

**Testimony of the Business Council for Sustainable Energy
Before the House Committee on Energy and Commerce
Subcommittee on Commerce, Trade and Consumer Protection**

**Growing U.S. Trade in Green Technology
October 7, 2009**

Mr. Chairman and Members of the Subcommittee:

My name is Lisa Jacobson, President of the Business Council for Sustainable Energy. I appreciate the opportunity to testify today before the House Subcommittee on Commerce, Trade and Consumer Protection and share the Council's views on initiatives to expand U.S. clean energy technology exports that will support U.S. manufacturing and domestic job creation.

The Council is an industry coalition that includes businesses and trade associations from around the country, representing currently available technology options to meet pressing energy, national security, economic and environmental challenges. They include: advanced batteries, biomass, biogas, fuel cells, geothermal, hydropower (including new waterpower resources such as ocean, tidal and instream hydrokinetic), natural gas, solar, wind, and supply-side and demand-side energy efficiency.

The Council is committed to the enactment of domestic and international policies designed to deploy clean energy technologies. Since its inception in 1992, the Council has advised policymakers at state, regional, federal and international levels on clean energy market development and the design of market-based initiatives to address energy and environmental concerns.

It is important to note that as a diverse business coalition, not all Council members endorse or take positions on the entire set of recommendations provided below.

Realizing a Clean Energy Economy and a Revitalized Manufacturing Sector

The importance of deploying existing clean energy resources and technologies – such as renewable energy, energy efficiency and natural gas – has never been more prominent on the policy and public agenda. Clean energy technologies provide essential benefits for the domestic economy, U.S. national security and the environment. The House Energy and Commerce Committee has been a leader in the advancement of comprehensive energy and climate change legislation in the 111th Congress through passage of American Clean Energy and Security Act, which includes vital provisions to support domestic clean energy manufacturing and export promotion.

In addition to what is included in the American Clean Energy and Security Act, I would like offer additional areas that Congress may wish to consider to increase domestic manufacturing, jobs and exports in U.S. clean energy sectors.

The State of Clean Energy Investment

Clean energy industries have experienced strong growth in recent years, and even with the significant challenges in the capital markets, clean energy sectors are a bright spot in our economy.

According to New Energy Finance, clean energy sectors accounted for ten percent of global infrastructure investment in 2008. Further, new investments in clean energy saw a significant increase in the second quarter 2009, up from \$13 billion in the first quarter to over \$28 billion in the second quarter. Third quarter estimates show a slight dip to roughly \$26 billion in investment.

Of note, second and third quarter 2009 investments in U.S. clean energy sectors were weak compared to Europe, the Middle East and Africa. This can be attributed to the shortage of debt finance, and limited investment due to expected government stimulus spending, but could also be associated with less established U.S. clean energy policies and markets.

Trends in U.S. clean energy investments are expected to improve as the hundreds of billions of dollars of funds from the American Recovery and Reinvestment Act continue to flow through the economy. With this new influx of clean energy funding, the U.S. government should establish high-level, strategic and coordinated inter-agency domestic support and export promotion activities.

Key Components of a U.S. Clean Energy Manufacturing and Export Strategy

Given the global nature of clean energy markets – especially for solar, wind and efficiency products and components – the U.S. has the opportunity to embark on an aggressive and sustained strategy to expand domestic manufacturing and U.S. exports in these sectors.

The strategy should include six components:

1. Strong U.S. Markets

Establishment of strong domestic markets will build the foundation for manufacturing and exports. Sending the right signals at home through the adoption of domestic investment and manufacturing incentives, coupled with strong, coordinated and long-term policy commitments to clean energy sectors is critical to continued growth in domestic manufacturing, job creation and exports.

According the American Wind Energy Association, the share of domestically manufactured wind turbine components has risen to 50 percent in the wind turbines installed in the U.S. in 2008, up from less than 30 percent in 2005. With the adoption of energy policies such as a strong national Renewable Electricity Standard, U.S. manufacturing in the wind industry can continue to increase.

In recent years, domestic production in the U.S. solar photovoltaic industry has kept pace with domestic installations. However, to ensure this trend continues, we need to maintain a strong and healthy market for solar energy. This means continuing to improve demand-side incentives to install solar energy capacity and expanding incentives to locate manufacturing facilities in the U.S. to a level that is on par with incentives offered in other countries. As such, Congress should maintain and expand the Manufacturing Tax Credit (MITC).

An example of a valuable initiative that supports domestic clean energy industries and exports is the U.S. Department of Energy Loan Guarantee program. Authorized by the Energy Policy Act of 2005, the Loan Guarantee Program provides federal support of clean energy projects that use innovative technologies, and spurs further investment in these advanced technologies. While still in the early stages, the loan guarantee program should provide strong underpinnings for further cost reductions in clean energy technologies, making newer technologies more competitive with retail electric prices worldwide. As the demand grows for the technology with reduced prices, manufacturing that produces the technology should increase.

Another challenge clean energy industries face is a lack of coordinated support by U.S. government initiatives and procurement spending. For example, manufacturing incentives are not well coordinated with worker training initiatives and the federal government could better aggregate its procurement dollars within federal agencies to support clean energy investments.

2. Free and Fair Trade Policy that includes Liberalization of Tariff and Non-Tariff Trade Barriers to Clean Energy Products and Services

Sound trade policy that recognizes the urgent need for clean energy products and technology transfer will help make U.S. products more competitive in foreign markets and offer a more level playing field for U.S. goods.

One quarter of U.S. gross domestic product is linked to trade. A study by the Institute for International Economics shows that a half century of gradually opening markets has created additional yearly income of \$10,000 for the average American household. Future policy liberalization could add another \$5,000 per household per year.

A concern expressed by some clean energy industries is that some foreign markets are closed than U.S. markets. For example, some foreign nations have domestic content requirements, tariffs, and numerous other protections. These issues should be considered as part of a clean energy trade liberalization effort.

3. Intellectual Property Right Protection

As our domestic industries grow and new technologies are developed it is critical to protect the intellectual property rights of firms that invest and offer innovations to the marketplace. In support of this, I refer to 1120A of the Foreign Relations Authorization Act, Fiscal Years 2010 and 2011 (HR 2410). This section directs the U.S. government to prevent weakening and fully protect intellectual property rights of energy and environmental technologies, including wind, solar, biomass, geothermal, hydro, landfill gas, natural gas, marine, trash combustion, fuel cell, hydrogen, micro-turbine, nuclear, clean coal, electric battery, alternative fuel, alternative refueling infrastructure, advanced vehicle, electric grid, or energy efficiency-related technologies.

4. Flexible and Innovative Government Financing

U.S. firms are best able to compete in foreign markets with instruments that leverage public and private capital and focus on the creation of enduring markets. While still in its early stages, the World Bank's Carbon Investment Funds seek to embrace this approach.

In addition, to better compete with foreign firms, U.S. companies need to be able to match the export promotion support that other governments provide. U.S. firms often face competition from the conditioning of overseas development assistance as well as tied aid. According to a 2006 report by the Organization for Economic Cooperation and Development (OECD), only 42 percent of Official Development Assistance is considered "un-tied" aid.¹

U.S. firms need to be able to compete and match such actions. Currently the Export-Import Bank of the U.S. has a process to assist firms that encounter tied aid challenges, but the process is burdensome and should be made more flexible and streamlined. Finally, government financing

should be made available to support capacity-building and the regulatory and institutional frameworks required to open new markets to clean energy products and services.

5. Expansion of Clean Energy Technology Export Promotion Programs

U.S. clean energy export promotion activities should be high-level and involve multiple agencies. They should have a strategic focus and provide support for U.S. businesses over the full project development and funding cycle. Domestic and export promotion programs should be catered to the needs of both small to medium-sized businesses as well as large businesses. Businesses of all sizes benefit from government support – ranging from identification of market opportunities and business partners to financing issues and overcoming market barriers.

Specific activities would include upstream support through trade missions and reverse trade missions under the Department of Commerce (and other agencies) as well as support of pre-feasibility and feasibility studies through the U.S. Trade and Development Agency. In addition, such programs would assist with project finance through the Overseas Private Investment Corporation and the Export-Import Bank of the U.S. Export promotion efforts should also coordinate with the multilateral and regional development banks that have made clean energy investment and climate change top priorities. The U.S. has existing programs in these areas, but would benefit from expanded funding, enhanced coordination and consistent high-level engagement.

Other nations approach clean energy market development and exports in a highly strategic fashion. This is currently happening at a less formal basis in the U.S., but we would benefit from a formalized and strengthen commitment between agencies.

6. Global Agreements on Climate Change and the Establishment of a Global Price on Carbon

Clear and long-term market signals, such as the establishment of a global price on carbon dioxide emissions that contribute to global climate change would offer a more competitive environment for U.S. clean energy firms. With many countries focused on economic growth that is decoupled from growth in greenhouse gas emissions, a global price on carbon will increase the financial value of clean energy products and services, provide a more level playing field for U.S. companies and will drive demand for these sectors in other countries.

On behalf of the members of the Business Council for Sustainable Energy, thank you for the opportunity to share our views on expanding U.S. manufacturing and exports in clean energy sectors. We appreciate the Subcommittee's leadership in development of new approaches to improve our economy and create jobs. Thank you.

The Business Council for Sustainable Energy is an industry coalition that includes businesses and trade associations representing the energy efficiency, renewable energy and natural gas industries. These industries comprise a suite of currently available technology options that can strengthen domestic energy security, create new high-quality jobs and reduce emissions of greenhouse gases that contribute to global climate change. For more information about the Council, please visit our website at www.bcse.org.

ⁱ OECD. (2006). *2005 Development Co-operation Report*. Volume 7, No. 1. Paris: OECD. [ISBN 92-64-03651-2](https://doi.org/10.1787/cor2006vol7no1)
Available for download: [OECD Journal on Development, Development Co-operation Report 2005](https://doi.org/10.1787/cor2006vol7no1)