

**Business Council for Sustainable Energy Comments**  
**in Response to the Energy and Commerce Committee's Request For**  
**Stakeholder Input on Comprehensive Climate Change Legislation**  
Submitted via email to [CleanFuture@mail.house.gov](mailto:CleanFuture@mail.house.gov)  
September 16, 2019

**1. What are the key policy, regulatory, and market considerations that should inform the development of comprehensive climate legislation? Please provide specifics.**

The [Business Council for Sustainable Energy](#) (BCSE) is a coalition of energy efficiency, natural gas and renewable energy companies and associations. Its membership includes investor owned and public utilities, independent power providers, manufacturers, energy services companies, and other sector-specific trade organizations. BCSE members represent commercially available technologies and resource solutions to address climate change mitigation and adaptation, and the Council seeks to be a resource to Congress as it develops comprehensive climate change legislation.

The Council has advocated on energy and climate change policies at state, federal and international levels since its founding in 1992. At the federal level, the Council has engaged in both legislative and regulatory action on climate mitigation and adaptation. The Council also leads a U.S. business delegation to the annual conference of the United Nations Framework Convention on Climate Change (UNFCCC) in order to demonstrate policies, investment frameworks, and other actions which are needed at the international level, to deploy clean energy, address climate change, and shape international agreements in a manner that will leverage private sector investment. As such, the BCSE has a strong understanding of the key policy, regulatory and market considerations which impact, and should inform, comprehensive climate change policy.

BCSE members have experience implementing a range of energy and environmental policies and have found that the private sector responds to clear and consistent policy objectives, provided there is flexibility in achieving the objectives. This provides a range of societal benefits and can provide cost-effective compliance pathways and opportunities for technology innovation.

*Sustainable Energy in America*

When considering comprehensive federal climate change legislation, it is important to consider the substantial changes that have occurred in the U.S. energy sector – as detailed in the most recent [Sustainable Energy in America Factbook](#).

The U.S. has made substantial progress over the past decade to decarbonize its energy sector. Overall U.S. greenhouse gas (GHG) emissions are approximately 10% below 2005 levels. This is due to a mix of federal and state policy incentives, as well as market forces that include greater investment in energy efficiency, abundant and affordable supplies of natural gas and falling technology costs for renewable energy.

However, total U.S. GHG emissions rose for the first time in several years in 2018, increasing by a least 2.5%. Energy consumption increased 3.3%, outpacing the GDP growth rate of 2.9% over 2017 levels.

Investments in the energy sector over the past fifteen years helped to mitigate the extent of this rise, as a cleaner electricity mix kept the increase in power sector emissions to just 0.6%. Emission increases in the buildings and industrial sectors, due in part to a record number of high-level heating and cooling days, point to opportunities and the need for accelerated clean energy deployment.

Looking at the electricity sector more specifically, energy efficiency, natural gas and renewable energy are the growth areas, delivering affordable, safe and reliable power to homes and businesses. Further, investment in these sectors – combined with the deployment of a range of technologies such as energy storage, combined heat and power, and fuel cells, along with demand response, automation and digital applications – is decarbonizing the power sector, keeping

electricity costs low and creating jobs. Carbon capture, utilization and storage can also play a role, especially with new policies like the extended and expanded 45Q tax credit in place.<sup>1</sup>

Consumer at all levels are helping to drive these trends. Retailers, major technology firms, and even a major oil company contracted record volumes of renewable power through direct contracts, amounting to 8.6 gigawatts of capacity in 2018. This is happening increasingly due to economic factors, including low renewable power prices and the ability to lock in predictable electricity prices over a period of time. Companies are also pledging to double energy productivity or to green their vehicle fleets, with electric, fuel cell and renewable natural gas-powered vehicles.

In terms of emissions reductions, the power sector has reduced its carbon emissions by over 25 percent in the past decade as it has expanded its use of natural gas and renewable energy, reduced its coal generation and benefitted from sustained investments in energy efficiency. In 2018, power plants produced 3.3 percent more electricity, yet power sector emissions grew only 0.6 percent year-on-year. The result is a continuing decline in the carbon-intensity of the electricity sector, due to a cleaner generation mix and the increased deployment of energy efficiency.

It is interesting to contrast the performance of the electricity sector versus other sectors of the U.S. economy where emissions increased, and to consider why U.S. emissions increased in 2018, with the caveat that a one-year deviation from a decreasing emissions trajectory does not constitute a trend. This analysis is important to understand 2018 emissions, and to better position all sectors in the U.S. economy in the near future to make significantly deeper emission reductions to meet the levels recommended by the scientific community to avoid the worst impacts of climate change.

**2. Please describe any innovative concepts for climate policy design, including both sector-specific and economywide measures, that you believe the Committee should consider.**

BCSE has laid out high level considerations for any comprehensive climate legislation in its [Climate Change Policy Principles](#). These include prioritizing a federal, legislative, economy-wide and market-based approach. Any climate federal legislation should consider the following elements:

- Develop targets and standards that recognize the findings of the scientific community to avoid the worst impacts of climate change.
- Enact policies that create clear mid-term and long-term market signals through carbon pricing mechanisms to invest and deploy clean energy and carbon reduction technologies, including energy efficiency, renewable energy, natural gas, and more.
- Allow all technologies to participate in policy regimes and create pathways for new entrants to participate.
- Leverage and align federal climate and energy policies with existing state and regional policies and allow non-federal actors to achieve higher levels of ambition if so desired.
- Enable states, localities and international regimes to link with federal emission reduction programs.
- Recognize early action and investments in emissions reductions.
- In addition to carbon pricing mechanisms, enact complementary policies in the areas of research, development and deployment, infrastructure, tax policies, resilience and reliability planning, and appropriations.

With these elements in mind, the BCSE recommends that Congress establish an economy-wide price on carbon rather than a regulatory regime. Carbon pricing, through cap and trade programs, carbon taxes and/or other means, sends the strong market signals needed to allow companies to find the most economically efficient way to reduce carbon emissions and allows for competition, innovation and over performance with policy objectives.

In general, policy frameworks are most effective when they focus on desired outcomes and enable the full portfolio of diverse power generation technologies to participate. Further, policy frameworks should leverage private sector activity and create sustainable market-signals for investment.

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<sup>1</sup> See, <https://www.catf.us/2019/02/ccs-reduce-49-million-tonnes-co2-emissions> .

**3. If you work in, advise, or are familiar with sectors that are particularly challenging to decarbonize, have you identified any effective (and scalable) solutions that should be included in comprehensive climate legislation?**

BCSE members in the energy efficiency, natural gas, and renewable energy sectors and beyond are currently providing commercially available carbon reduction technologies and are also working to develop the next set of decarbonizing advancements. This includes low-carbon and zero-carbon generation, as well as efficiency measures, storage, and carbon capture, storage and utilization – and systems that optimize the integration of technologies and processes. It is important to note that a broad portfolio of technologies and processes are necessary to achieve the level of emission reduction that the scientific community calls for.

**4. If your organization has adopted carbon pollution reduction goals, how have those goals – or your plans to meet those goals – evolved over the last decade?**

Many BCSE members have adopted a range of carbon pollution reduction initiatives, including science-based emission reduction targets, energy efficiency goals, renewable energy purchases and green vehicle targets, among others. They are meeting and, in many cases, exceeding their objectives. BCSE members utilize a range of measures including direct investments in energy efficiency, natural gas and renewable energy and also benefit from the use of carbon offsets, renewable energy credits (RECs), and virtual power purchase agreements.

The Council routinely gathers [case studies](#) of its members' efforts in this area, which are shared with an international audience at the annual UNFCCC climate conferences. These examples highlight the many ways BCSE members are providing solutions to climate change-related problems.

**5. If applicable, what actions has your organization already taken, or do you plan to take, to reduce carbon pollution?**

The Business Council for Sustainable Energy conducts an annual accounting of the organization's GHG emissions and purchases RECs and carbon offsets in order to offset purchased electricity and carbon emissions. The Council is a small organization with a relatively small carbon footprint. Nonetheless, the Council believes in the importance of this annual accounting to demonstrate to its members and to other partners that small organizations can take steps to manage emissions.

In order to conduct the BCSE assessment, it uses resources publicly available from the U.S. Environmental Protection (EPA) Agency and World Resources Institute, among others.

Federal climate change legislation should encourage reporting and management of greenhouse gas emissions throughout the economy, and help small businesses and organizations play a role. BCSE supports the many climate change partnership programs at EPA that facilitate and support this kind of action.

**6. What have been the challenges or barriers to making meaningful carbon pollution reductions, and how have you responded to those challenges or barriers?**

While the clean energy sectors have made significant advances in carbon reduction, there are still many challenges and barriers to the full, economy-wide reductions needed to avoid the worst effects of climate change.

A lack of policy certainty – including in the area of carbon pricing and other financial mechanisms – is a barrier to meaningful carbon pollution reductions. Setting long-term, durable targets and providing market-friendly and flexible mechanisms are essential to achieving sustained emission reductions at scale. For example, the uncertainty on clean energy tax policy inhibits investment. Currently, some technologies that have received tax incentives in the past have had their tax provisions expire (non-wind Production Tax Credit technologies, including biogas, biomass, geothermal, hydropower and waste to energy; as well as energy efficiency measures). Others are set to expire and there are also

other newer technologies that have not been fully or effectively integrated into the tax policy frameworks. This creates confusion around the economics of particular projects and can stall investment.

Policy certainty is key for the private sector to ensure that their decisions to decarbonize their operations are recognized under any future laws. Federal policy efforts must ensure that companies will not be penalized for early action.

Competitiveness challenges can also arise for early mover organizations, but more and more, companies are seeing distinct advantages to reducing emissions, especially in terms of cost savings, investor relations, brand enhancement and employee recruitment and retention.

## **7. How can the Federal Government assist you in reducing carbon pollution?**

The Federal Government has a critical role to play in reducing carbon pollution. While many states and regions have proposed and implemented carbon reduction plans, federal policies are an efficient way to ensure that meaningful emissions reductions and investments in resilient infrastructure occur in all areas of the country.

For example, the need to integrate and expand electric grid infrastructure remains a challenge requiring holistic solutions from the federal government. This is because an expanded grid is necessary to accelerate the deployment of cost-effective renewable generation resources. Conversely, if new grid infrastructure is not planned and constructed in a proactive manner, adoption of renewables may be substantially delayed. While the construction of new grid infrastructure is subject to a range of overlapping federal and state regulations, there is much the federal government can do to facilitate grid development and much that Congress can do to provide oversight and targeted direction to the Federal Energy Regulatory Commission (FERC) and Department of Energy (DOE) in order to improve and expand the grid.

Specifically, Congress can:

- Fund programs that help reduce the cost of reducing emissions as well as investing in resilient infrastructure. EPA and DOE have strong and effective programs and these agencies help establish public-private partnerships. For example, DOE's "Better Buildings" and "Better Plants" programs are model national-level federal programs that have driven private sector action that align with state and local policies. Further, EPA's climate change partnership programs in the areas of energy efficiency, clean transportation, CHP, natural gas and renewable energy are also proven and effective.
  - Federal dollars are also critical for investment in research, development and deployment (RD&D) that enables new low-carbon and zero-carbon technologies, including carbon capture utilization and storage and other innovative carbon reduction technologies, to reach commercialization.
- Enact tax incentives to leverage investment in clean energy technologies are also proven clean energy policies which are actionable today.
- Direct relevant regulatory agencies (FERC and DOE) to implement supportive policies that encourage the improvement and development of crucial grid infrastructure.

The federal government can also lead by example in greenhouse gas targets, energy savings, and resilience goals. BCSE works closely with the [Federal Performance Contracting Coalition](#) to promote the use of energy savings performance contracts by federal agencies to finance energy saving investments without using taxpayer funds.

## **8. Are there any additional comments or feedback you would like to add?**

The Council encourages the House Committee on Energy and Commerce to consider the full range of available clean energy technologies, products and services when developing comprehensive climate policy. The broad portfolio of solutions that includes energy efficiency, natural gas and renewable energy sectors have driven the important progress we have made to date on emissions reductions and, working with emerging and new technologies, this broad portfolio will be necessary to achieve further reductions. It is critical that the federal government send clear and consistent policy signals that will enable the private sector to continue and grow their investments in these sectors and to innovate.

A truly comprehensive climate policy will not only include a price on carbon but will also implement complementary policies that enable crucial electric infrastructure and bring about reductions in areas not impacted by a carbon price. These complementary policies include infrastructure, RD&D, tax policy, resilience and more.

The private sector supports meaningful climate action and has technology available today to help meet the challenge at hand. It is critical that the federal government work to set targets and goals, then let the private sector develop and implement the solutions to meet those goals.