Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515–6315

MEMORANDUM

TO:	Members, Subcommittee on Oversight, Investigations, and Regulations
FROM:	Dean Phillips, Chairman
DATE:	July 21, 2021
RE:	Subcommittee Hybrid Hearing: "SBA's Role in Climate Solutions"

The Committee on Small Business Subcommittee on Oversight, Investigations, and Regulations will meet for a hybrid hearing entitled "SBA's Role in Climate Solutions." This hearing is scheduled to begin at **10:00 A.M. on Wednesday, July 21, 2021, in person in Room 2360 of the Rayburn House Office Building, and virtually via the Zoom platform**.

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Climate change is increasingly becoming a threat to local economies, but small businesses can take steps to become more resilient and boost their competitiveness. The SBA can support efforts to facilitate access to capital for climate change mitigation investments and resilience efforts. This hearing will allow members to learn more about the role that small businesses can play in addressing climate change, and how federal programs and services support small businesses as they adapt, innovate, and thrive.

Panel

- Ms. Laurel Walk, Chief Lending Officer, Colorado Lending Source, Ltd., Denver, CO
- Mr. Rick Chapman, General Manager, The Port of Sunnyside Club, Inc., Stillwater, MN
- Dr. Lynn Abramson, President, Clean Energy Business Network, Washington, DC
- Mr. Mark Glenn, Owner and Chief Executive Officer, Fastsigns, Carrollton, TX

Background

Climate change is one of the greatest challenges facing the globe, yet it is also an opportunity for innovation and the creation of new industries and good-paying jobs as part of the clean energy economy. Seizing on these opportunities can help revitalize America's energy production, manufacturing, and position America as a clean energy leader. Small businesses play a vital role in the clean energy economy. From adopting sustainable practices, installing energy efficient equipment, manufacturing components of large-scale renewable energy projects, to research and innovation, small entities can be found in every state playing a crucial role in developing climate smart solution.

The clean energy economy covers many industries that are dominated by small businesses, including construction, manufacturing, and renewable energy sectors. Overall, clean energy jobs

totaled more than 3.3 million at the end of 2019.[1] Nearly every state in the U.S. had seen a steady increase in clean energy jobs, until the onset of the COVID-19 pandemic which led to a loss of over 300,000 jobs in the clean energy field.[2] With that said, clean energy jobs outnumber fossil fuels jobs nearly three to one.[3] These jobs span a wide range of industries; manufacturers that build and assemble clean energy products or components, developers of clean energy projects, contractors that build and install systems, other professionals that provide essential services to the renewable energy and energy efficiency sectors. In fact, an estimated 89% of U.S. clean energy jobs are at small firms with less than 100 employees.[4] Members will have the opportunity to hear from a panel of experts about the contributions made to this sector by innovative small entrepreneurs and their employees.

Renewable Energy

Renewable energy, derived from resources that can be produced or replenished naturally, is vital in helping advance climate solutions. These resources include biomass, sunlight, water, wind, and geothermal energy can reduce dependence on fossil fuels, decrease greenhouse gas emissions and pollution, and lead to overall savings, efficiency, and enhanced energy security.

In 2020, renewables provided 21% of energy consumption in United States, and our consumption of fossil fuel energy was the lowest it has been since 1991.[5] Federal policies can play a large role in growing and shaping our renewable energy sectors. We have experienced growth particularly in the use of wind, solar, and biofuels, due to tax credits and other federal initiatives.

Wind Energy

Wind energy, generated by wind turbines, is an inexhaustible source of domestic energy. While the intensity of wind varies by region and season, both onshore and offshore wind energy have seen increased capacity to produce energy effectively and efficiently thanks to innovation and improved technology. The past decade has seen tremendous growth in wind energy. The U.S. is the second largest wind power market in the world, hosting 16% of the global wind fleet.[6] Every state across the country has either a wind project or a wind-related manufacturing facility. There are approximately 120,000 jobs directly in wind energy across all 50 states, including 26,000 wind manufacturing jobs at over 500 facilities. There are a number of small businesses associated with the wind energy sector, which provides a range of high-skilled opportunities for wind turbine technicians, manufacturing and component subcontracting, transportation and logistics, project management, finance and legal, planning and environmental site testing.[7]

Solar

The sun is the world's most abundant energy source, and solar energy production has seen rapid growth in recent years. Since 2010, the number of jobs has nearly tripled to more than 242,000

[1] E2, *Clean Jobs America 2019*, March 19, 2019.
[2] E2, *Clean Jobs America 2021,* April 19, 2021.
[3] NAT'L ASS'N OF STATE ENERGY OFFICIALS AND ENERGY FUTURES INITIATIVE, 2019 U.S. ENERGY AND EMPLOYMENT REPORT (2019).
[4] E2, *supra* note 2.
[5] U.S. Energy Information Admin., *Today in Energy: Nonfossil Fuel Sources Accounted for 21% of U.S. Energy Consumption in 2020,* July 1, 2021.
[6] AMERICAN WIND ENERGY ASSOCIATION, ANNUAL MARKET REPORT (2018).
[7] E2, *supra* note 2.

Americans working in solar industry jobs across all 50 states.[8] Solar panels are being installed on neighborhood rooftops, retail stores, and community solar project by those looking to reduce their energy costs. Solar can supply electricity for a single home or business, or as part of large arrays that supply electricity to thousands of electricity consumers. There are approximately 3 million solar installations across America, and this is only projected to increase.[9] Not only are businesses installing solar as a way to reduce energy costs in the long-term, but there are a number of small businesses that manufacture, design, install, distribute, and service residential and commercial solar systems. According to the Bureau of Labor Statistics, solar photovoltaic installers will be one of the fastest growing occupations between 2016 and 2026.[10] Installation and construction-related employment is largest segment in the solar industry, representing 67% of all jobs, many of them with small firms. Solar manufacturing jobs represented 14% of the industry, sales and distribution represent 11% of the solar industry.[11]

Other Renewable Energy Systems

While strong winds and sunny skies are key components of the renewable energy sector that has seen significant grown in the past decade, there are several other sources that are crucial contributors to the clean energy economy and America's energy independence. For instance, hydropower, which uses water to generate energy, has been used for clean, affordable electricity for more than 100 years.[12] Geothermal energy from the earth is a clean and abundant resource that can be used for heating or energy generation. The U.S. has the largest geothermal installed capacity in the world with 3.7 gigawatts, accounting for 0.4% of domestic energy use.[13] Other energy systems include biofuels and biogas from the decomposition of organic wastes, fuel cells that generate electricity through electrochemical reactions rather than combustion, marine energy which involves utilizing waves and tides for electricity. Small businesses play an important role in the research, development, production, and deployment of these renewable technologies.

Small Business Adoption of Renewable Energy

Converting to a renewable energy source can be beneficial for small business owners and the ecosystem. Electricity costs and energy consumption can vary from month to month, impacting the budgeting and bottom line for small businesses. Renewable energy resources such as wind and solar, can be the cheapest power source in most places and can help save business owners money in the long run, while also having a beneficial impact on the environment. [14]

Energy Efficiency

Energy efficiency is also a key part of the clean energy economy and climate solutions. Energy efficiency includes both the production and installation of energy-saving products, as well as services and practices that reduce energy consumption. This can include manufacturing or installation of energy-efficient equipment and appliances, electric or hybrid vehicles, products and

[8] THE SOLAR FOUND., NATIONAL SOLAR JOBS CENSUS (2018).
[9] Solar Energy Indus. Ass'n., *Solar Data Cheat Sheet* (June 15, 2021), https://www.seia.org/research-resources/solar-data-cheat-sheet..
[10] U.S. BUREAU OF LABOR STATISTICS, EMPLOYMENT PROJECTIONS: FASTEST GROWING OCCUPATIONS (2016).
[11] THE SOLAR FOUND., NATIONAL SOLAR JOBS CENSUS (2021).
[12] U.S. DEPT. OF ENERGY, HYDROPOWER VISION (2018).
[13] Ariel Cohen, *Does Geothermal Energy Have A Future Under The Biden Administration?*, Forbes, Dec. 11, 2020.
[14] Jeremy Hodges, *Wind, Solar Are Cheapest Power Source in Most Places, BNEF Says*, Bloomberg Green, Oct. 19, 2020. 38.

services that improve the energy efficiency of buildings and homes, and the efficiency of energy storage and distribution, such as Smart Grid technologies.[15]

The 2020 U.S. Energy and Employment Report states that 2.38 million people work in the United State energy efficiency sector, many of them for small businesses.[16] Demand for energy efficient technologies and buildings has driven expansion across many industries, including construction, manufacturing, building materials, lighting, and other energy-saving goods and services. Small firms are engaged in nearly every aspect of this sector, from innovation to production to construction and installation.

Small Business Adoption of Energy Efficiency

Energy efficient products and technologies provide opportunities for small businesses to upgrade and increase efficiency in their commercial buildings, as well as the production and distribution of goods and services. Money saved through energy efficiency improvements can directly impact businesses bottom lines and enable them to be more competitive. By tapping into a number or resources and financing options, small business owners can save significant amounts of money and energy, increase profits, promote their business, and cut greenhouse gas emissions. There are also "nonenergy" benefits to investing in energy efficiency, including improve the amount of daylight and increased quality of lighting, improvements to air quality and occupant comfort, and potential marketing strategies. These extra benefits can be hard to quantify and are often omitted from financial analyses.[17]

Federal Policy and Programs to Support Small Business Climate Solutions

Clean energy infrastructure and systems play an important role in climate change adaptation and mitigation. There have been several federal government standards, tax credits, grants, and loan programs for qualifying renewable energy and energy efficiency technologies and projects. The U.S. Small Business Administration (SBA), has several programs that can be used to support small businesses in the clean energy economy.

Small Business Loan Guarantee Programs

Many of the SBA guaranteed loan programs can be used by small businesses for major fixed assets such as land, structures, machinery, and equipment. The CDC/504 program provides can be used to finance construction of new facilities or to modernize, renovate, or retrofit existing facilities. For small businesses looking to access capital to address climate change issues, the CDC/504 program allows for an increased maximum loan guarantee of $5.5 million for specific projects that reduce business energy consumption by 10%, increase the use of sustainable designs, reduce greenhouse gas emissions, or increase the use of renewable energy sources.[18]

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[15] NAT'L ASS'N OF STATE ENERGY OFFICIALS AND ENERGY FUTURES INITIATIVE, 2020 U.S. ENERGY AND EMPLOYMENT REPORT (2020).

[16] *Id.*

[17] National Renewal Energy Laboratory, *Small Businesses Save Big: A Borrower's Guide To Increase the Bottom Line Using Energy Efficiency*, January 2015.

[18] ROBERT DILGER, SMALL BUSINESS ADMINISTRATION 504/CDC LOAN GUARANTY PROGRAM, CRS REPORT R41184, JUNE 23, 2021.

SBA Disaster Assistance Programs

The impact of natural disasters on small businesses is typically two-fold – direct physical damage to their business and loss of customers who were also impacted by the disaster. The SBA disaster loan program is one of the primary government resources available to help homeowners and business owners rebuild their lives after a disaster. SBA disaster assistance is provided in the form of loans, which must be repaid to the federal government. These disaster loans can be critical lifelines to help small businesses survive the physical and economic impact of a natural disaster.

While the immediate goal of the disaster loan program is to support small businesses struggling in the aftermath of a natural disaster, it is important to also consider the potential for damages caused by future disasters. Currently, businesses that receive a physical disaster loan may use up to 20% of the verified loss amount for mitigation measures, in an effort to prevent loss from a similar disaster in the future.[19] A properly managed and functioning SBA disaster loan program is vital for small businesses around the country that are dealing with increased natural disasters brought on by climate change, and looking to mitigate the impacts of future climate related disasters.

Small Business Innovation Programs

The Small Business Innovation Research (SBIR) program is a highly competitive program that encourages domestic small businesses to engage in research and development that has the potential for commercialization. Many SBIR grants through the Department of Energy, United States Department of Agriculture, Environmental Protection Agency, Department of Commerce, National Science Foundation, and Department of Defense have had a renewable energy or energy efficiency component.[20] Additionally, the SBA's Growth Accelerator Fund Competition awards accelerators, incubators, and related entrepreneurial development programs to support innovative entrepreneurs, including those who are working to address climate change and support the clean energy sectors. [21]

Small Business Entrepreneurial Development Programs

The SBA offers a wide range of free or low-cost counseling and training services through its Resource Partners to help entrepreneurs launch and grow their small businesses. These program partners provide essential technical assistance and support to entrepreneurs and small business owners.[22] To meet small businesses' needs to adapt to a changing climate and help mitigate the disruptions, SBA Resource Partners can help small businesses become more sustainable through energy efficiency audits, environmental performance metrics, and clean technology entrepreneurial assistance. Resource partners can also help evaluate the cost benefits of efficiency measures, secure financing to help small businesses address climate change, and empower small business owners to consider climate change adaptation and mitigation as components of their business model.[23]

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[19] ROBERT DILGER AND SEAN LOWRY, SMALL BUSINESS ADMINISTRATION: A PRIMER ON PROGRAMS AND FUNDING, CRS REPORT RL33243, JUNE 28, 2021.
[20] *Id.*
[21] *Id.*
[22] *Id.*
[23] AMERICA'S SBDC NEW YORK, ENERGY SAVINGS PROGRAMS, https://www.nyssbdc.org/services/energy/energy.html (last visited July 12, 2021).

Conclusion

Small businesses are at the forefront of the clean energy economy, promoting new technologies in renewable energy and energy efficiency. Whether it be in the production of renewable energy, increased energy efficiency, or the growth and adoption of these systems, robust federal support is critical in supporting small businesses developing and adopting climate solutions.