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Chairmen Tiberi and Boustany, Ranking Members Neal and Lewis, and Subcommittee Members, thank you all for affording me the opportunity to testify today.

My name is Tim Greeff and I am the Political and Policy Director for the Clean Economy Network. CEN is the largest national networking, advocacy and education organization representing clean economy companies. We have over 12,000 members nationwide covering almost every state as well as 17 affiliate chapters in states including MI, CA, TX, MN, OR, WA, and NY. Our members are venture capitalists and project financiers representing hundreds of billions of dollars in fluid capital investment, and businesses that manufacture, assemble and install energy and efficiency capacity at home and abroad. These entrepreneurs are creating state-of-the-art technologies that are revolutionizing the advanced energy sector, including biofuels, solar, wind, hydro, vehicle and fuel cell technology to name a few. By way of disclosure, I appear today before the Subcommittees in my personal capacity, and my remarks represent my personal opinions.

Tax policy has long been an essential component of the effort to shape and influence our energy policy. The two are so closely linked that it is difficult to imagine a complete separation. Further, we must recognize that the U.S. economy does not exist in a vacuum. We cannot ignore the rate at which our competitors use tax policy to invite investment and build their own industries in this sector with a strategic eye toward capturing manufacturing capacity. Folding now will simply embolden our competitors and drive innovative businesses and their technologies overseas. Thus, rather than focusing on whether energy policy should be conducted through the tax code, it is important to focus on when and how the tax code should and should not be used in relation to energy policy.

While it is outside the scope of this hearing today, it is necessary to mention that market signals, economic growth, and the competitiveness of the U.S. economy cannot be fixed solely through the tax code. Ultimately, the long-term market signals that will drive the advanced energy industry require a more robust and comprehensive energy policy vision. There are many complimentary policies that can be helpful here including streamlining of transmission installation, creation of

performance standards, and other ideas that will ultimately need to be part of the answer to our energy issues. Tax policy that is not a coordinated part of a larger vision runs the risk of leading us back down the same path we are on.

Moving forward, there are several criteria that should be considered to increase the efficacy of energy tax policies. Very simply put, tax policy, to the extent possible, should be technology agnostic, predictable, and finite. I'd like to discuss each of these aspects in more detail.

First, **tax policy should aim to be technology agnostic and avoid picking winners.** Tax policies are sometimes written with one sector in mind and many times favor one specific technology within that sector over others. There are two primary problems with such an approach. First, it mutes market signals and puts the government into the driver's seat to determine where investment dollars should go, which we believe is less efficient and saddles the taxpayers with unnecessary risk. Second, such an approach can unknowingly freeze out next generation technologies. The innovation cycle is always changing and it is impossible to know what new technologies are on the horizon. The best available technology today will almost assuredly not be the best several years down the line, which is especially true with emerging industries.

Second, **tax policy should be predictable and provide certainty.** Most renewable energy and energy efficiency credits and programs are very short term. They expire every few years and the process of getting an additional short-term renewal is very risky and uncertain. Energy investments are typically longer term in nature. Businesses and investors need certainty in order to make the investments and set the plans necessary to grow. As mentioned, if the credit is too short in duration, the process can harm the innovation cycle and drive money only toward technologies that are at scale today and away from innovative ones, which are more risky by nature. If left in the Code too long the incentives can also distort the marketplace and chase off private capital in the long-term from new and emerging technologies.

As a general rule, tax incentives should strike the balance of being long enough to provide certainty to businesses and investors, while also eventually being subject to sunset at some point. Many current credits are determined in years, an approach that does not adequately account for the differences in technologies or real world market fluctuations. Using performance metrics to determine the sunset of a particular policy is a better way of accounting for the many variables of the marketplace.

Finally, **tax policy should not attempt to set or replace the market.** As mentioned, tax policy can distort long-term price and market signals which ultimately can create barriers to market entry for new technologies. As a general rule, no individual company or technology should be entitled to permanent incentives or subsidies. Each provision should have a sunset built in from the

beginning in order to help ensure that it sends a clear signal to businesses and investors.

As discussions about comprehensive tax reform begin, Congress has a unique opportunity to create more consistent and streamlined tax policies for the energy sector that provide the accessibility, transparency and certainty that investors need to invest, that entrepreneurs need to innovate and that businesses need to grow and compete.

Historically, tax policy has taken a piecemeal, technology-specific approach. While this may not have been intentional, decades of tailoring the tax code to fit needs of various sectors at specific points in time has created a patchwork of inconsistent policy that too often necessitates equally piecemeal fixes. In order to change course, we must begin to rethink the use of energy-related tax policy to fit today's economic and energy realities.

Tax policy in general holds a couple of advantages over other mechanisms to subsidize advanced energy. First, as government energy programs go, tax credits are among the most transparent. They are relatively easy to understand and apply for and the direct outcomes are easily tracked and compiled. As such, accessing tax credits requires a company to spend far less on overhead than other government programs. Second, tax policy tends to be among the more size and technology agnostic in that any company can access a given credit if they meet the baseline criteria. Moreover, the value of the tax credit is distributed efficiently relative to need and performance.

When it comes to energy policy, we believe that tax policies serve two fundamental purposes:

1 - Tax provisions can play an important and constructive role in the innovation cycle to drive new technologies to the market. Developing new, innovative technologies in the energy sector is very capital intensive. Current economic realities make private investment dollars harder to come by than usual. There are various points in the lifecycle of a business, most commonly referred to as the 'Vally of Death', that the private sector is sometimes unwilling to fund. Tax policy can provide small businesses with one more option to help survive this part of the business development process. Helping technologies make it through this phase will increase the number of new technologies that have a chance to get to market.

2 - Tax policy can help nascent technologies and industries achieve competitive scale so that they can stand on their own two feet. Cost competitiveness is fundamentally achieved through market scale. With increased production and installation comes lower cost and higher quality products. Normally, market demand will drive scale-up. But in a globally competitive economy, sometimes scale must occur before demand necessarily merits that it would, especially when competitors are investing heavily in their domestic industries.

Think about it in terms of the Olympics. If the other countries are training in preparation for the race and we're sitting on the couch, then we are not going to be competitive when the day of the event arrives. This concept is particularly important when it comes to capturing manufacturing capacity. Manufacturing jobs, by nature, are the first to go and the hardest to get back. This underscores the importance of committing to emerging industries in which the manufacturing jobs are still largely up for grabs.

In closing, I want to take the chance to reaffirm that when strategically and appropriately applied, tax policy can play a very valuable role to help drive the innovation and new technologies needed to address our energy challenges and rebuild our manufacturing base. We look forward to working with the Committee in the future to achieve this goal.

Thank you. I am happy to answer any questions.