

Funding An Energy Alternative

Joel Yudken

January 18, 2007

Joel Yudken is a principal with High Road Strategies in Arlington, Virginia. He formerly was sectoral economist and technology policy analyst at the AFL-CIO.

As the Democratic House passes the CLEAN (Creating Long-Term Energy Alternatives for the Nation) energy act, promising to generate \$14 billion over 10 years by repealing subsidies to oil companies and invest the money in renewable energy sources, it is time to start looking beyond the 100 Hour Agenda.

The CLEAN Act will add to the renewed focus the Democrats are placing on fair trade and labor policies necessary for creating economic conditions that favor renewed growth in U.S. manufacturing, but it is not sufficient. An essential complement is a national investment strategy aimed at strengthening U.S. industrial and innovation capabilities, while directing them towards achieving vital national goals. One such goal is energy security, encompassing two important, related challenges to America's economic and national security in the coming decades: its growing dependence on foreign energy sources and global warming.

No matter how much we invest in new domestic oil or gas exploration—which does little to curb greenhouse gases—we will not be able to drill our way to energy independence. Moreover, turning the corner on global warming will require a major restructuring of how we generate, distribute and use energy. If done correctly, this would dramatically reduce our foreign energy dependence.

Progressives, therefore, have a rare opportunity to put forward a major energy and environmental initiative that also generates economic growth and numerous good jobs across the industrial spectrum, from manufacturing and construction to services.

A crucial step is to elevate national energy security to a level of importance comparable to national defense. Or, as some have proposed, we need a program modeled on and of similar scale as the Kennedy-Johnson-era Apollo space program. Both the White House and Congress

must embrace and articulate the broad objectives encompassed by energy security, committing to policies and programs that mobilize the country's financial, industrial, entrepreneurial and human resources towards their attainment.

Making energy security a major national goal, accompanied by the appropriate regulatory, fiscal and budgetary policies, would create a powerful "force field" influencing innumerable decisions about energy investments and use throughout the economy. Greatly increasing demand for new energy products and processes would send strong market signals, stimulating private sector investments in R&D, innovation, production and services in a wide range of industrial sectors. It also could foster new regional industrial clusters built around emerging advanced energy technologies, creating new products for both domestic and export markets. Most importantly, many new jobs and occupational opportunities for American workers would be created.

Achieving these gains would first require a major regulatory driver, such as a nationwide greenhouse gas emissions cap and trade program or carbon taxes, that induces industries and consumers to be more energy efficient and reduce their use of imported, high-emissions energy sources. Although controversial, it is possible to craft a politically salable program with only modest short-term impacts on prices and jobs. Such a policy is contingent on commitments from developing nations—especially China and India—to make comparable emissions cuts, and raise large amounts of revenue (e.g., through emissions permit allocations or auctions) available to help businesses, workers and consumers make the transition to an energy secure future.

We would also need accompanying policies designed to stimulate the spread of advanced energy innovations, minimize economic losses and foster new economic opportunities for workers and businesses. These include:

- Large-scale investments in R&D and innovation, including a strategic national energy R&D initiative, coordinating advanced energy research, technology and commercialization programs across federal agencies and support for U.S.-based industrial R&D consortia for advanced energy technology.
- Measures which create demand for energy efficient and "clean energy" technologies, such as more stringent energy standards applied to government buildings, transportation fleets and procurement of goods and services, tax credits, financial incentives and standards that encourage widespread industrial and consumer use of energy efficient and clean energy products and energy

services to help small manufacturers and businesses meet energy efficient standards."

- Coordinated regional economic and workforce development programs, including federal and state partnerships with business, labor and community organizations to generate new opportunities for U.S. businesses and workers in emerging energy sectors, especially in economically distressed areas, "smart" urban growth strategies, including investments in mass transit infrastructures and an education and workforce development initiative to train the high-skilled workforce needed by the emerging energy sectors.
- Measures promoting a diversity of energy options, including expanded use of renewables for electricity generation, lighting, heating and cooling and advanced technology vehicles and fuels (e.g., ethanol). Investments in "clean" coal and carbon sequestration and advanced, safer forms of nuclear power also should be considered.
- Assistance to ensure low-income households have access to affordable, and reliable energy, with an emphasis on offsetting increased energy prices from climate policies and helping low-income households become more energy efficient.

A national energy security investment strategy could produce enormous gains for the U.S. economy. The Apollo Alliance estimates a \$30 billion investment in its comparable program would yield 3.3 million jobs and \$1.4 trillion in GDP growth over 10 years. The economic opportunities created by a revitalized manufacturing sector, as well as in construction, energy and services, would swamp any losses associated with curbing greenhouse gases. At the same time, Americans will enjoy the incalculable benefits of simultaneously increasing energy independence while helping to slow global warming.



Joel S. Yudken, Ph.D.

104 N. Columbus Street, Arlington, VA 22203

703-528-7896 [o/fx] • 703-980-8122 [c]

jyudken@highroadstrategies.com

www.highroadstrategies.com