It’s Not a Handout, It’s an Investment

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With the 112th Congress now sworn in and turning its attention to the business of governing, energy is a topic that has emerged as one area where bipartisan cooperation might be possible. And let’s hope it is. Who among us wouldn’t be thrilled to hear this new Congress having a serious debate about how American energy innovation creates jobs, grows our economy, and reduces our dependence on imported petroleum?

Discussion about how we can reduce our dependence on foreign sources of energy would also be welcome news for America’s drivers, rail and trucking companies, and airlines. Just last month, the former President of Shell projected that gas prices could hit $5 per gallon by next year. And the U.S. Energy Information Administration is now projecting that prices for a barrel of imported crude will climb above $115 by 2025 – and even higher by 2035.

There’s no doubt that the long-term trend of rising gas prices will lead to increased calls for domestic alternatives to petroleum. Let’s hope that Congress realizes the true potential for domestic alternatives is above ground – in the form of algae-to-biofuels technology being developed in commercial projects, universities, national labs and entrepreneurs’ business plans across the country.

But rising gas prices in and of themselves won’t be enough to create sufficient demand for algae biofuels. The federal government must follow its long history of investing in national energy initiatives. While the extension of the biofuels tax credits were a strong show of support for biofuels, more needs to be done.

Recently, any call for increased government funding or involvement in this nascent

industry has been met with criticism or concerns about “subsidies.” I would be remiss if I didn’t point out that our fossil-based brethren (coal and oil) have benefitted from collectively hundreds of billions in incentives, tax breaks and other forms of federal support since the beginnings of their industries decades ago.

And that’s OK. Why? Because not a single new, national, commercial-scale energy technology and infrastructure has ever scaled up successfully without significant financial support from the federal government. Over the last hundred years, the federal government has consistently promoted the development of new energy technologies and infrastructure deemed critical to the national interest.

Take hydroelectric power, now the largest source of renewable power in the United States. In 1920, policy makers looking to diversify the nation’s energy supply created the Federal Power Commission to increase the development of hydroelectric power plants. The result is a nationwide network of hydroelectric dams that quite literally powered us to global prosperity and that now provide our country with clean, domestically-produced energy.

Support by the federal government also played an invaluable role in the development of nuclear energy. While more than $100 billion of government-funded research went into the development of nuclear power for defense technologies during World War II, in the postwar era the federal government provided a combination of loan guarantees, R&D support, and tax incentives to help commercialize the technology for civilian use to further diversify the nation’s energy supply.

It’s important to keep in mind that the government’s unprecedented investment in fossil fuel production and infrastructure– a total of $700 billion in tax breaks, royalty relief and access to public lands – has been a key factor in why gas has been so cheap – and why renewable fuels are so comparatively expensive, at least right now.

The crucial point here is that none of these industries – not oil, not hydro, not nuclear – would have reached scale, and the country never would have reaped the benefits of domestic energy, without significant government support. Yet at the time, federal support for these industries was not characterized as “handout” or “subsidies” – but rather as an investment to help meet the national security and domestic economic development imperatives facing the country.

We face similar challenges today. Experts like the National Intelligence Council warn that new energy alternatives are necessary to manage long term costs for defense, enhance energy security, and improve the capabilities of our military.

The Department of Defense recognizes the danger posed by our dependence on foreign sources of energy and is taking impressively aggressive steps to promote the development of alternatives to fossil fuels. The Navy is pursuing an ambitious plan to have operational its “Great Green Fleet” of ships, submarines and planes powered entirely by advanced biofuels.

The new Congress is in a position to do something: make short-term investments that help make us more energy independent, safer in the long-term and lay the foundation for continued economic growth. Make no mistake: Federal investment in advanced biofuels technologies will be central to fostering private sector innovation, creating jobs and accelerating the industry’s development.

It’s worked before with the creation of nation-wide energy infrastructure, and it can work again.

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