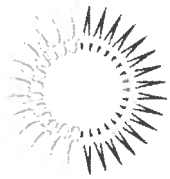


THE PEW CHARITABLE TRUSTS

February 26, 2013

The Honorable Ed Whitfield
Chairman, Energy and Power Subcommittee
U.S. House Committee on Energy and Commerce
2123 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Bobby L. Rush
Ranking Member, Energy and Power Subcommittee
U.S. House Committee on Energy and Commerce
2322A Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Whitfield and Congressman Rush:

I am writing to submit comments for today's Energy and Power Subcommittee meeting entitled "American Energy Security and Innovation: An Assessment of Private-Sector Successes and Opportunities in Energy Efficient Technologies hearing." The Pew Charitable Trusts has invested time, energy and resources to identify and promote national policies that will steer private investment into clean energy technologies that results in economic growth, new export opportunities, and greater energy security. Unlocking the potential benefits of greater energy efficiency merits significant discussion, and Pew commends your focus on this important issue.

In recent years, the Pew Charitable Trusts has prioritized acceleration of investment in and deployment of clean energy technologies that hold promise for reducing greenhouse gas emissions, creating jobs and economic opportunity and enhancing our energy independence and national security. Specifically, we believe that prioritization of energy efficiency in the transportation and industrial sectors, combined with deployment of advanced clean energy technologies in the utility and transportation sectors, hold the potential to significantly promote economic growth and energy security and advance U.S. strengths in financial and technological innovation. Successfully implemented, transportation efficiency and electrification, industrial energy efficiency and clean electric generating capacity can help position the United States to be an economic and environmental leader in the 21st century.

Excluding research and development, investment in the global clean energy sector is more than 600 percent higher than in 2004. The U.S. Energy Information Administration estimates that worldwide energy consumption will increase by 47 percent from 2010 to 2035, primarily in developing nations. The International Energy Agency forecasts that clean energy will provide half of the new electric generating capacity installed over the next 25 years. With so much at stake, a global energy race has begun among companies and countries alike and the United States now faces considerable competitive challenges from Europe and Asia, in particular. This competition from abroad has challenged U.S. leadership in the clean energy marketplace, which is dominated by renewable technologies that were pioneered and previously manufactured in this country. Currently, America lags behind other nations on a variety of measures, including clean energy deployment and manufacturing. Even its long-standing edge in innovation is at risk.

To gather expert viewpoints on the status and prospects of U.S. competitiveness in the sector, the Pew Charitable Trusts organized a series of roundtable discussions across the country with clean energy industry leaders, academics and other experts. Throughout 2012, we convened financiers in New York City, manufacturers in Cleveland, innovators in Colorado, solar developers in Atlanta and biomass firms in Mississippi. Finally, we hosted

more than 125 business leaders from our Clean Energy Business Network in Washington, DC. During these discussions, key themes emerged regarding industry needs and expectations for policies that the new Congress and administration can adopt to ensure the competitiveness of American industry in the clean energy sector.

First, participants stated that U.S. energy policy lacks a clear sense of purpose. In the past, the energy sector has been successful in meeting public policy goals, such as making affordable electricity universally available in the United States. Similar objectives are needed now to help focus the interests and efforts of scientists, investors and businesses. Long-term goals would dispel the uncertainty that negatively affects the clean energy industry. Leaders noted that competitors in Germany, China and other countries benefit from stable and consistent policy that allows them to invest, plan and raise private capital.

For several decades, U.S. renewable power policies have been episodic. Funding for research has gone through frequent and significant swings, hampering innovation efforts. Similarly, the financial incentives for clean energy technologies have typically been renewed on a short-term basis and sometimes only on an annual basis. The boom-and-bust nature of U.S. clean energy programs makes it extremely difficult for emerging industries to develop the supply chains and business models needed to establish a foothold in the competitive global marketplace. In addition, uncertainty shakes the confidence of potential investors and keeps capital on the sidelines.

We also gleaned important information about profound market challenges: overproduction, tight credit markets and stiff industry competition and consolidation—conditions that have occurred in the early stages of other emerging industries, from automobiles to computers. Industry leaders were heartened by the prospect of emerging export opportunities, falling prices and development of new private financing mechanisms. They are bullish on the long-term outlook for American innovation and manufacturing. Ultimately, these leaders believe that the rapid decline in the cost of clean energy technologies—though difficult for industry to manage—is good for consumers, competition and the sector as a whole. Participants were confident of the ability of American industry to succeed as the clean energy marketplace expands, provided that there is consistency and consensus in policy.

As documented in our January 2013 report *Innovate, Manufacture, Compete*, policy priorities identified by industry participants include establishment of a broad national clean energy standard; increased investment in energy R&D; time-limited incentives for private investment; removal of barriers that create an uneven playing field in the energy marketplace; support for U.S. clean energy manufacturing; and enhanced trade policies to expand markets for U.S. goods and services.

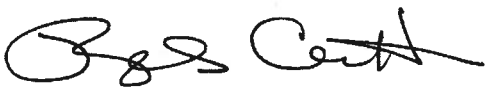
This report did not explore issues related to industrial energy efficiency, which can reduce costs for US manufacturing, provide grid reliability and spur job creation and private investment. As you may know, major studies have indicated that industrial energy efficiency could be increased by as much as 80 gigawatts by 2020. Last year, the Obama Administration set a national goal for increasing industrial energy efficiency by at least 40 gigawatts by 2020 through an Executive Order. The executive order is a critical first step at helping U.S. industry improve efficiency, and additional steps to double combined heat and power capacity by 2020 could result in 600,000 new jobs, $140 billion in private investment, and a three percent reduction in total energy consumption according to the Oak Ridge National Laboratory. Some of the policies that can expand industrial efficiency technologies include modifications to the investment tax credit, innovative financing solutions that lower up-front costs and open access to broader investment pools, and technical assistance that helps local policymakers identify and eliminate other barriers.

In addition to making U.S. industry more competitive, industrial efficiency technologies like combined heat and power can help businesses and critical facilities including hospitals and emergency shelters prepare for weather-related disasters. During Hurricane Sandy, facilities that had made investments in industrial efficiency often maintained power and heat after neighboring buildings experienced blackouts. Co-op City in the Bronx, Princeton University in New Jersey, and New Milford and Danbury Hospitals in Connecticut all kept the lights on and were able to continue providing essential services when many others could not. Recently, New York University's

Langone Medical Center, which lost power during the storm, announced its intention to invest $250 million in an "energy building" and complete a cogeneration plant near the facility that would allow the hospital to generate nearly 100 percent of its power needs on site. Preventative measures like these can help save lives and reduce future recovery expenditures.

More efficient use of U.S. energy resources has significant potential to promote new private sector investment that promotes U.S. manufacturing and exports and strengthens American energy security. Thank you for your attention to this matter, and Pew welcomes the opportunity to be a resource as you and your colleagues discuss future policy actions to address these issue.

Sincerely,



Phyllis Cuttino
Director, Clean Energy Program
The Pew Charitable Trusts