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**Response to Request for Information: Department of Energy's Use of Demand-side Support for Clean Energy Technologies**

The BlueGreen Alliance (BGA) unites labor unions and environmental organizations to solve today's environmental challenges in ways that create and maintain quality jobs and build a stronger, fairer economy. Our partnership is firm in its belief that Americans don't have to choose between a good job and a clean environment—we can and must have both.

**Category A: Most effective demand-side support measure for given technologies**

**(1) What are the potential benefits and drawbacks of DOE implementing demand-side support measures in a given industry?**

To meet the administration's goal of achieving net-zero emissions by 2050, large and stable markets for cleaner goods must be created and cultivated. By leveraging its vast purchasing power, the federal government can foster such markets, spurring increased private investments that will drive further emissions reductions.

As DOE develops its demand-side strategy, it should view it as part of a holistic industrial strategy. Awards should reflect the value-added role of demand-side support for target sectors and technologies as part of a comprehensive strategy. We urge DOE—and other relevant agencies and offices—to publicly outline such a strategy after incorporating stakeholder input, building on DOE's Industrial Decarbonization Roadmap. This holistic industrial strategy should specify the comparative advantage of the various Inflation Reduction Act, BIL, and other federal funding streams and incentives for achieving the goals of reduced industrial emissions and expanded clean technology manufacturing. This strategy should explain how new demand measures, the Inflation Reduction Act, and BIL programs complement each other in achieving climate, jobs, and equity objectives.

In designing demand-side support programs, the Office of Clean Energy Demonstrations (OCED) should prioritize low-emissions materials and clean technologies that meet the following criteria: 1) increased production of the low-emissions material or clean technology would help cut industrial emissions or build reliable supply chains for clean energy, clean transportation, and efficient buildings, 2) private market demand is insufficient to spur widespread production of the material or technology, and 3) public demand could meaningfully boost production.

### *Direct Air Capture and Carbon Removal*

Carbon dioxide removal services such as Direct Air Capture (DAC) need increased market certainty if we are to meet the U.S. goal of removing over a billion tons of carbon dioxide per year by 2050. The federal government can help bolster market certainty by purchasing DAC services, whether via a direct carbon dioxide removal procurement program or an advanced market commitment to purchase carbon credits. By offering long-term demand certainty, the government could help DAC companies speed up operations timelines that are often frontloaded with engineering and construction expenses.<sup>1</sup> A public procurement program may also crowd additional private purchasers into the market by lending credibility to carbon removal credits, which would speed up the rate of carbon dioxide removal. An advanced market commitment or direct procurement program should be paired with standards to ensure high-quality jobs in DAC construction, maintenance, and operations; domestic content requirements to spur private demand for domestically manufactured DAC components; meaningful community engagement, benefits, and support for DAC projects; protections for environmental justice communities; and rigorous requirements for monitoring, reporting, and verifying carbon reductions.

## **(2) What would be the most effective demand-side support measure DOE could use to support commercial scale-up of a given technology?**

### *Direct Procurement*

DOE should keep each of these demand-side tools at its disposal, as the most appropriate tool will vary by technology/material and by the segment of the supply chain being targeted. For any technologies that the government itself uses, direct procurement should be weighed heavily as a policy tool with a promising track record. Government agencies have historically utilized direct procurement, often to great effect, to catalyze demand for nascent technologies, offer market certainty, and drive

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<sup>1</sup> Bipartisan Policy Center, *Protecting Early Markets for Carbon Dioxide Removal through Federal Procurement*, June 22, 2022. Available online: <https://bipartisanpolicy.org/blog/promoting-early-markets-for-carbon-dioxide-removal-through-federal-procurement/>

innovation and technological development. For example, as a top purchaser of concrete (and therefore cement), steel, and other construction materials widely used in public infrastructure projects, the federal government has the power to use Buy Clean procurement policies to grow the market for low-emissions construction materials to the benefit of our climate, environment, public health, and domestic manufacturing jobs.

To implement a synergistic strategy for reducing industrial emissions, supply-side investments such as the Advanced Industrial Facilities Deployment Program and the 48C tax credit included in the Inflation Reduction Act should be paired with demand-side support and procurement measures such as Buy Clean. By focusing both the supply-side push and demand-side pull on the same core materials and technologies, the Biden administration can maximize the likelihood that manufacturers take advantage of these incentives to cut emissions in some of our most emissions-intensive sectors, while ensuring demand-side measures like Buy Clean support good U.S. manufacturing jobs.

The federal Buy Clean initiative, established in E.O. 14057, serves as an effective model for using public demand to catalyze markets for other low-emissions materials and clean technologies. DOE has the opportunity to use federal purchases to speed the commercial availability of emerging, transformational technologies critical to producing zero- or near zero-emissions industrial materials, and for clean technologies such as energy storage and advanced geothermal where there is not yet sufficient market pull to spur the cleaner manufacturing needed. For example, OCED could generate demand for primary and secondary clean steel that is used in towers and foundations for on and offshore wind, as well as in mounting and racking structures for solar. Offshore wind turbines are typically composed of up to 80% steel. This could further the development of a domestic clean steel supply chain. Such policies, combined with supply-side investments, could help to cut greenhouse gas emissions, reduce local pollution and health impacts, support good union jobs, and build a reliable and equitable clean technology manufacturing base.

#### *TVA and PMAs*

Beyond direct procurement, OCED also could partner with the Tennessee Valley Authority (TVA) and the Power Marketing Administrations (PMAs) to utilize their procurement powers to boost demand in numerous clean technology sectors. For example, TVA and PMAs could leverage their purchasing power to spur transmission innovations such as high-voltage direct current systems. The Bonneville Power Administration (BPA), a PMA, operates and maintains 75% of the high voltage transmission lines in its nine-state service territory, providing a substantial market for technology innovation. As another example, the Inflation Reduction Act granted TVA the ability to take advantage of clean energy tax credits through “direct pay” provisions if it

meets certain domestic content requirements. By taking advantage of these tax credits and honoring the domestic content provisions, TVA could boost demand for domestically-manufactured parts and components for clean energy, including solar components. TVA has a significant energy generation profile—operating nearly 37,000 MW of electricity in its summer peak—with plans to add an additional 10,000 MW of solar by 2040.

Additionally, TVA and PMAs have the potential to serve important roles, in line with their historical mandates, as providers of low-cost clean electricity to industrial consumers in strategic manufacturing sectors—roles that DOE could complement with demand-side measures. However, BPA recently failed to play this critical role by refusing to negotiate in good faith an affordable clean electricity agreement to help reopen a strategic aluminum smelter in Washington State. This failure suggests that the Biden administration needs to push PMAs and TVA to return to their New Deal mandate—supporting strategic industries that foster equitable economic development—by offering secure supplies of affordable, clean electricity to these industries. To support this effort, DOE also could deploy complementary demand-side support, such as offering purchase commitments for the goods produced by the industries receiving power from PMAs and TVA.

#### *Labor, Equity, and Environmental Criteria*

In any demand-side support program that DOE establishes, the agency should use specific labor, equity, environmental, domestic content, and community engagement criteria to determine which companies receive support. As detailed in our recent response to DOE's Request for Information for the Defense Production Act, we recommend that DOE give these factors decisive weight as selection criteria for demand-side programs.<sup>2</sup>

### **(3) What are the benefits and drawbacks of DOE partnering with an independent entity to implement demand-side support measures?**

In order for DOE to implement a comprehensive industrial strategy, there are clear drawbacks to partnering with an independent entity for implementation of demand-side support measures. First, as a public entity, DOE has clear lines of public accountability and is therefore better suited than an independent firm to enforce the high-road labor, equity, and environmental standards referenced above. An independent entity would have more attenuated lines of accountability to the U.S. public for upholding such

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<sup>2</sup> BlueGreen Alliance, *Response to Request for Information: Defense Production Act to Accelerate Manufacturing and Deployment of Energy Technologies*, December 2022, Available online: <https://www.bluegreenalliance.org/resources/bluegreen-alliance-responds-to-u-s-department-of-energys-request-for-information-on-the-implementation-of-the-defense-production-act/>

standards. Second, in instances where direct public procurement is the ideal strategy to support commercial scale-up of key technologies, a private entity would likely bring less detailed knowledge than DOE of public procurement needs and processes. Third, enacting an agency-wide industrial strategy requires the development and utilization of institutional knowledge. It would be more difficult for DOE to ensure staff retention and development of the technical skills necessary to implement an industrial strategy if DOE were to award demand-side programs to an outside entity. Fourth, supply-side and demand-side interventions need to work in tandem to provide the most benefits with public dollars. Outsourcing demand-side programs to an independent entity could weaken such synergy, interfering with DOE's ability to successfully carry out a holistic strategy for cutting industrial emissions and expanding clean technology manufacturing.

#### **(4) What would be the best way to structure the agreement between DOE and the entity?**

If DOE were to partner with an independent entity, a binding contract with the entity would need to establish clear and enforceable accountability mechanisms to ensure the above labor, equity, and environmental standards are upheld. The contract should spell out that failing to abide by these standards would result in specific recourse with an effective deterrent effect, up to and including the termination of the contract. According to the Congressional Research Service (CRS), there are best practices that DOE should pursue when awarding a contract to an independent entity.<sup>3</sup> First, post and pre-award orientation should be required so administrators on both sides of the contract have mutual understandings of contract requirements. Second, a plan for success should be developed with a neutral facilitator that determines goals for both sides and outlines dispute resolution tactics. The result of this process should be the development of a partnership charter that outlines labor, equity, and environmental standards that DOE wants the contractor to uphold. CRS also notes that contract administration can result in problems if staff are not adequately focused on administering existing contracts, indicating that clear roles should be defined early in the process. In addition, research by the Center for American Progress finds that federal contractors are frequently found to be in violation of federal labor laws and any previous violation makes them more likely to be a repeat offender. DOE should be vigilant if it chooses to award a contract to an independent entity, including by ensuring they have a history of upholding high-road labor standards.<sup>4</sup>

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<sup>3</sup> Congressional Research Service, *Overview of the Federal Procurement Process and Resources*, January 2023. Available online: <https://crsreports.congress.gov/product/pdf/RS/RS22536/15>

<sup>4</sup> Center for American Progress, *Federal Contractors Are Violating Workers' Rights and Harming the U.S. Government*, January 2022. Available online: <https://www.americanprogressaction.org/article/federal-contractors-violating-workers-rights-harming-u-s-government/>