

SECURING SMALL BUSINESS SOLUTIONS TO CLIMATE CHANGE: AN OVERVIEW

**Summary of Remarks by
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I congratulate the committee for holding this hearing. You are making vitally important connections between small business and climate change that most environmental and energy policy-makers have so far neglected.

What are these connections?

To start with, small businesses may be disproportionately harmed by extreme weather events associated with global warming. They don't have the financial reserves needed to bounce back from such disasters. Look at the impact of Hurricane Katrina on small businesses in the Gulf Coast region, where they constituted the backbone of the economy.

Rising energy costs also pose a threat to small businesses, so they are understandably wary of proposed remedies to the problem of global warming that may drive up energy prices even further and that may add to the burden of government regulation.

The flip side of this is the prospect that small businesses can play a constructive and profitable role in addressing global warming.

SMALL BUSINESS ENERGY EFFICIENCY

Every single small business in the nation can profit by making its own workplace more energy-efficient. According to the EPA's Energy Star Small Business program, small firms can save between 20% and 30% on their energy bills through off-the-shelf cost-effective efficiency upgrades. The job consists largely of installing the same few simple devices—programmable thermostats, for example—over and over again in millions of small business workplaces.

Now, this energy efficiency option assumes extraordinary importance when you stop to consider that small business now constitutes one-half of the economy. This means we could make *one-half of the economy* energy efficient in fairly short order. And we could do it profitably too. Imagine that!

What is needed is a mechanism that makes energy efficiency for small businesses as easy as falling off a log. Fortunately, one such mechanism exists, called On Bill Financing.

Using this approach, an electric utility offers energy efficiency upgrades to its small business customers and also offers to lend them the money to pay for the upgrades. The energy savings are used to pay back the loan, so the monthly utility bill is no higher than it was before. When the loan is paid off, the small business owner's utility bill is significantly lower.

My colleague on this panel, Chris Lynch, will describe On Bill Financing a bit more in his presentation.

GREEN GAZELLES: ENTREPRENEURS SAVING THE PLANET

Small businesses produce two-thirds of all innovations. Today, not surprisingly, this includes most of the “clean-tech” breakthroughs that curb greenhouse gas emissions.

One such company – Metabolix – is represented on this panel today. They have devised an extremely impressive technology in forming recyclable and compostable plastics in living grass and similar plants. Their success would mean significant lessening of dependence on imported oil.

There are hundreds and perhaps thousands of other small companies like Metabolix that are creating innovations in alternative energy, water treatment, sustainable agriculture, construction, manufacturing, transportation and more that reduce energy consumption, pollution, and waste.

We call these fast-growing small companies “Green Gazelles.”

We view Green Gazelles as shock troops assaulting outmoded industry-era technologies with innovations that are dramatically more efficient and productive. Green Gazelles are catalytic agents precipitating an emerging post-industrial economy that will protect and restore the environment while it produces abundant growth and employment.

These clean technologies are increasingly cost-effective. What's more, investment in them is soaring both here and abroad.

Last year, major corporations, venture capitalists, investment banks, hedge funds spent a record \$71 billion worldwide on renewable energy, according to New Energy Finance, a London research firm.

Venture capitalist John Doerr, who invested early in Google and Amazon, recently declared that "Going green may be the largest economic opportunity of the 21st century. It is the mother of all markets."

Vinod Khosla, another renowned venture capitalist, who co-founded Sun Microsystems was asked why he's investing so heavily in clean tech companies. "Because" he said, "the best brains in the country are no longer working on the next pharmaceutical drug or the next Silicon Revolution. They want to work on energy."

Think of it, all these brainy people are going out and starting new small businesses in droves. In the fight against global warming, they are providing leadership of a high order - unique, indispensable and transformational.

But their path is not smooth. I expect the members of this committee know, they encounter unfairness and often they are forced to play on a field that is not level.

RECOMMENDATIONS FOR ACTION

Green Gazelles face two basic challenges: (1) how to fund R&D and (2) how to commercialize the new technologies they develop.

Thanks to my colleague, Mark Clevey, Vice President for Entrepreneurship at the Small Business Association of Michigan (SBAM), we offer two ideas for smoothing the path of these Green Gazelles.

Funding Green R&D thru SBIR (Small Business Innovation Research)

Under the Small Business Innovation Research Act (SBIR), federal agencies must set aside 2.5% of their external R&D budget to fund technology development by small businesses. This isn't chicken feed: It adds up to about \$2.5 *billion* dollars a year.

We propose creation of a Congressionally-mandated initiative to make green technology a priority focus for SBIR.

Clevey calls his proposal the Partnership for Green Business Development (PGBD). This partnership would :

- Conduct a survey to identify technology needs in renewable energy, energy efficiency, bio-materials, and related energy and environmental technologies;
- Identify gaps between existing projects and the profile of needs;
- Direct SBIR agencies to identify existing research projects that match these needs, and to give priority to funding proposals in these areas;
- Issue new SBIR guidelines as needed.

Clevey's proposal may be seen on our website: www.aboutcsbe.org

Commercializing New Technologies

Small green entrepreneurial companies are seldom profitable in their early stages when they need help most. Tax credits, even if available, are of little use to them. Here again Mark Clevey has a proposal for a Transferable R&D Tax Credit.

Under this proposal, a green entrepreneur with a new technology would approach a profitable firm that possesses the resources needed to commercialize the technology. If the entrepreneur can strike a strategic alliance or investment, he or she can assign the tax credit to the firm and/or investor that commercializes the technology.

This proposal too may be seen on our website: www.aboutcsbe.org

A SMALL BUSINESS SEAT AT THE TABLE

In conclusion, it seems clear that small business needs and richly deserves a seat at the table where proposals to curb greenhouse gas emissions are being hammered out. We call upon the Senate Committee on Small Business and Entrepreneurship to take the lead in making this happen.

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