



**Economic Stimulus and a Federal/State Clean Energy Partnership
CESA Position Paper
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Who We Are

Clean Energy States Alliance (CESA) is a nonprofit coalition of the nation's leading state clean energy funds and programs working together to develop and promote clean energy technologies.¹ It provides information and technical services to its members and represents the collective voice and interests of the states. The states are investing billions of dollars through clean energy programs to stimulate technology innovation, moving renewable energy technologies out of the laboratory and into the mainstream.

What We Believe

CESA believes that states need to be critical players if the United States is to achieve a cleaner energy future. The states are already pioneering new investment models, creating renewable energy markets, funding thousands of new projects each year, and delivering public education campaigns.

Role of the States in a New National Clean Energy Stimulus Package

The creation of a new national energy strategy is often viewed as a matter of national policy and federal agency jurisdiction. However, when building a new low-carbon energy infrastructure through a green stimulus package, the Obama Administration should rely on a "bottom-up" framework that puts the states in the key role to deploy investment for that infrastructure. Such a new funding partnership between the federal government and the states is important for several reasons:

- Most states have existing funding institutions and programs that can quickly absorb new federal funding and immediately get the funds out into the market to build projects and create new jobs. Creating a new federal agency role for such project deployment and funding will only delay the jobs benefits of a green stimulus package.
- There is a long history of the states serving as laboratories where innovative practices can be tested, refined, and disseminated more widely.

¹ Each state member of CESA has its own definition of eligible clean energy technologies reflecting the state's priorities and resources. For the purposes of CESA, "clean energy" means energy production from solar, wind, hydropower, biomass, ocean thermal, tidal and wave, fuel cells, and related energy storage and conversion technologies. More information can be found at www.cleanenergystates.org.

- The states are already serving as leaders and laboratories for significant deployment and commercialization of new energy technologies. Most states have created dedicated clean energy programs, either in stand-alone agencies or in their state energy offices, and are implementing effective strategies to support significant new project and market deployment. In fact, over the last few years, these state programs have invested over \$1.5 billion in over 50,000 projects to advance the clean energy sector. However, the states lack sufficient financial resources to tap the full potential of clean energy development. With new stimulus funding, states could quickly accelerate clean energy development and jobs.
- Advancing clean energy market development is a complex undertaking and requires local knowledge, local policies, and the expertise of local players, close to the markets. States are more effective and efficient at building local markets.
- Economic and resource conditions vary across the country. For a new national energy policy to be successful, each state should retain flexibility to tailor an approach suitable to its individual economic, resource, and geographic context.
- A national energy program will cost less and find greater political acceptance if decision-making is distributed across the states.

Federal/state partnerships have worked in other areas, such as transportation and housing. Just as the states have responsibility for transportation infrastructure – the bridges and roads now to be built with a stimulus package – states also should have responsibility for driving the clean energy stimulus. Clean energy infrastructure is the new 21st century infrastructure, and states remain the key deployment vehicles for that investment.

To get there, a new clean energy state/federal partnership should be launched to provide the states with enhanced federal support and resources to accelerate deployment of clean energy technologies. This partnership should be directed at building and expanding markets, learning by doing, and developing clean energy infrastructure that will result in widespread deployment of commercial clean energy products and projects. The partnership would accomplish far more than can be accomplished by any individual state or by the Department of Energy (DOE) on its own through a top-down managed program.

The partnership effort should have the following goals:

- Aggressively fund high-priority clean energy technology applications, demonstrations, and deployment efforts across the country
- Engage the managers of state clean energy programs as experts on the ground
- Help states access technical assistance, research and development (R&D) and funding via a national initiative and network
- Bring greater alignment between state clean energy deployment programs and national clean energy goals and DOE R&D efforts

Recommendations for a Federal/State Energy Partnership

1. New funding mechanisms should be created to move beyond the current top-down, ad hoc, under-funded federal energy grant awards program. This new approach should include matching grants to state clean energy funds, block grants for clean energy development, revenue sharing, and new funding formulas that will provide states and municipalities with flexibility, incentives, and resources to implement and experiment with innovative, diverse programs and policies.
2. Immediately establish, as part of the Obama Administration's economic stimulus efforts, a clean energy state matching grant program including the following elements:
 - Funding to states should be based in part on population but with increased funding to those states that establish more aggressive targets, funding, and strategies to advance clean energy generation.
 - To participate, a state should be required to have established or commit to establish a dedicated program in the state's energy office, a public benefits corporation, or non-profit entity with a comprehensive strategy to administer new federal funding.
 - Eligible activities should include:
 - Financial incentive programs for clean energy
 - Programs to support clean energy businesses, projects, and markets
 - Programs to implement distributed generation technology
 - Public education programs to increase use of clean energy
 - Clean energy financing mechanisms and strategies.
 - Any other activity designed to advance clean energy projects, clean energy infrastructure, and businesses and workforce development
3. Reform federal energy research development policy and programs to ensure linkage between federal R&D, state clean energy programs, and commercial deployment. This new approach should employ new distributed innovation strategies that have proven effective in accelerating product development in other areas, such as health and agriculture. This new approach would move the clean energy sector beyond its excessive reliance on pure R&D to a deployment-focused innovation strategy.
4. Implement a new strategic state-federal clean energy partnership to advance focused collaboration between states, federal agencies, and industry on project deployment, commercialization, technology transfer, and investment in the clean energy sector. This partnership would be designed to coordinate strategies, efforts, roles, resources, and joint opportunities to move technologies, businesses and projects quickly to market. One of the objectives of the federal-state partnership would be to encourage existing and new efforts at regional cooperation among states to create clean energy initiatives and regional markets, such as the Northeast's Regional Greenhouse Gas Initiative and the Western Governors' Association Clean and Diversified Energy Initiative.

Recommendations on an Improved Role for the Federal Energy Efficiency and Renewable Energy Program (EERE)

For a federal/state partnership to be successful, EERE (or some version of EERE either in or outside of DOE in the new administration) should take on some additional tasks while expanding some of its existing efforts. These include:

1. **Tackle cross-cutting issues.** Rather than emphasizing technology-specific programs, EERE should give more attention to broad clean energy market challenges and issues that cut across technologies and states. These include such areas as interconnection, distributed generation, transmission needs, permitting, and the smart grid. EERE should work with a wide range of stakeholders, including states, representatives of various clean energy technology industries, utilities, and environmental organizations to identify concerns and appropriate strategies for making progress on the large technical, market, and infrastructure issues that currently slow the implementation of all clean energy technologies.
2. **Emphasize outreach and education.** EERE should collect and disseminate information about programs and efforts being taken across the country to advance clean energy so that states and local players will be aware of and learn from each other. As part of this effort, EERE should analyze state and local clean energy programs to identify and encourage wider use of best practices. The agency should provide more support to some of its existing useful tools, such as the DSIRE national database of state renewable energy incentives, while creating new tools, such as user-friendly national wind maps, to assist states in improving clean energy programs and policies. DOE should also expand its efforts to train clean energy workers and local officials.
3. **Move towards national standards.** Although the states should be encouraged to experiment and design programs that match their particular needs, EERE should encourage the states to cooperate across state lines and adopt similar standards when that makes sense. By convening stakeholders, identifying best practices, encouraging the establishment of state-level clean energy policies and programs, and recommending appropriate standards, EERE could encourage development of broader clean energy markets through greater consistency and use of effective renewable portfolio standards, state-level net metering standards, interconnection procedures, renewable energy equipment standards, equipment warranty requirements, and worker certification requirements. In addition, EERE might establish a national registry for renewable energy certificates (RECs) and encourage the trading of RECs across state lines.