



# The Business Council For Sustainable Energy

*An Energy Agenda for the 21<sup>st</sup> Century*

January 24, 2007

Dear Senator:

The Business Council for Sustainable Energy (“the Council”) is a broad-based industry coalition of energy efficiency, natural gas and renewable energy interests that advocates energy and environmental policies that promote markets for clean, efficient and sustainable energy products and services. The Council’s coalition includes power developers, equipment manufacturers, independent generators, green power marketers, and gas and electric utilities as well as several of the primary trade associations in these sectors. The Council and its members have advised legislators and regulators on the development of clean energy, clean air and climate change initiatives for over a decade, representing available technologies that are vastly deployable solutions to climate change.

The Council is writing in advance of the Senate Environment and Public Works Committee’s “open forum” on January 30, at which time Senators are invited to come share their legislative proposals and other ideas about global climate change. We encourage you to participate in this valuable forum, and wish to share several elements of a federal climate change policy that the Council considers vital to any federal climate change proposal that might move forward.

### ***The Council’s Views on Federal Climate Change Legislation***

The Business Council for Sustainable Energy supports the enactment of federal climate change legislation that provides long-term market signals for clean energy deployment and energy efficiency.

To be most effective, a federal program should integrate energy and environmental policy. This will maximize energy sector and emission reduction investments. Further, the Council believes that any federal climate change program should place existing clean energy technologies at the center of compliance strategies. This will reduce compliance costs, mitigate fuel price increases and achieve the complementary objective of enhanced energy security. More specifically, the Council supports a federal climate change policy that includes the following elements:

- Is national in scope;
- Promotes a financial value from allocating allowances under a greenhouse gas trading program to clean energy and energy efficiency technologies. This can be achieved through an output-based allowance allocation method, a clean energy set-aside allowance pool or other revenue-generating mechanism;
- Involves a mandatory, economy-wide and market-based approach;
- Expands the development and use of clean energy sources, including wind, solar, hydro, biomass, geothermal, fuel cells, advanced battery systems and natural gas;
- Expands the development and use of energy efficiency and natural gas technologies, including the direct use of natural gas, on-site generation from combined heat and power, and energy efficiency for demand reduction;
- Establishes near-term and long-term targets that are consistent with investment cycles;
- Promotes compatibility with voluntary renewable energy, energy efficiency, and greenhouse gas markets so non-capped businesses and households can continue to support markets that result in actions that are above and beyond mandatory obligations; and,
- Establishes linkages with international programs.

It is widely recognized that the development of new technology will be an integral part of achieving climate change goals cost-effectively.<sup>1</sup> There are many solutions available today that should be explicitly encouraged in any climate change program to achieve early emission reductions, reduce our nation’s future carbon liability, and mitigate the cost of achieving long-term reduction goals. Addressing global climate change by promoting clean energy technologies that emit fewer greenhouse gases provides an opportunity to create jobs here at home and improve our environmental, national, and global security.

The Council's views are founded upon a wealth of growing evidence on the economic, environmental and health benefits of reducing greenhouse gas emissions, consistent with recent government analysis and findings of preeminent institutions and organizations involved in economic, energy and climate change policy.

In January 2007, the Energy Information Administration (EIA) released a new analysis on proposed federal climate change legislation offered by Senate Energy and Natural Resources Committee Chairman Jeff Bingaman, finding that "mandatory steps to reduce greenhouse gas emissions can be achieved at very low cost to American households and without harming the U.S. economy."<sup>iii</sup> The EIA analysis clearly demonstrates that federal climate change policy can viably achieve cost-effective greenhouse gas emissions reductions.

In addition to reducing greenhouse gas emissions, increased use of renewable energy, energy efficiency and natural gas will:

- **Offset fuel price volatility.** Expanding energy efficiency and increasing renewable energy could reduce demand for other fossil fuels, thereby reducing price volatility.
- **Save consumers money.** According to the July 2006 National Action Plan for Energy Efficiency, well-designed energy efficiency programs save, on average, about one-half of the typical cost of new power sources and about one-third of the cost of natural gas supplies.<sup>iii</sup> In addition, every federal dollar spent on the Energy Star program yields savings of more than \$75 in consumer energy bills, helps reduce about 3.7 tons of carbon dioxide emissions, and contributes over \$60 to the economy, according to the Alliance to Save Energy.<sup>iv</sup>
- **Create jobs and economic growth, especially in rural areas.** A recent University of Tennessee study found that if America were to produce 25 percent of its energy from renewable sources by 2025 ("25x'25"), the projected annual impact would be in excess of \$700 billion in economic activity and could yield over 5 million jobs in 2025, most of which would occur in rural areas.<sup>v</sup>
- **Have a positive impact on public health.** According to a recent study by the Harvard University School of Public Health, one energy efficiency measure alone could have substantial health benefits: insulating new and existing homes to levels set in the 2003 International Energy Conservation Code could save 300 lives and prevent 8,500 asthma attacks across the U.S. each year.
- **Enhance economic competitiveness.** Businesses in countries that fail to act could face economic disadvantages in a carbon-constrained global market. According to the November 2006 UK Stern Review on climate change, the social cost of inaction in 2050 will be more than \$300 per ton of carbon. The Stern Review also found that the impact of stabilizing greenhouse gas concentration levels at 500-550 parts per million on global world product would be approximately 1 percent in 2050;<sup>vi</sup> that is, with significant emissions reductions, global world product would grow by 2.48 percent instead of 2.5 percent.
- **Increase energy reliability.** The strategic use of energy efficiency and renewable energy technologies offers the enhanced energy reliability required of our digital economy without expensive enhancements to the transmission system.
- **Promote energy security.** Energy security is improved with the use of local energy resources and the capability to sustain critical services (e.g. healthcare, communications, shelter, public safety) after natural or man-made disasters. Energy-efficient supply alternatives such as combined heat and power (CHP) can recycle waste energy and put it to productive use for heating and cooling, increasing fuel utilization efficiency compared to central power and increasing customer value from each unit of energy input consumed. In addition, clean energy technologies reduce the need for imported oil and LNG, as well as mitigate coal delivery issues caused by rail constraints and current imports of coal. Over 97 percent of our transportation system relies on oil, making the U.S. economy vulnerable to market disruptions and price shocks. This reliance adds roughly \$200 billion a year to the trade deficit.<sup>vii</sup> A sound energy security policy can be developed hand-in-hand with climate solutions through greater deployment of renewables and energy efficiency technologies.

### **Conclusion**

In addition to achieving multiple economic, environmental and energy security goals, deploying clean energy technologies will reduce the cost of compliance with a federal greenhouse gas program. The expanded use of renewable energy, energy efficiency and natural gas should be the centerpiece of any federal program to cost-effectively reduce greenhouse gas emissions and should receive allowance value under market-based climate change programs. Please do not hesitate to call on the Council as a resource for additional information in advance of this forum or at any time. We look forward to working with you on these critical issues in the coming weeks.

Sincerely,



Lisa Jacobson  
Executive Director

## ENDNOTES

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<sup>i</sup> It should be noted that while new technology development is a vital component of climate change solutions, the U.S. Department of Energy R&D budget for such technologies has decreased by 85 percent between 1978 and 2005, according to a December 2006 Government Accountability Office report, available at <http://www.gao.gov/new.items/d07106.pdf>.

<sup>ii</sup> Press release from EIA for *Energy Market and Economic Impacts of a Proposal to Reduce Greenhouse Gas Intensity with a Cap and Trade System*, January 2007. Estimated impact on U.S. gross domestic product is a reduction of 0.1% (approximately \$232 billion) between 2009 and 2030, with cumulative GDP projected to double from 2006 to 2030.

<sup>iii</sup> See [http://www.epa.gov/solar/pdf/napee/napee\\_exsum.pdf](http://www.epa.gov/solar/pdf/napee/napee_exsum.pdf), p. 4.

<sup>iv</sup> Alliance to Save Energy FY'07 Energy Star fact sheet.

<sup>v</sup> See <http://www.agpolicy.org/ppap/REPORT%2025x25.pdf>.

<sup>vi</sup> See [http://www.hm-treasury.gov.uk/media/999/76/CLOSED\\_SHORT\\_executive\\_summary.pdf](http://www.hm-treasury.gov.uk/media/999/76/CLOSED_SHORT_executive_summary.pdf), p. 1.

<sup>vii</sup> *Over a Barrel? Myths and Facts about U.S. Dependence on Foreign Oil*, The Century Foundation, 2004, available at: [www.tcf.org/Publications/InternationalAffairs/oildep\\_detchon.pdf](http://www.tcf.org/Publications/InternationalAffairs/oildep_detchon.pdf).