

# CHANGE THE RULES, HURRY THE FUTURE

CHALLENGES AND OPPORTUNITIES  
ON THE PATH TO A NEW ENERGY FUTURE



# EXECUTIVE SUMMARY

Energy remains the linchpin of our economic future – in the United States and around the world. National security, climate change, sustainable development, and the fate of the global environment are all affected by energy choices. Much is at stake in getting energy policy right.

Energy systems are big and slow to change, but the world has clearly begun a transition to a low-carbon future – a transition that will involve trillions of dollars of investment and that is highly likely to pick up speed over the coming years. This provides a context for decision makers to evaluate spending and policy options.

In 2003, the Energy Future Coalition urged the United States to chart a new course in clean energy policy so that it might seize this economic opportunity, reduce the emissions that cause global climate change, and curb its dependence on oil. That year, the Coalition released its foundational report, *Challenge and Opportunity: Charting a New Energy Future*, setting out recommendations from stakeholder working groups focused on bioenergy and agriculture, the future of coal, smart grid, transportation, end-use efficiency, and energy access for the global poor. Our central insight was that the nation's energy challenges were also opportunities – for a stronger economy, greater security, and a more stable climate, and also for business development and job creation. The validity of that insight is even clearer today.





**The Coalition’s approach has been to work across party and sectoral lines to promote dialogue among business, labor, and environmental stakeholders in support of concrete, actionable ideas. During that time, the Coalition has:**

- Sought to “change the conversation” about energy in Washington away from well-worn points of partisan conflict, toward bipartisan acceptance of the theme of economic opportunity.
- Incubated the 25x’25 renewable energy alliance, which has influenced the national conversation about America’s energy future within the agriculture and forestry communities.
- Created strong goals that should guide America’s energy policy – upgrading 40% of its buildings by 2020 to make them more energy efficient and producing 25% of its energy from renewable sources by 2025.
- Advocated for increased use of natural gas and renewables in power generation and of electricity and biofuels in transportation, while promoting environmentally sound practices for production of the sudden abundance of domestic shale gas.
- Promoted the development of a smarter electric power grid and greater access to the transmission system for renewable energy.
- Worked to change state utility efficiency policies to make energy efficiency the first fuel of choice.

Especially at the state and local levels, over the past decade the United States has made a solid start in moving toward cleaner and more efficient use of energy and in changing the rules needed to support that transition. What America can and must do in the coming decade is to drive these changes further and faster. The move to a clean energy future is inevitable, but we need to move with greater speed and scale. We have taken the first steps; now we must accelerate.



## Two elements are critical to seize the clean energy opportunity and hurry a clean energy future:

First, **change the rules** – the laws, regulations, subsidies, and tax credits – that govern America’s energy markets. The current energy market rules were designed to support a fossil fuel-based economy and continue to tilt the playing field to make fossil fuels less expensive and more convenient for consumers. But today these energy rules deliver energy outcomes that we do not want and cannot afford – dependence on unstable sources of energy, dangerous levels of emissions, and wavering support for American clean energy technologies. If we want different outcomes – improved national security, lower emissions, and larger markets for clean energy – we must change the rules. We must reflect the full cost of existing technologies and fuels. We must overcome or eliminate market barriers, especially high first costs that slow the adoption of energy efficiency and cleaner fuels, so that America can capture their economic, environmental, and security benefits. And we must enlist the private sector to partner more aggressively with governments to change and streamline regulations, thus opening up opportunities for new entrants and innovations.

Over and over again, market capitalism bounded by smart rules that serve the public interest has delivered the desired result more cheaply, quickly, and easily than anyone thought possible. If we want to change the future, we have to change the rules – to seize the economic opportunities of clean energy, create jobs, lower consumer costs, make America more competitive, reduce emissions, and improve national security.

“Good rules align the interests of individuals and corporations with the public interest, so that business can profit in ways that also make society richer and safer. This is the foundation of sound public policy. When high purpose is combined with the profit motive, the results can be astonishing.”

-Timothy Wirth, Vinod Khosla,  
& John Podesta, *Change the  
Rules, Change the Future*,  
GRIST, May 22, 2007



**Second, refocus on energy efficiency** – our biggest energy resource. Since the energy crisis of 1973, the United States has met its need for energy by using it more efficiently (reducing demand) to a greater degree than it has by finding and producing more (increasing supply). In the future, making use of the vast supply of energy we waste will provide a more certain and robust path to job creation and financial advantage – one that is cheaper, faster, cleaner, and safer – than conventional supply-side opportunities. It is a win-win-win opportunity for collaboration by business, labor, and environmental groups and by Republicans and Democrats.

But policy makers, the media, and key opinion leaders continue to focus almost all of their attention on the supply side of the energy equation. We must change this conversation. While we cannot and should not ignore the need to increase the supply of clean energy, we must rebalance the debate. The first question that every politician, reporter, business, or environmental leader should ask is: “How can we enable America’s homes, businesses, factories, and vehicles to use energy more productively?”

**Going forward, the Coalition will seek to advance these two elements and realize the opportunities of the new energy economy by pursuing the following agenda:**

***Use less oil in transportation by changing the rules to:***

- Continue to increase fuel economy standards for passenger vehicles;
- Prepare the electric power grid for electric hybrid plug-in vehicles;
- Expand the use of natural gas in heavy-duty and centrally fueled fleet vehicles; and
- Accelerate research and development on advanced biofuels and encourage the production of flexible-fuel vehicles and a fuel distribution system that gives consumers a choice at the pump.

***Move toward a cleaner, more efficient electric power system by changing the rules to:***

- Upgrade 40% of America’s buildings – 50 million homes and businesses – by 2020 to make them more energy efficient;
- Promote new business models for electric utilities so that they and their consumers can co-invest and share in the savings available from energy efficiency;



- Develop new financing mechanisms and other tools to support energy efficiency upgrades in commercial, institutional, and residential buildings;
- Deploy new information and communications technologies that will enable consumers to enjoy more reliable, efficient, secure, and innovative energy services and to sell power to utilities as well as buy it from them;
- Allow consumers to schedule their use of electricity, like any other product, on the basis of its real cost – which can vary by an order of magnitude over a 24-hour period – making the system more efficient and less costly;
- Facilitate the transmission of renewable energy from remote areas to market;
- Remove barriers to and encourage the deployment of distributed energy generation technologies;
- Replace coal in electric power generation with cleaner energy sources and increased energy efficiency by providing clear regulatory direction to utilities;
- Ensure that abundant new reserves of natural gas from shale formations are produced in environmentally sound ways; and
- Continue research on carbon capture and storage for both coal- and gas-fired power plants.

The energy debate in the United States has recently become tangled in an increasingly partisan standoff, reinforced by the massive growth of special-interest campaign expenditures. Economic and political forces designed to protect the status quo have been remarkably successful, particularly in loosening the obvious connection between climate change and energy policy. Over the coming years, the Energy Future Coalition will work to break this political paralysis, facilitate constructive engagement by the private sector, and build on the creativity of state and local governments – using the lessons generated by our federal system. The dysfunction in the federal legislature must be overcome, and new economic and environmental opportunities for a rapidly growing global market must be better articulated if the necessary speed and scale of our energy transition are to be realized.