

Testimony of Delaware Governor Jack A. Markell  
U.S. Senate Field Hearing  
Wilmington, Delaware  
February 19, 2010

Thank you, Senator Carper, for holding this Field Hearing in the State of Delaware and inviting me to participate today. Delaware stands at a critical juncture. Our economy is getting stronger, but we still have too many of our fellow residents out of work and our state revenues are down significantly at a time when our citizens need government services the most. This reality has forced us to develop new and innovative approaches to stimulating economic growth and making strategic investments that will produce long-term results.

Fortunately, Delaware's economy has strengths that will help accelerate our recovery. We have a proud tradition of innovation. Delaware's Four Cs (chemicals, cars, credit and chickens) have led the nation for generations, but in the past year we have had setbacks like many parts of the nation with the closure of two automobile plants, layoffs in the financial services sector and the shutdown of a large refinery. Yet despite this, we remain confident in our long-term future.

We are seeing the emergence of a fifth C: clean energy or clean tech. In Delaware when we talk about environmental sustainability, we're really talking about creating well-paying jobs, many of which cannot be outsourced. We're talking about the greening of the economy to make ourselves more economically competitive as we move towards a lower-carbon future.

An important first step towards emerging as a clean energy economy is embracing energy efficiency and conservation in our homes, businesses, and in new buildings.

Investments in greater energy efficiency put people to work now and pay dividends for the future. Every dollar wasted from inefficient energy usage is a dollar that is not put to work getting our economy moving in the right direction. And for every million we invest in energy efficiency, our economy will produce 15-25 jobs, in addition to substantial long-term savings.

For this reason, a key focus of our energy agenda during my first year in office was energy efficiency. In 2009, Delaware made numerous improvements to state law with respect to energy issues, including adopting progressive building codes.

We also passed the Energy Efficiency and Conservation Act of 2009. This legislation established Delaware's new Energy Efficiency Portfolio Standard – a requirement that all electric and natural gas distributors in Delaware reduce consumption 15% by 2015 – saving ratepayers money on their energy bills. We're also working with the Public Service Commission to protect ratepayers and ensure the savings are passed through to the customers. In addition, we worked to pave the way for more solar photo-voltaic and wind systems in municipalities and subdivisions and adopted some needed changes to metering requirements – allowing folks who invest in renewable technology to reap more rewards for their foresight.

These new improvements in public policy energy "infrastructure" were the principal drivers for Delaware being nationally-recognized this past summer by the American Council for an Energy Efficiency Economy, "A C triple E". I had the pleasure of going to the National Press Club in Washington to speak on our State's behalf, as Delaware was recognized as the most improved state in the nation with respect to programs aimed at improving energy efficiency. While we were recognized as most improved, we also saw that we have a ways to go.

It is clear that, in addition to making sure we have the right incentives, laws, and policies on the books, we have to do much more to "walk the walk." For this reason, putting our own house in order and "leading by example" is a top priority for this year

Just this past Wednesday, I signed Executive Order #18 -- otherwise known as the "Leading by Example" order -- which is exactly what we in government ought to be doing.

The new Order:

- Specifies that new state construction be built to the Silver standard, or its equivalent, established by the U.S. Green Building Council's Leadership in Energy and Environmental Design ("LEED");
- Sets a target for state agencies to reduce their energy consumption by at least 10% by the end of fiscal year 2011, 20% by the end of fiscal year 2013, and 30% by the end of fiscal year 2015;
- Requires audits of state facilities for energy efficiency opportunities;
- Establishes a system and procedures to benchmark, monitor and track the energy use and carbon emissions of all state-owned and state-leased facilities;
- Sets a goal for purchasing 30% of the state's electrical energy needs from renewable sources by the end of FY 2013;
- Specifies a 75% diversion rate for solid waste leaving state facilities through reducing, reusing and recycling waste products;
- Sets a goal of reducing petroleum consumption by 25%, vehicle emissions by 25%, and vehicle miles traveled by 15% by the end of fiscal year 2012;
- Specifies green computing practices that will save both money and paper; and
- Requires more sustainable purchasing practices and policies.

These actions are anticipated to save the state significant money in the coming years, create jobs and significantly reduce the environmental footprint of state government. By being smarter about the way we use and buy energy, we can enjoy significant savings. Just as one

example, the Division of Facilities Management in the Office of Management and Budget created an energy aggregation partnership. The partnership totaled the demand for electricity of many of the state's facilities, and a "reverse auction" was conducted to purchase the electricity for these facilities. The end result was an estimated \$22 million savings in electrical costs over the 3 year life of the contract over existing service provider rates. The aggregation partnership includes counties, municipalities and school districts, and is now beginning to plan its second iteration of bidding – potentially saving the state even more in energy costs in the future.

But government cannot do it all. We need to leverage private outside investment. And now, with the American Recovery and Reinvestment Act, we've got substantial help coming from Washington. Let me take this opportunity to thank you, Senator Carper, for all you've done to advance our cause in Washington. While the Recovery Act was a blessing last year on a number of fronts, the assistance and focus on clean energy is most appreciated. We need to use the opportunity to transform our economy, and the focus in the Recovery Act on clean energy and jobs is just the sort of shot in the arm we needed in Delaware.

Another key is allowing innovation to flourish. One of the truly innovative ideas coming out of Delaware is the concept of a Sustainable Energy Utility. Under the leadership of State Senator Harris McDowell, Delaware created the Sustainable Energy Utility – or SEU – to provide energy efficiency and renewable energy services to Delawareans across the state. The SEU is an innovative means of providing energy services to residents and businesses alike, and will be the principal distributor of federal recovery dollars dedicated to energy efficiency. Under its new banner "Energize Delaware", the SEU is a model for the nation, and we're proud to once again be leading in the provision of energy services.

One significant task for the SEU will be to implement the results of the audits conducted under the Leading by Example Executive Order. Through use of the SEU's bonding authority, we can retrofit state buildings, some of which are over 30 years old, to update the systems that provide heat, air conditioning, electricity and water. These improvements will save taxpayer dollars and result in new jobs for Delawareans, without requiring any up-front expenses by state government – thanks in part to the Recovery Act, which will be used to help pay for these improvements – and bringing jobs to Delaware.

Through innovative public-private public partnerships, we hope to catalyze substantial private sector investment in the energy efficiency technologies and services. Today in Delaware, we're seeing dozens of great building projects that demonstrate the opportunities to incorporate energy efficiency and sustainable elements into new construction. I've had the chance to attend several events dedicating LEED buildings, including multiple LEED Platinum projects. While some people have raised concerns about the increased cost of building green, some local builders have recouped the additional investment in less than a couple of years. But just as important as the savings is the well-paying jobs that these construction projects support. And we are committed to finding creative ways to move beyond a handful of LEED projects and help

ensure that we're greening more of our projects in the state, helping all of our residents benefit from sustainable design and construction, and supporting well-paying jobs for years to come.

And that's the final point I want to make. We should not think of our efforts to modernize facilities and adopt cleaner energy as simply an environmental initiative. This is a jobs initiative. In Delaware alone, we are seeing some of the most exciting innovations in the state emerging in the fields of energy efficiency, renewable energy, building materials, alternative fuels and advanced transportation. We are seeing companies like White Optics, PTM, and BF Rich produce great technologies that reduce energy consumption and generate rapid savings. An exciting company, Motech, recently purchased the former GE solar plant and is making PV panels here in Delaware. DuPont has a series of products that will make solar panels more efficient and dynamic, particularly as next generation thin-film innovations come to market. W.L. Gore, Dupont and Ion Power are leaders in the fuel cell industry. Autoport is converting traditional vehicles to all-electric, and Blue Water Wind is planning the first offshore wind farm in the nation off the coast of Rehoboth... the list goes on and on.

One of best examples of our innovation economy is the re-purposing of Delaware's two automobile plants. The Chrysler plant in Newark has been purchased by the University of Delaware, and will be the home of ground-breaking research. At the former GM plant, Fisker Automotive will manufacture their plug-in hybrid sedan with the help of a critical loan guarantee through the Department of Energy. In each case, our state's responsiveness and commitment to business success resulted in a positive outcome for Delaware workers and a growing innovation economy. We are working hard to achieve a similarly successful outcome at the Valero facility in Delaware City.

Throughout Delaware, we are fostering a vibrant, functioning market for cutting-edge companies to not only succeed, but to put people to work making things in Delaware. It's not enough to create demand for energy efficiency and renewable energy technologies; we also have to be thoughtful in maximizing the economic benefits from these initiatives. We cannot afford to trade our dependence on foreign oil for a new dependence on Chinese-made solar panels, Japanese electric vehicles and European wind turbines. We must work to seize these economic opportunities here at home.

For this reason, I ask that the Congress continue to look at ways to help American companies serving these emerging markets to succeed. We need to create an innovation ecosystem where entrepreneurship can flourish. We need to use every ounce of American ingenuity to strengthen the economy for the next century—and it's not enough to just innovate, but we must scale up production here at home and deploy technology.

We in government have an opportunity to stimulate market demand through thoughtful procurement goals. We need to expand the loan guarantee programs that are providing the critical access to capital to help companies grow. We need to allow companies to invest in the R&D that will drive future innovations. We need to support domestic manufacturing. We need to help train the workforce so local residents are equipped to enter these new exciting fields.

We have made some progress in Delaware, but there is much more work to be done. I want to recognize the excellent efforts of the New Castle, Kent and Sussex counties, the City of Wilmington, our local governments, the school districts of Milford, Cape Henlopen, Smyrna, Brandywine, Appoquinimink, Caesar Rodney, Christina and Sussex Tech, and our local universities and colleges for all their notable actions to implement green technologies and improve energy efficiencies in the schools they are either building or renovating. And I would be remiss if I didn't publicly and proudly recognize the great efforts being led by my colleagues on this panel today, New Castle Country Executive Coons, Wilmington Mayor Baker and Roy Whitaker from the Seaford School District, who is a statewide leader in these issues.

Thank you for the opportunity to present this testimony to your Committee.

I would be happy to take any questions.