

Small Business Energy Policy

Small businesses must be involved in the formulation of U.S. energy and environmental policy

With energy prices soaring and the American economy reeling, the president outlined his new energy policy and declared that, in seven years, “the United States will not be dependent on any other country for the energy we need to provide our jobs, to heat our homes, and to keep our transportation moving.” Unfortunately, American politicians are still making nearly identical claims more than 35 years after then-President Richard Nixon spoke these words in 1973—while America’s national security and the prospects of its ongoing economic prosperity continue to be undermined by the absence of action behind such rhetoric.

The National Small Business Association believes that the time has come to stop talking and actively address America’s oil dependence and the shortcomings of its national energy policy. As small businesses produce more than half of the private sector output and consume nearly half of all of the electricity and natural gas used for commercial and industrial purposes in the United States, it is imperative that America’s small businesses be comprehensively involved in this effort.

Although NSBA is not in the habit of recommending new governmental programs or increased regulatory burdens—preferring free enterprise, market solutions, and a neutral tax system—the unique and urgent contours of the energy industry and America’s energy policies demand governmental intervention. NSBA is confident that such an action can be successful, but stresses that it must be realistic, flexible, and science-based. It should utilize the power of the market and protect American businesses and jobs. It must avoid placing too onerous a burden on America’s small businesses, which are particularly vulnerable to increased regulatory and tax obligations and already shoulder a disproportionate share of the costs of federal regulations and paperwork compliance. To protect America’s small businesses, NSBA supports the creation of a loan assistance program—administered through the U.S. Small Business Administration—aimed at small businesses and farmers struggling with rising and volatile energy costs. This national endeavor must not only protect small businesses, however, it must make full use of them. At the forefront of the effort to provide energy solutions, drive economic growth, create jobs, and protect the environment are innovative, entrepreneurial, and growing small businesses known as Green Gazelles. NSBA supports increased federal incentives and funding to advance the research and development efforts of these small-business innovators.

NSBA urges Congress and the administration to increase domestic energy production, construct a predictable and long-term framework of rules and incentives for the development and use of renewable and alternative energy—with a focus on technological innovation—and implement a national program to drastically enhance the nation’s energy efficiency, especially as it relates to the transportation sector.

Expand Domestic Production

To lower the energy costs of millions of American consumers and to curtail supply disruptions that add volatility to the market and undermine business planning, the U.S. must increase its domestic energy production and expand its refinement capacity. Although expanding the United States’ domestic oil production will do little to reduce the long-term strategic vulnerability caused by its oil dependence, it is an important, short-term action that may help stabilize volatile energy costs and assist American consumers and small businesses with their immediate energy needs.

NSBA supports increased domestic energy production, including:

- increased outer-continental shelf production in states that support it;
- increased investment in U.S. refinery capacity;
- expediting the permitting process and comprehensively reviewing the regulations that discourage capacity improvement investments; and
- increased research and development in coal, shale oil, and nuclear technology.

Diversify Domestic Production

The United States has a long history of failed and abandoned energy initiatives. Discarded, short-sighted, and misguided government policies have stifled innovation, deterred investment, and ruined many companies. Federal subsidies too often have favored fossil-fuel technologies over the development of renewables. It is imperative that the U.S. establish clear, long-term goals for small businesses and consumers to use alternative and renewable energy. It is equally if not more important that the federal government fund research and create incentives, such as investment tax credits, for renewable and alternative energy innovation—including the cutting-edge work of the nation's Green Gazelles. The report, "*American Energy: The Renewable Path to Energy Security*," found that, "Across the United States and around the world, there is one clear lesson from past policy experiments: wherever renewable energy industries have emerged, government policy reforms have played a central role. The key to a bright American energy future and a new wave of economic activity and innovation is a robust partnership between government and the private sector—providing incentives to jumpstart the new energy industries while minimizing the cost to American taxpayers."

As private investment in renewable energy technologies traditionally has been deterred by higher upfront costs, NSBA supports proposals calling for federal long-term, low-interest loans for renewable energy initiatives. Furthermore, NSBA supports the consideration and further exploration of a revenue-neutral price floor on oil and natural gas or other alternative-energy investment protections, believing that price stability is crucial to encouraging long-term alternative-energy investment.

In order to enable customers, including small-businesses owners, to exercise their preference for clean energy sources, NSBA supports requiring electricity suppliers to label their products for fuel sources and emissions and increase the amount of energy they derive from alternative sources. NSBA also supports efforts to modify existing laws and regulations that penalize the use of micro power. Furthermore, NSBA supports efforts to enact net-metering provisions (especially those that will increase the economic incentives to end users to utilize net metering opportunities while protecting the interests of utilities) and the construction of "smart grids."

Revolutionize U.S. Transportation and Automotive Industries

Transportation is the crux of America's oil dependence: 97 percent of the oil used in the United States is consumed for transportation. Only about two percent of the energy consumed by the nation's transportation fleet comes from renewables. This must change. Dependent as suppliers to the transportation/automotive industries and with little market control over fuel costs, U.S. small businesses desperately need relief from the soaring costs and volatility of oil.

If the United States is to reduce domestic demand, regulatory incentives to use more fuel-efficient vehicles are needed. To this end, NSBA supports:

- incremental but steady increases in the nation's Corporate Average Fuel Economy (CAFE) standards and permanently closing the SUV CAFE standard loophole;
- continued federal funding, in cooperation with the automotive industry, of "precompetitive research aimed at improving vehicle fuel economy, safety, and emissions;" and
- efforts by the EPA and industry to improve the accuracy of the fuel-economy estimates of vehicles.

Believing that the potential of alternative-fuel vehicles is worth exploring, NSBA also supports:

- continued expansion of ethanol utilization and the possible removal of the protectionist 54 cents per gallon tariff on imported ethanol;
- increased funding and incentives for the use and research and development of biodiesel and other biomass-derived fuel;
- increased funding and incentives for biomass research with the goal of making cellulosic ethanol cost competitive with corn-based ethanol by 2012; and
- federal incentives, especially for small businesses, to increase the use of hydrogen energy, and increased federal investment into the research and development of hydrogen energy.

Hybrid Vehicles

NSBA views hybrid vehicle technology, especially the plug-in hybrid variety, as exceptionally promising, and believes that this potential merits further exploration. Small-business owners personally are willing to explore the potential for energy savings that advanced vehicle technology presents—68 percent of the respondents to a NSBA energy survey reported a willingness to lease an alternative-service vehicle if it could provide, per mile of use, significant overall cost reduction. NSBA supports increased funding and incentives for plug-in hybrid vehicle technology, including advanced battery research, as well as consumer-tax incentives—without limits on the number of qualifying vehicles—for the purchase of highly-efficient hybrid, clean-diesel, and compressed-air vehicles.

Improve Energy Efficiency

Improving America's energy efficiency must be a central component of any national effort to confront its energy dependence. More than two-thirds of the energy content of the fossil fuels consumed in the U.S. is simply lost—in power plants and motor vehicles—as waste heat. At an average cost of about one-half of the typical cost of new power sources and about one-third of the cost of natural gas supply, well-designed energy efficiency programs also are much more cost effective than increasing supply and usually can be deployed much faster. To achieve these economic and environmental benefits, however, the U.S. must bolster its spending on energy efficiency programs, which currently amounts to less than \$2 billion per year in total. NSBA endorses the policy recommendations outlined in the *National Action Plan for Energy Efficiency*, (*Action Plan*) including:

- recognizing energy efficiency as a high priority energy resource;
- making a strong, long-term commitment to cost-effective energy-efficiency programs;
- communicating broadly the benefits of and opportunities for energy efficiency;
- promoting sufficient, timely, and stable program funding to deliver cost-effective energy efficiency and modifying policies to align utility incentives with their delivery; and
- modifying ratemaking practices to promote energy efficiency investments.

NSBA stresses that it is especially important that the effort to communicate the benefits of and opportunities for energy efficiency outlined in the *Action Plan* reach America's small businesses, as nearly 70 percent of the respondents to a NSBA energy survey reported that they had not invested in energy efficiency programs for their businesses. It is obvious that most small businesses are either unaware of the energy efficiency opportunities available to them or unable to afford the capital expenditure required. NSBA supports federal incentives, including low or zero interest rate loans, so America's small businesses can take advantage of energy-efficiency opportunities that they could not otherwise afford. NSBA also supports efforts to expand current On-Bill Financing regulations—a proven method of providing improved capital access to small firms seeking improved energy efficiency—and other access-to-capital innovations.

Energy Star

While the Energy Star Small Business program has been successful, its full promise has yet to be realized, as its limited budget has hindered its ability to reach the general small business community. In fact, only 60 percent of the respondents to a NSBA survey reported being familiar with the Energy Star label. NSBA supports the enactment of measures to increase the reach and visibility of the Energy Star Small Business program, including the reallocation of existing EPA and DOE agency funds to increase its budget. Simply making more small businesses aware of the benefits of improved energy efficiency is not enough, however. NSBA supports extending existing tax incentives for the purchase of Energy Star products and the establishment of additional incentives for a larger range of products and services.

Conclusion

If the United States is to address its oil dependence, meaningful measures must be enacted—even if they are expensive and perhaps provisionally painful. The nation's national security, continued economic prosperity, and environmental wellbeing depend on it. America's small businesses—which are increasingly struggling with volatile energy costs—depend on it too. America and its small businesses can ill afford to have another president uttering the same persistent platitudes about finally achieving energy dependence in another 30 years.