis to all eligible building projects.

Fees:

NJEDA will charge a \$500 application fee per project application.

Recommendation:

The Members are asked to approve:

1. The creation of Phase 2 of the NJ Cool Pilot Program (“Program”), that will provide grants to retrofit projects in existing small businesses, non-profit organizations, municipalities, and K-12 schools in New Jersey to reduce operating greenhouse gas emissions, increase renewable energy generation and energy storage capacity, and reduce energy demand in New Jersey.
2. The utilization of \$25,000,000 of Regional Greenhouse Gas Initiative funds to capitalize the Program from the RGGI Strategic Funding Plan(s) that includes a relevant funding initiative applicable to the scope of the Program.
3. Delegation of authority to the Chief Executive Officer to:
 - a) Approve individual applications for Phase 2 of the NJ Cool Program in accordance with the terms set forth in this memo and the attached program specifications.
 - b) Expand Program geographic eligibility from Overburdened and Adjacent Communities to the entire state one year after the application opens to the public, if Program funding remains available.
 - c) Re-allocate any unallocated funds from Phase 1 of the Pilot Program into Phase 2 of the Program
 - d) Increase Program funding from the initial \$25,000,000 to up to \$50,000,000 based on available RGGI funding if application demand exceeds the initial \$25,000,000 funding allocation.

Evan Wiess, Chief Executive Officer

Prepared by: Lloyd Lomelino, Product Officer, Clean Energy

Attachments:

Appendix A – Proposed Product Specifications: NJ Cool Program

Appendix A – NJ Cool Phase 2 Proposed Program Specifications
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Program Overview	Phase 2 of the NJ Cool Pilot Program is designed to reduce operating greenhouse gas emissions from the building sector, increase renewable energy generation, and reduce energy demand in the State by offsetting capital costs of related construction projects for existing buildings. By deploying \$25 million in RGGI funds, the program will support retrofit projects that achieve energy savings and accelerate the transition away from fossil fuel-based heating systems and high global warming potential refrigerants used in cooling systems. Combined with on-site renewable energy, and on-site energy storage systems, these investments help create efficient, affordable, and more resilient buildings while supporting New Jersey’s broader clean energy objectives. The Program is designed to facilitate economic growth and advance clean energy market transformation by addressing up-front cost barriers for these technologies and establishing a scalable model for effective decarbonization in New Jersey. Eligible projects will combine advanced heating or cooling systems with on-site renewable energy generation or energy storage to reduce operating greenhouse gas emissions, increase renewable energy generation and energy storage capacity, and reduce energy demand and deliver long-term economic and environmental benefits for the State. The Program will offer grant awards between \$50,000 and \$1 million to existing small businesses with less than \$5 million in revenue as demonstrated on most recent annual tax documentation, non-profit organizations, municipalities, and K-12 schools in New Jersey. Grant awards will cover 50% up to a maximum award of \$1,000,000 per project (with a minimum award amount of \$50,000 per project). Applicants may be eligible for one (1) grant bonus consisting of an additional 10% bonus (60% maximum) for projects completing full building electrification, defined as switching 100% of a building’s combustion-based space heating loads to non-combustion-based heat systems.
Program Funding	The Program will utilize \$25,000,000 in RGGI funds available to the NJEDA from the RGGI Strategic Funding Plan(s) that includes a relevant funding initiative applicable to the scope of the Program.. One year after the application is open to the public, Program eligibility will expand from OBC and Adjacent Communities to the entire state, if Program funding remains available. If the program expands, all remaining program funding will be available to all eligible property classes statewide on a first-completed application, first served basis.
Grant Amounts	The minimum grant award size is \$50,000. The maximum grant award size is \$1,000,000 per project. A maximum of \$3 million in total grants will be made available per Employer Identification Number (EIN). Grant awards will cover 50% of eligible project costs. Applicants may be eligible for one (1) grant bonus consisting of an additional 10% bonus for projects completing full building electrification, defined as switching

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	100% of a building’s combustion-based space heating loads to non-combustion-based heating systems. The Program will not provide reimbursement for costs already incurred prior to application approval.
Eligibility Requirements	• Applicant Eligibility ○ Applicants must be Commercial, Industrial, or Institutional building owners OR equivalent tenants seeking to complete retrofit construction projects in existing eligible building spaces. ○ Institutional buildings include owners OR tenants that serve a non-profit or public purpose such as a library, hospital, public school, institution of higher education, municipal utility, public recreation or cultural facility, or government entity. ○ The term “government entity” includes local and municipal government entities, but for the purposes of this pilot, State government entities are not eligible. ○ Commercial buildings include private commercial use building owners OR tenants whose primary use of the building is commercial operations that meet the definition of Property Class 4A. ○ Industrial buildings include Private manufacturing building owners OR tenants whose primary use of the building is manufacturing or industrial operations that meet the definition of Property Class 4B. ○ Tenants must demonstrate owner approval and a valid lease for one year beyond the length of the proposed project’s construction timeline and provide a landlord certification approving the project. ○ Commercial and Industrial applicants must have less than \$5 million in revenue as demonstrated on most recent annual tax documentation. ○ A maximum of \$3 million in total grants will be made available per Employer Identification Number (EIN). ○ The applicant must be in substantial good standing with the New Jersey Department of Labor and Workforce Development and NJ Department of Environmental Protection to participate in the program. ○ A valid tax clearance certificate must be provided prior to application approval and maintained through project construction and disbursement milestones to demonstrate the Applicant is properly registered to do business in New Jersey and in substantial good standing with the NJ Division of Taxation.

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	○ To prevent duplication of benefits, participants in the NJEDA Retrofit, and NJ Clean Energy New Construction Program (Gut Rehab) or Large Energy Users Program are not eligible to participate in the Program. Similarly, the maximum potential grant award will be calculated from total eligible project costs net the amount of any expected incentive payments from state-run or utility energy efficiency programs. ● Building Eligibility ○ Project must be located within New Jersey State Designated Overburdened Communities (OBCs) or a formally designated Adjacent Communities at time of application as defined by the New Jersey Environmental Justice Law, per NJDEP EJMAP tool. AND ● Meet one of the following property classes as defined by NJAC 18:12-22: ○ Class 4A: Commercial Property ○ Class 4B: Industrial Property ○ Class 15A: Public School Property ○ Class 15B: Other School Property ○ Class 15C: Public Property ○ Class 15D: Church and Charitable Property ○ Class 15F: Other Tax-Exempt Property If Program funds are not fully awarded within one year after public release of the application, Program eligibility may be expanded statewide to include all existing New Jersey buildings within qualifying property classes ● Project Eligibility ○ Project must demonstrate total eligible costs of at least \$100,000. ○ Applicants must provide, at time of application, a verified estimate from a qualified professional summarizing estimated reductions in operating greenhouse gas emissions and energy savings as a result of the project with supporting information and additional documentation as required (historic energy bills, HVAC equipment information, etc.) ○ Qualified professionals include but are not limited to: ▪ Licensed engineer (NJ state professional engineer or other state's equivalent) ▪ Licensed architect (NJ state registered architect or other state's equivalent)
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- Certified Energy Auditor (CEA certification from the Association of Energy Engineers)
- Certified Energy Manager (CEM certification from the Association of Energy Engineers)
- Energy Management Professional (EMP certification from the Energy Management Association)
- Building Energy Assessment Professional (BEAP certification from the American Society of Heating, Refrigeration, and Air-Conditioning Engineers)

The qualified building design or energy professional must attest that the project as designed will result in the switching of 75% or more of building space heating loads from existing fossil fuel-based combustion systems to non-combustion heating systems with low to zero direct operating emissions and/or the replacement of 75% or more of existing high global warming potential (GWP) refrigerants used for cooling within the building with low GWP alternatives.

Eligible projects must include one (1) scope selection from each of the following two (2) categories:

1. Renewable Energy Generation or Energy Storage
 - a. On-site renewable energy generation (solar, geothermal, etc.)
 - b. On-site energy storage (battery, thermal, etc.)

AND

2. Clean Heating and Cooling
 - a. Electrification/Fuel Switching of Space Heating Systems
 - b. Refrigeration Modernization of Space Cooling Systems

Energy Storage System uses may include battery backup power, energy storage for on-site generation, peak shaving, or time of use offset.

On-site solar projects that utilize power purchase agreements or involve participation in Community Solar programs are not eligible for Phase 2 NJ Cool grants.

Fuel switching will require 75% or more of building space heating loads be converted from combustion-based heating systems to non-combustion heating systems with low to zero direct operating emissions. Refrigeration Replacement requires 75% or more of existing high global warming potential (GWP) refrigerants (defined as refrigerants with a GWP greater than or equal to 700 (100-year GWP value)) used for cooling within the building to be replaced with lower GWP alternatives (defined as refrigerants with a GWP lower than the existing high GWP).

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	If the Applicant is a tenant, the minimum 75% switching requirement for heating load or existing refrigerants will only apply to the portions of the building within the tenant’s lease or the building systems affecting the tenant’s space within the overall building.
Eligible Uses of Grant Funding	• Eligible project costs include: ○ Materials, labor, and/or equipment provided by New Jersey Public Works Registered contractor that are directly related to each required project scope, emissions reductions/energy efficiency improvements or enabling work necessary for proposed emissions reducing/energy efficient building systems to be operational (i.e., electrical upgrades, structural improvements for rooftop solar or HVAC systems) ○ Additional work that further reduces operating emissions and/or improves energy efficiency of the building, including but not limited to: ▪ Replacing gas powered appliances (ex: hot water heaters, clothes dryers, kitchen equipment) with electric alternatives ▪ Installing building management systems or energy load controls ▪ Conducting weatherization or building envelope (ex: façade, doors, windows, insulation) upgrades ▪ Installing heat recovery equipment ▪ Replacing lighting with more efficient equipment and/or controls ○ Equipment and/or materials procured directly by the Applicant that are directly related to the required project scope, emissions reductions/energy efficiency or enabling work necessary for proposed emissions reducing/energy efficient building systems to be operational ○ 3rd Party construction management costs, commissioning costs. • Ineligible Project Costs include: ○ Soft costs: including but not limited to energy audits, professional design services, permitting fees, inspection fees ○ Equipment and labor costs to install new combustion-based heating systems (e.g., boilers, furnaces), regardless of efficiency ○ Interior finish improvements and upgrades not related to operating energy/emissions reductions (ex: flooring, artwork)

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	○ Other building system upgrades that are not related to energy/emissions reductions (ex: fire sprinklers, security cameras), even if required for overall building code compliance ○ Furniture: non-permanent items (ex: desks, chairs, cabinets) ○ Prior energy efficiency/emissions reductions improvements begun or completed before time of application approval ○ New construction, including enlargements or additions to existing buildings that increase overall building square footage ○ Facility or site acquisition ○ Fines incurred because of code or zoning violations during construction project(s) associated with this grant ○ Costs not included in the approved project scope. ● Additionally: ○ The applicant and any collaborators performing capital work will be subject to labor compliance, including New Jersey affirmative action, prevailing wage requirements, and the requirement to complete New Jersey Contractor Registration. ○ Except for projects participating in the NJEDA's Retrofit program, and NJ Clean Energy New Construction Program (Gut Rehab) or Large Energy Users Program, the grant award is stackable with other incentives from utilities and/or federal, state, and local government agencies. NJEDA will conduct a review in coordination with other State agencies to ensure there is no duplication of benefits. The maximum potential grant award will be calculated from total eligible project costs net the amount of any expected incentive payments from state-run or utility energy efficiency programs.
Application Process	Applications will be evaluated on a first-completed application, first served rolling basis. The application will remain open until all available funding is reserved or until three (3) years after date of application launch, whichever is sooner. NJ Cool grant awards will not be adjusted following notice of application approval, and the Applicant will be responsible for any additional or unexpected project costs, even if cost increases are related to the eligible project scope. If the original contractor identified in the application cannot complete the project after the Applicant's submission, a new contractor may be

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hired, provided they are a registered New Jersey Public Works Registered Contractor.

Step 1 – Application Requirements: Applicant submits application to NJEDA, which shall include, among other items:

- Building address and property information (size, property class, etc.)
- Proof of compliance with eligible building property classes including but not limited to property tax documentation, municipal/county records, or similar documentation
- Proof of ownership/proof of owner permission
 - If Applicant leases space, a copy of their lease and a certification from the landlord that they have reviewed and approved the proposed facility improvement(s).
 - If Applicant owns space, a deed, property tax statement, or current mortgage statement from the lender.
- A description of the proposed project
- Photos of the existing building space and heating or cooling equipment
- Cost estimate budget spreadsheet using NJEDA template, which is supported by:
 - Quote(s) from contractor(s) that are registered with New Jersey Department of Labor Public Work as a Publics Works Registered Contractor with costs consistent with New Jersey State prevailing wage rates
 - Vendor quotes or similar retailer price information for any relevant items to be purchased directly by the Applicant
- Estimated project schedule
- Requested grant award amount
- Expected utility/state energy efficiency incentive payments (if applicable)
- Energy utility bill(s) or annual summary of energy use, and/or energy consumption (e.g. oil, propane) data for prior 12 months of operation
- Green building certification being pursued (if applicable)
- Energy Emissions Summary Form, using NJEDA template, which is supported by calculations.

Step 2 – Application Review:

NJEDA reviews the submitted application materials and performs a completeness review of each submitted application. If the submitted application is incomplete, staff shall send written notice providing applicants fifteen (15) business days to provide the missing documents or information in their application. If at the end of the 15-day period, the Applicant has not responded, their application will be deemed incomplete and will be administratively withdrawn by NJEDA staff. If

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	an Applicant responds within the 15-day period but provides insufficient information, the application may be declined and given a right to appeal. Step 3 – Application Approval: If eligible and applicable, NJEDA will provide an approval letter to the applicant with the maximum potential grant award available for the project. The Applicant will have two (2) months from notice of application approval to provide proof of funding for total estimated project costs plus an additional 15% of overall project costs as contingency to allow for potential cost overruns that may arise during construction before entering into a grant agreement. Proof of funding can include bank account statements, financing agreement, or similar indication of available working capital for the project costs. Additional financing provided by NJEDA may be used to cover project costs not eligible under the program. Additional financing provided by NJEDA may also be used to cover project costs paid up front by the Applicant prior to submitting for NJ Cool grant reimbursement. If not already provided, the applicant must provide a current tax clearance certificate at the time of grant agreement. Step 4 – Construction Initiation: Project construction activity must commence on site within six (6) months of grant agreement execution, or the applicant must demonstrate that permit applications (if required) are pending with relevant building authorities, with the possibility for six-month extension(s) at the discretion of the Authority. Step 5 – Construction Completion: Applicants will have two (2) years from project construction commencement to achieve project completion, with the possibility for six-month extension(s) at the discretion of the Authority.
Grant Disbursement	NJEDA will disburse funds via two payments to the Applicant for reimbursement of eligible project costs at a 50% rate. Up to one-half of the maximum eligible grant award will be available for reimbursement as an optional progress payment after grant agreement is fully executed and before construction is completed. The balance of the grant award will be available for disbursement at project completion when all eligible project work is completed and accepted by the applicant. Final reimbursement will be based on submitted proof of actual project expenses (receipts, contractor invoices, etc.), signed progress/completion documents, and project photos. Final payment may be adjusted for any work not completed/project scope changes, and/or underspending. NJEDA shall recapture any grant funds used for (1) an ineligible purpose or (2) any purpose outside of the Program’s approved scope of work.
Compliance and Reporting	Applicants are required to ensure all contractors working on the project are New Jersey Department of Labor Public Work Certified and abide by

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	prevailing wage and affirmative action requirements. As part of the application process, applicants must submit at least prior 12 months of utility bills, energy consumption data (e.g. oil, propane, etc.), and building occupancy data to help establish baseline energy consumption. When the building is fully operational again following construction completion, the grant recipient must submit utility bills, energy consumption, and occupancy data for at least the first 12 months following construction to help verify the estimated energy and emissions savings as a result of the project. Applicants will be responsible for repayment of all disbursed grant funding if they do not at a minimum complete the work required for either on-site renewable energy generation, on-site energy storage systems, and switching 75% or more of building space heating loads from existing combustion-based systems to non-combustion heating systems with low to zero direct operating emissions or replacing 75% or more of existing space cooling system(s) with high global warming potential (GWP) within the building with lower GWP alternatives. NJEDA reserves the right to conduct site visits during and following completion of construction activities to confirm that work is being completed in accordance with eligible uses for the Program and all prevailing wage and affirmative action requirements.
Fees	NJEDA will charge a \$500 application fee per project application.