April 14, 2011

The Honorable John Boehner
Speaker of the House
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Paul Ryan
Chairman, U.S. House Budget Committee
1233 Longworth House Office Building
Washington, D.C. 20515

The Honorable Nancy Pelosi
House Minority Leader
235 Cannon House Office Building
Washington, D.C. 20515

The Honorable Chris Van Hollen
Ranking Member, U.S. House Budget Committee
1707 Longworth House Office Building
Washington, DC 20515

Re: Concerns on the 2012 House Budget Committee Blueprint

Dear Speaker Boehner, Minority Leader Pelosi, and Members of the House Budget Committee,

We, the New England Clean Energy Council and the Clean Economy Network, believe that the 2012 budget must strike a careful balance between deficit reduction and investments in innovation and economic growth, particularly in the clean energy arena. The 2012 budget will either continue research and development investments that have started over the past couple of years and which have been instrumental to clean energy's job growth in spite of the recession; or the 2012 budget will be a retrenchment and disinvestment, ceding clean energy company and job growth to China and Europe.

Finding the right balance is not easy, but the 2012 House Budget Committee proposal significantly misses the mark on energy.

- As important as any specifics, the proposal's scant focus on energy – less than a page of the document — and the absence of any reference to clean energy are very worrisome.
- Rep. Ryan has described the proposal as "roll[ing] back expensive handouts for uncompetitive sources of energy" yet nowhere does the budget blueprint mention the massive subsidies given to oil and gas companies that distort energy competitiveness.
- The proposal fails to draw a distinction between handouts to fossil fuel incumbents, and investments in emerging technologies – a distinction that is economic, not ideological.
- The proposal takes the short-sighted approach of reducing funding for research by returning discretionary spending to pre-2008 levels and freezing it there for five years despite agreement within industry and the academic community that the U.S.

has underinvested for a generation in energy research.

- The proposal glosses over the difficulties of commercialization of new technology and ignores the well-known "valley of death" in which promising but unproven technologies struggle to attract private capital. The clean energy industry and the private capital sector well understand that both federal research dollars *and* some support for commercialization are crucial to bringing new energy technologies to market.

Targeted government investment and incentives have been critical to the introduction of almost any new technological innovation – including railroads, automobiles, airplanes, Internet, and telecom – to help create the market conditions for scale, continuous innovation and the driving down of costs. But in energy, this budget has things completely backwards. It continues subsidies to oil, gas and coal which have been in place for the better part of a century (even though this industry already has the largest profits on the planet) while aiming to remove the support for new clean energy technologies and an industry that is on track to be competitive in the next decade if growth and innovations continue.

Moreover, this budget ignores a true cost comparison between energy sources. Any honest accounting of energy competitiveness must include the full economic costs of fossil fuels. When public health and environmental impact are accounted for, clean energy starts to look like a bargain. A recent study by Harvard's Center for Health and the Global Environment concluded that U.S. reliance on coal costs the economy about $345 billion a year in hidden expenses. Taking into account the costs of elevated rates of cancer and other diseases, environmental disruption, foregone tourism, and climate impact – costs borne largely by the government and society at large – the cost of electricity produced from coal nearly triples.

Furthermore, there is no mention of energy efficiency, by far the "cheapest" source of energy since it actually saves money, and is an opportunity both to save government money and make the economy more productive overall if strong standards are established.

The House 2012 budget proposal claims to support energy innovation, but its authors have taken much too narrow a perspective on what a commitment to innovation would require. The budget proposes to fund "essential… basic research and development, while paring back spending in areas of duplication or non-core functions, such as applied and commercial research or development projects best left to the private sector."

This definition of innovation and R&D support misses the mark in two fundamental ways. First, it reduces funding for research by returning discretionary spending to pre-2008 levels and freezing it there for five years despite agreement within industry and the academic community that the U.S. has underinvested for a generation in energy research.

Second, this glosses over the difficulties of commercialization of new technology and ignores the well-known "valley of death" in which promising but unproven technologies struggle to attract private capital. The clean energy industry and the private capital sector well understand that both federal research dollars *and* some support for commercialization

are crucial to bringing new energy technologies to market. In 2010, China out-invested the U.S. by 60%, and a growing number of companies with U.S. inventions are moving overseas to build their companies, technologies, and expertise.

As stated above, the 2012 budget is an opportunity to build on recent clean energy investments in order to spur job creation and improve our competitiveness. 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.

Sincerely,

Peter Rothstein, President
New England Clean Energy Council

Jeff Anderson, Executive Director
Clean Economy Network