



THE SELECT COMMITTEE ON
ENERGY INDEPENDENCE AND GLOBAL WARMING

**“Green Capital: Seeding Innovation and the Future Economy”
Select Committee on Energy Independence and Global Warming
April 16, 2008**

Today, as President Bush gets ready to tell America that he has come around on global warming and that he supports freezing U.S. global warming pollution 17 years into the future, we welcome a group that does have the vision and ambition to seriously address this problem. These individuals probe the technological trenches of Silicon Valley and other innovation hotspots to find the solutions that will solve the energy and climate crisis. They pull the strings of capitalism, enabling ambitious young geniuses to turn today’s dreams into tomorrow’s technological realities.

Venture capitalists play a key role in innovation. The \$26 billion in U.S. venture capital investment in 2006 represented less than 1 percent of U.S. GDP. But the \$2.3 trillion in revenues these firms generated made up 18 percent of U.S. GDP. Venture capital-backed companies employed over 9 percent of the U.S. private sector workforce, and job growth in these companies is occurring at nearly three times the rate of the rest of the private sector.

The corporate behemoths that dominate the business pages are mostly mature companies. They face fierce competition that often forces them to outsource manufacturing in order to stay competitive. But low-wage developing countries cannot compete with an innovation economy. We should salute the American entrepreneurs that for decades have pushed the American economy to the technological edge, where wages and growth are high. The challenge today is to channel those creative energies to help solve our global warming problem and to help put the economy back on track.

Many of the technologies under development by venture-funded firms are game-changing. They are technologies that will threaten the energy establishment. As we heard from an Exxon executive last week, that company is investing \$10 million a year—less than one tenth of one percent of their \$40 billion profit from 2007—to create an alternative energy future. I’m not a venture capitalist, but this business plan gets an “F” in my book. Not surprisingly, by 2030, Exxon is not expecting alternative energy to play any significant part in their business. Alternative energy—any alternative—is a threat when you are raking in the largest corporate profits in history.

We can not expect these companies to be the innovators that will solve the energy and climate challenge. But the planet’s global warming cure is out there. It is in the mind of an innovator who will discover the world’s most efficient solar panel. It is in the mind of another innovator who will devise a manufacturing process that will cut the cost of that solar panel in half. These infinite seeds of innovation will be sowed by venture capitalists

that will harbor entrepreneurs through the early periods when risk-averse commercial banks will steer clear.

Governments can take two approaches to solving great technical challenges like reducing global warming pollution. They can prescribe the answer, for example by massively subsidizing nuclear power generation, as President Bush supports. Or they can set a target and leverage the creative genius of the innovators of the world to find the answers.

The first is to cling to the technological past. It also means compliance at the greatest possible cost. That approach is akin to investing in a candle maker because Thomas Edison's light bulb will never catch on. It is like doubling down on mainframes because you don't believe many people will want computers on their desks.

We don't know what all the answers will be to the global warming problem. But investing taxpayers' dollars on yesterday's technologies will ensure that the world's innovators will have to look outside the United States to find the markets they need to develop tomorrow's great innovations. Unfortunately, the wider economic and job growth impacts of innovation will go to markets outside the United States as well. This is something that the Big Oil and Big Business Bush Agenda simply does not understand.

Leveraging private capital is the best chance we have of finding the solutions that will save us from the worst effects of global warming. Public dollars cannot and should not bring this fundamental shift on their own. A cap-auction-and-trade system that puts a price on carbon emissions that reflects the true costs of global warming is the most important step Congress can take this year. It will level the playing field for clean energy technologies and unleash the unequaled innovation of the American entrepreneur. And it will give smart money—the venture capitalist—every reason to go searching for those ambitious innovators.