

## POLICY PRINCIPLES & POLITICAL PRIORITIES FOR THE 112<sup>TH</sup> CONGRESS

The U.S. economy is recovering too slowly. Unemployment remains high, and private investment remains low. The federal government must act to get the economy back on track, and we—two organizations representing hundreds of clean energy companies and thousands of members from across the nation—offer here a slate of policies, principles and budget priorities that will promote economic growth and position America to lead in the 21<sup>st</sup> Century.

### *GENERAL PRINCIPLES*

**Unharnessed domestic energy holds tremendous economic potential.** Clean energy is one of the fastest growing industries in the United States, but its expansion is handicapped by inconsistent policies, large capital investment gaps, and noncompetitive market dynamics. Existing government policies favor and protect legacy energy industries and infrastructure, and our companies compete today on an unlevel playing field. As a result, we are falling behind: according to Bloomberg, the US dropped to 3rd behind China and Germany in total private sector investment in clean energy in 2010.

In order to reverse this trend, the U.S. must make a commitment to embrace innovation and commercialization of new, clean technologies. Success requires a new approach to policy. The following principles are critical to form the foundation necessary to harness the economic potential of this emerging industry:

- ***Business must be part of the solution*** – Businesses will invest and take appropriate private capital risks but need consistent policies and market signals to unleash innovation and capitalism in this regulated, entrenched industry.
- ***The federal government must be a partner*** – Stable and transparent institutions will shape market signals and provide consistent regulatory frameworks to drive private sector investments, business growth and job creation.
- ***Bottom-up regional investments will unleash the U.S. economy*** - Because energy markets are regional, regionally based public-private partnerships are growing across the country and should play a core role in innovation, cluster development and market growth.
- ***Create a level playing field*** – Economies of scale reduce energy costs. Next steps must address market gaps and build incentives over periods long enough for new solutions to reach economies of scale. Many clean energy technologies are on a path to becoming cost-competitive but operate in an environment that favors business-as-usual approaches.
- ***Innovation requires long-term commitment*** – Investment and support from both the public and private sectors have built America's leading industries. Both sectors are key actors in the innovation

process, from research and development to commercial scale. The innovation lifecycle is long, however, and requires long-term, consistent policy to drive innovation.

- ***Energy security is a critical driver for clean energy solutions*** - Increasing domestic clean energy investments will not only reduce risk created by dependency on volatile resources, but also can improve the balance of trade and strengthen our infrastructure.

## *POLICY PRIORITIES*

To address barriers to the development of clean technologies and to harness the economic and national security benefits of domestic energy, CEN and NECEC have identified a slate of crucial policy priorities that will contribute to the growth of a modern economy. These policies are organized according to the commercialization lifecycle of a technology: from research institutions to start-up companies to publicly traded multinational corporations. This framework articulates a snapshot of our work and reflects our mission to advance the clean economy as a whole—not just one technology or segment of the economy. The following diverse mix of federal policies will activate private investment and emerging innovation clusters throughout the states to drive the industry forward, creating jobs and making America more competitive in the global marketplace.

**Research, Development & Innovation:** Our goal is to accelerate the pace of innovation and creation of new technologies, companies and industries. We stand behind robust support for basic research as well as development efforts that bridge companies and ideas into technologies that can be commercialized.

- *Advanced Research Projects Agency – Energy (ARPA-E):* The young ARPA-E program has proven to be effective at identifying and moving transformative technologies through the development pipeline to achieve critical proof points and attracting follow-on private capital.
- *Regional Energy Innovation Clusters:* Clean energy markets are regional and the majority of states already have public-private partnerships in place or in formation to accelerate their regional innovation, linking a diverse set of entrepreneurial, technical and economic development partners to collaborate on basic and translational research, as well as the building of clean energy business networks.

**Financing Innovation:** Our goal is to scale up innovations through stable economic policy that encourages private capital formation during the critical ramp up of technologies to commercial scale.

- *Clean Energy Deployment Administration (CEDA):* CEDA would offer a variety of federally backed financing options, including direct loans, letters of credit, and loan guarantees for viable forms of energy production, transmission, storage, and other technologies that are cleaner and reduce energy consumption. CEDA, if approved, would subsume Title XVII loans and expand energy loan guarantees.
- *RACE Initiative:* Given the difficult budget environment and the need to incent private capital to address clean energy financing opportunities, the *Repatriation to Accelerate Clean Energy* initiative is a timely design to bring private capital back to the U.S. if directed towards clean energy investments through private sector investment mechanisms.
- *Master Limited Partnerships (MLPs):* Oil and gas are currently eligible for MLPs—publicly traded limited partnerships that are not subject to corporate income taxes and are instead paid by

shareholders. Renewable energy is not eligible, and expanding eligibility would help level the playing field for energy technologies and allow for more avenues of private investment.

- *Federal Investment Tax Credit (ITC) and Production Tax Credit (PTC)*: Much of the private investment in the renewable industry's growth throughout the states has been mobilized by these tax credits. While extension of these tax credits is uncertain, many hopeful projects—along with the jobs they would create—lay waiting on the sidelines.

***Market Maturity***: Our goal is the deployment of clean energy through certainty and predictability to create long-term market demand. Long-term signals and standards create a pathway that allows the market to function and create the most cost-effective solutions.

- *Renewable Electricity Standard (RES)/Clean Energy Standard (CES)*: Renewable and clean energy standards can only be effective if they encourage investment in clean and renewable technologies beyond what states and companies have already committed. Carefully crafted goals, strong stakeholder input, and clear definitions can lead to an effective federal RES/CES with measurable, successive targets that will not weaken existing state programs.
- *Efficiency Standards*: Increases in energy efficiency from federal standards add up to significant cost savings and reductions in energy use and demand. Many states with energy efficiency portfolios have been expanding and enhancing their efforts, raising annual percent savings targets to unprecedented levels. As a new breed of states launched comprehensive and extensive efficiency efforts, federal policies must complement those efforts to maximize annual savings goals.

## *CLEAN ENERGY BUDGET PRIORITIES*

The 2012 Budget has profound and immediate implications for the clean economy sector. The 2012 DOE Budget includes critically valuable clean energy programs across the ***Innovation, Financing and Market*** areas above, and will either continue research and development investments that have started over the last few years and which have been instrumental to clean energy's job growth in spite of the recession, or the Budget will cede leadership in clean energy to China, Europe and other parts of the world.

The 2012 House Budget Committee proposal significantly misses the mark on clean energy. This budget proposal slashes important programs without making necessary distinctions between handouts to large energy incumbents who have been at economic scale for decades versus investments and incentives in emerging technologies to reach economies of scale.

The 2012 House DOE Budget also cuts energy research funding back to 2005 levels despite broad agreement within industry and the academic community that the US has underinvested for a generation in energy research. ARPA-E is filling a critical gap between research and private sector financing, but is at significant risk with funding proposals ranging from \$100M to \$500M. Blanket cuts to research and development, advanced manufacturing, and breakthrough clean energy technologies undercut our global competitiveness and fail to reduce our dependence on foreign energy sources.

Another priority item for the clean energy industry is renewed funding in the FY12 budget for DOE's Section 1703 Loan Guarantee Program for innovative projects. While new mechanisms should be considered that encourage private financing and investment, such as the RACE initiative or MLP's, funding for 1703 is critical for projects already proposed.

The 2012 budget must strike a careful balance between deficit reduction and investments in innovation and economic growth. There are certainly places for budget cuts and to offset the critical investment above, beginning with a phase-out of unnecessary subsidies. NECEC and CEN strongly support the principles of a level playing field along with subsidies to emerging, valuable technologies that need support to reach economies of scale. The young clean energy industry cannot compete and develop when government subsidies tilt the playing field to long mature energy sources. The 2012 DOE Budget is the time to begin to re-evaluate energy investments away from legacy subsidies that fund mature industries and toward more targeted investments in emerging technologies that drive innovation in energy and help commercialize new technologies to competitive economies of scale.

The 2012 DOE Budget should reflect the United States' commitment to remain a true competitor, if not the leader, in the global clean energy industry. Even as the DOE tightens its budget, there is an opportunity to invest in the energy of the future as we simultaneously phase-out unnecessary subsidies. We urge the House, Senate and Administration to come together and embrace a 2012 energy budget that provides for clean energy research and innovation, as well as support for private capital formation and market development. This is a critical moment for the nation, and we must continue our investment in a clean energy future.

### *ABOUT CEN & NECEC*

The ***Clean Economy Network*** (CEN) is the largest national membership-based networking, educational, and advocacy organization shaping a new economy based on clean technology and innovation. Our members are professionals, entrepreneurs, investors, and researchers who connect to each other, learn information relevant to business and professional growth, and influence public policies that impact the clean economy. We offer [resources](#) such as access to government reports, portals to the latest news in the clean economy, and inside information from leaders at the cutting edge of the clean economy. We currently have 17 chapters operating across the United States and Canada that host networking events and educational opportunities.

For more information: <http://cleaneconomynetwork.org>

The ***New England Clean Energy Council's*** mission is to accelerate New England's clean energy economy to global leadership by building an active community of stakeholders and a world-class cluster of clean energy companies. The Council represents close to 400 member and affiliate member organizations, including clean energy companies, venture investors, major financial institutions, universities, industry associations, utilities, labor and large commercial end-users, clean energy CEOs, the region's top law firms, and partners from most of the top New England cleantech venture capital firms. NECEC develops and executes a wide array of programs in six key focus areas: Innovation, Growth, Education & Workforce Development, Adoption, Policy & Advocacy, and Research.

For more information: [www.cleanenergycouncil.org](http://www.cleanenergycouncil.org)