



Consumer Federation of America

March 9, 2021

Ms. Jennifer M. Granholm
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Granholm,

Congratulations on becoming Secretary of Energy. Because the Consumer Federation of America strongly supports the Biden administration's efforts to address climate change, we would like to take the opportunity to add an especially important economic point of view to the case for the transformation of the energy system. In short, we believe energy policy is one of the most important aspects of our nation's economic policy.

The potential transformation of the energy sector into one based on low cost, clean energy is one of the most important steps to ensuring economic growth over the next quarter century. This transformation is the result of a technological revolution in energy consumption and production, as well as innovations in digital communications, data processing, and advanced control technologies. These changes have created an opportunity for the development of an entirely new 21st century energy sector.

Extensive research by the Consumer Federation of America in support of our comments in several appliance efficiency and fuel economy standard rulemakings demonstrates that these new technologies lower consumer costs directly by lowering the cost of operating energy-consuming durable goods. These cost reductions strengthen the economy and increase consumer welfare by enabling consumers to "re-spend" those energy savings on higher value uses. They indirectly expand jobs and stimulate economic growth because the shift in spending employs more people, and the needed technologies create new products.

Relying on clean energy resources also helps consumers and households indirectly by lowering public health and environmental costs. Lower income households benefit disproportionately from these technologies because these groups have historically suffered from a lack of access to health care and live in areas that are more vulnerable to pollution.

The upcoming electrification of the vehicle fleet will significantly contribute to the energy transformation. Although initial costs may seem high, at scale, vehicle costs become competitive and vehicle quality improves, increasing consumer welfare. With sensible use of data and

communications, driving becomes more efficient (delivering pocketbook benefits) and safer (delivering indirect social benefits). In fact, the electrification of personal transportation provides a good model for other energy uses, and automakers are enthusiastically adopting this transformation.

With the underlying technologies for a new energy system now in hand, what is needed is a transformation of the physical and institutional infrastructure to support these lower cost, cleaner alternatives. In many respects, the physical and institutional challenges are the most difficult because the dominant energy providers had a century in the energy sector to create rules that are antithetical to the new technologies. While reducing our dependence on coal and petroleum is critical, to truly move forward, we must create decentralized facilities that can be managed to dynamically match supply and demand. We must shift away from central station facilities that have traditionally distributed energy.

The push by investor-owned utilities to subsidize their most uneconomic assets – large central station nuclear facilities – is a clear example of this problem. New nuclear plants are extremely expensive to build, and aging plants need subsidies to operate. These uneconomic reactors, unable to compete with lower cost alternatives, are also the largest and least flexible of the current generation units. They are heavy users of water and raise numerous public health and environmental issues. Promises that a new generation of “small modular” nuclear technologies will do better are doubtful at best. They will be much more expensive than the alternatives already available, and they will take decades to deploy. They also raise serious concerns about security and pollution. We urge you to apply a strict economic standard to nuclear power. If it cannot compete on cost, it should not be part of the 21st century energy sector.

Needless to say, your interest in alternative sources of power, to drive the electrification of the economy, is just what we need to advance the overall transformation of the industry. Climate change, public health and environmental benefits are an important part of the story, but they are just a part. The broad economic benefits of energy transformation need to be emphasized in order to drive progress forward, and we look forward to working with you to expose those benefits.

Sincerely,



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Jack Gillis
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cc: David Turk, International Energy Agency
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