

February 23, 2010
(Updated February 26, 2010)

The Honorable Harry Reid
United States Senate
522 Hart Senate Office Building
Washington, D.C. 20510

Dear Majority Leader Reid,

As unemployment in America remains high, it is incumbent on Congress to quickly take steps to revitalize existing manufacturing and create new jobs. Manufacturing produces wealth, encourages economic growth, and has been a key factor in this country's high standard of living. No effort to repair the economy or create jobs can be accomplished without the involvement of the industrial sector—it is the base upon which the entire economy is built. Productive investments in manufacturing ripple throughout the economy, as every manufacturing job—such as operating and maintaining machines and facilities—supports three jobs elsewhere in the economy, including the design, marketing, delivery, and sale of those manufactured goods. A new focus on **advanced manufacturing** processes can make the sector more energy-efficient, cleaner, safer, and most important, can create and preserve sustainable jobs and make American industries more **competitive** in the global economy.

Economic stimulus for energy-efficient manufacturing is a key component to this sector's continued competitiveness and growth. However, recent actions by Congress to stimulate the economy have largely overlooked the industrial sector. Indeed, of the \$787 *billion* spent on the *American Recovery and Reinvestment Act* (ARRA), only \$156 *million* was reserved specifically for industrial energy efficiency and combined heat and power (CHP), and a minimal portion of state grants went to investments in manufacturing.

The Industrial Technologies Program (ITP) within the Department of Energy (DOE) received applications requesting over \$3.8 billion for the \$156 million in available grants—over 24 times the funds available. These grants are rendered even more productive because they leverage private funds that exceed the federal share. The \$156 million that DOE ITP awarded represents a total investment of \$785 million; the requested \$3.8 billion would have leveraged a total investment of \$9.2 billion. The proposals outlined below, and other similar proposals that could be funded through an expansion of this existing program, represent large-scale, “shovel-ready” opportunities for stimulus spending that can put people to work immediately while contributing to the competitiveness of U.S. manufacturing. Through technology production and installation, and the implementation of engineering best practices and other energy efficiency programs, **tens of thousands of jobs will be created** and existing jobs will be preserved by the increased competitiveness of U.S. manufacturers.

Moreover, the manufacturing sector faces some significant market barriers that often make improved efficiency and competitiveness a complex task. Federal policies to encourage investment in this area can help to overcome these barriers.

We, the undersigned organizations and firms, call upon the U.S. Congress to provide significant stimulus to the manufacturing sector for investments in energy efficiency and tooling for the production of energy-efficient and clean energy products. Specifically, we suggest enactment of the following provisions to increase employment in the manufacturing sector and set the United States back on the path of sustainable economic growth and competitiveness:

- **\$4 billion energy-efficient manufacturing grant program**

It has become clear over the past several months that with industrial facilities struggling to survive, tax credits and loan guarantees are not sufficient to compel manufacturers to invest in energy efficiency in the current capital-constrained environment. Public-private partnership grants, such as the \$156 million awarded by ITP—for which nearly \$4 billion in responsive proposals were received—have proved to be not only palatable to manufacturers but also effective at reducing energy consumption and greenhouse gas emissions. Expanded funding for this grant program of at least \$4 billion would immediately create jobs, help reduce manufacturing costs, encourage production of energy-efficient and clean energy products, and help protect manufacturers from the costs of carbon emissions regulations. Providing

additional funding for grants is the fastest and most effective way to catalyze investment in manufacturing in the immediate term.

Congress should first and foremost specify that DOE immediately fund any projects that were found meritorious during the Recovery Act solicitation but were denied due to lack of funding, and direct DOE to immediately issue and process a second solicitation to identify other "shovel-ready" projects with awards to be made by mid-year. In addition to a general solicitation for industrial energy efficiency, this second solicitation should allocate a portion for small and medium manufacturing enterprises (SME). SMEs are a vital part of the economy and are important to job creation, but were underrepresented in the recent DOE grant awards. Providing a dedicated allocation to SMEs would address this opportunity.

- **Additional \$50 Million for the Manufacturing Extension Partnership (MEP) Program**

Congress should authorize an additional \$50 million for the Hollings Manufacturing Extension Partnership (MEP) program, administered by the National Institute of Standards and Technology (NIST). MEP centers are located in every state and operate as private-public partnerships. MEPs contribute directly to job retention by working directly with small and medium-sized manufacturers to improve their processes, adopt new technologies, reduce costs, and innovate to compete in a global market. In FY 2007 alone, an MEP impacts study reported that their services led to 57,000 jobs created or retained, \$10.5 billion in new or retained sales, \$2.2 billion in new private investment, and cost savings of over \$1.4 billion. The MEPs are awarded federal funds for operations through competitive solicitations, and the requested additional \$50 million would also be awarded competitively. These additional funds would be used for tools, services, and experts to assist small and medium-sized manufacturers and could be awarded in as little as 60-90 days. The centers are normally required to provide 50% or more of their capital and costs through non-federal sources; however, given the current economic situation, waiving the requirement for this \$50 million would speed the funds' distribution and implementation.

The ARRA funds noted above were specified for CHP, district energy systems, waste energy recovery systems, and industrial end-use energy efficiency, which received only a relatively small amount. There are still many industrial energy efficiency initiatives with great potential for job creation, including:

- *"Smart" manufacturing:* Using sensors, information networks, and controls to dynamically optimize production lines and entire facilities enhances energy efficiency, improves productivity and product quality, and reduces emissions. The European Union has already made \$1.6 billion in grants available to their industrial base in this area as part of their stimulus program, and the U.S. should follow suit. Over \$1 billion dollars in "shovel-ready" smart manufacturing projects have already been identified in the U.S. Public-private partnership grants should be provided to firms for the design, installation, and commissioning of smart manufacturing control systems.
- *Mechanical insulation:* Proper maintenance is often deferred in manufacturing plants, leading to increased energy costs and leaving firms at a competitive disadvantage. Insulation is an often-overlooked, highly cost-effective efficiency measure that provides real savings while immediately creating a wide array of quality jobs. One billion dollars of grants for the installation of mechanical insulation could create tens of thousands of jobs and could be implemented immediately.
- *Save Energy Now LEADER Program:* Energy-intensive industries joining DOE's SEN LEADER Program have pledged to reduce their energy intensity by 25% over 10 years. Grants to manufacturers such as these enable them to undertake large-scale energy efficiency projects that require independent, 3rd party technical assistance and the purchases and installation of energy efficient process and support technologies. Not only do such projects generate employment opportunities, but they also enable better energy efficiency and environmental performance.

Thank you for the opportunity to submit these comments. Please contact Nate Kaufman (202-507-4026, nkaufman@aceee.org) with ACEEE if you have questions or require additional information.

Sincerely,

Alliance to Save Energy
Aluminum Association
American Chemistry Council
American Council for an Energy-Efficient Economy
American Forest & Paper Association
American Foundry Society
American Iron and Steel Institute
Apollo Alliance
Biorefinery Deployment Collaborative
Business Council for Sustainable Energy
Center for American Progress Action Fund
Eastman Chemical Company
Glass Manufacturing Industry Council
Industrial Energy Consumers of America
Ingersoll Rand
**International Association of Heat and Frost
Insulators and Allied Workers**

International District Energy Association
Johnson Controls, Inc.
The Manufacturing Institute
National Association of Manufacturers
National Council for Advanced Manufacturing
National Electrical Manufacturers Association
National Insulation Association
**National Science Foundation Smart Process
Manufacturing Initiative**
North American Die Casting Association
Northeast-Midwest Institute
Steel Founders' Society of America
Recycled Energy Development
Rockwell Automation
U.S. Clean Heat & Power Association

CC: Steven Chu, Secretary of Energy
Gary Locke, Secretary of Commerce
Ron Bloom, White House Senior Counselor for Manufacturing Policy
Cathy Zoi, Assistant Secretary for Energy Efficiency and Renewable Energy
Henry Kelly, Principal Deputy Assistant Secretary for Energy Efficiency and Renewable Energy
Kathleen Hogan, Deputy Assistant Secretary for Energy Efficiency