Testimony of
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Before the Committee on Energy and Commerce and the Subcommittee on Energy and Environment
US House of Representatives

Hearing on
"The American Clean Energy and Security Act of 2009"
April 22, 2009

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify today regarding the American Clean Energy and Security Act. My name is David Crane, and I am the President and Chief Executive Officer of NRG Energy. NRG is a wholesale electricity generator, so while ours is not a household name, we nonetheless produce enough electricity to supply roughly 20 million American households. Those homes, together with our facilities and our employees, are located in California, Massachusetts, New York, Connecticut, Delaware, Maryland, Louisiana and Texas, in the districts of a number of members of this committee. We work hard to ensure that the electricity we produce, approximately 70 million megawatt-hours a year, is generated in as safe, inexpensive and environmentally benign a manner as the technology permits. But as global concern over climate change grows, the management, employees and shareholders of NRG are aware that we have a moral and, potentially, a future economic imperative to reduce substantially the carbon intensity of our electricity production.

It is for this reason that I welcome the opportunity to testify today on the importance of what your Committee is about to engage in as you take up consideration of the Waxman – Markey discussion draft. I will confine my remarks to three general observations, which I will elaborate on briefly:

1. *First, when it comes to combating climate change, which is inextricably linked to our Country's future energy usage and national energy policy, the best answer lies in the center, where both environmental protection and the energy security of*

the United States can be enhanced while avoiding the prospect of short to medium term dislocation to the economy.

This, in my mind, is the fundamental principle upon which USCAP was founded and it informs virtually all of the recommendations set forth in USCAP's *Blueprint*. Five environmental groups, motivated by their extreme alarm over climate change but who also recognized that the public and policy-makers would not be willing to sacrifice the American way of life to address an issue of little impact to their daily lives, combined with 25 CEOs of many of America's largest energy, industry, transportation and even consumer product companies, who share that environmental concern, but are also mindful of their mission to provide the American public affordable goods and services and well-paying jobs. These overlapping circles of shared concern led, over the course of two years, to a carefully calibrated and interlinked set of recommendations which we believe all members of the Committee, whether you are more motivated by reducing ***emittances*** of carbon into the atmosphere or by reducing ***remittances*** of American wages and wealth to the Middle East in order to pay for foreign-sourced fossil fuels, should carefully consider.

The USCAP *Blueprint* is based on a market approach which, through sensible regulation, essentially harnesses the strength of American capitalism to solve the carbon problem, as quickly as necessary and as seamlessly and affordably as possible as far as the American consumer is concerned. That is the right approach. Even today, with our economy in a temporarily weakened state, American capitalism remains the most potent force for peacetime change that exists on this planet. It is my deeply held believe that if Congress passes and the President signs legislation that provides us a clear framework of targets and timetables for carbon reduction and provides us with the new tools we need – and facilitates our continuing to use some of the tools we already have – American business, operating within the context of our free market system, will take the lead in solving the problem of greenhouse gas emissions in a manner that shields the American consumer.

2. *Second, the potential for significant dislocation and value destruction both to individual companies and regions of the United States is real but can be*

effectively addressed with a sensible balance between auctioned allowances and allowances allocated on an interim basis and with complementary measures for clean coal and other core technologies, including new advanced nuclear projects.

Wind, solar, efficiency and smart meters are all worthy technologies that deserve Government support, but the fact is that if you run the numbers, consider the enormous reduction in global emissions that the scientists are telling us are necessary and note the type of power plants that are coming on line every week in the developing countries, it is nearly impossible to see how we win this battle without the successful demonstration and global deployment of clean coal technology and advanced nuclear plants.

This is doubly important because clean coal and advanced nuclear are also key to addressing the significant wealth transfer that might occur within the United States through climate change legislation and/or a federal renewable energy standard to the detriment of the coal-rich Midwest and the nuclear-powered South. Complementary coal measures, of the type called for by the USCAP Blueprint and that could be supported by Congressman Boucher's "wires charge" bill, are very important in this regard, as are USCAP's proposal for a partial allocation of carbon credits to emitters on an interim and declining basis. That portion of initial allowances would be allocated on the basis of net compliance costs to avoid any potential for a European Union-like carbon "windfall" .

By keeping emitters initially neutral to carbon impact in the early years of a carbon regime, but then reducing that allocation over time until it disappears, you give emitters a financial runway of sufficient length to gain lift in our efforts to innovate and invest in low and no carbon technologies and projects that are critical to success in the fight against global warming. This is important because carbon will not be conquered just through the increased funding of the nation's research universities and labs with auction proceeds. It will be conquered when companies like Duke and NRG lead the way in demonstrating cutting edge low carbon technology at scale and deploying it en masse.

For our part, in 2006, NRG (which is a $5 billion market cap company) announced a plan to invest up to $15 billion in 10,000 megawatts of new low and no carbon projects in the

United States. Since that announcement, we have spent several hundred million dollars developing wind farms; we recently acquired a very large solar thermal development program that, if it comes to fruition, represents more than a $1 billion investment in total; we have announced a scale post-combustion carbon capture and EOR project at our largest coal plant and we are one of the lead proponents of new advanced nuclear development, with a $8 billion project under consideration by the DOE's loan guaranty office. We are doing all of this in anticipation of comprehensive federal climate change legislation as part of our philosophy that NRG wants to be a first mover in the technologies and the projects that will be spawned by climate change legislation. As you can see, we at NRG have the will and the capability to drive decarbonization in our fleet and in the industry. What we need from Congress is a market price signal for carbon, a transitional "no windfall" allocation approach that doesn't take away our means to invest these billions of dollars, and the other complementary measures and policies of the USCAP *Blueprint*.

3. *Third, the Committee should recognize that the electricity industry, currently the single largest emitting sector in the United States, as it decarbonizes will become a central part of the solution – both in our ability to export our new technologies to electric industries in other emitting nations and in our ability to displace other forms of carbon-producing energy in other sectors. Of course, I am alluding in particular to the mass displacement over time of the internal combustion engine by the all electric car.*

Energy production does not exist in a vacuum. It is fundamentally connected to the society we keep and the type of civilization we are and we want to be. At the center of our fossil fuel energy-based society right now are the car, the high voltage transmission system and the base load power plants that feed it. Congress is in a position right now, with the economic straits we find ourselves in as a country, to alter fundamentally and vastly for the better each of the three:

- By jump-starting Detroit's ability to bring about electric vehicles and electric refueling infrastructure;
- Through funding, standards and incentives for a smart grid and smart meters; and

- Through complementary measures for clean technologies, most notably baseload clean coal and advanced nuclear.

You can act as a catalyst for a virtuous cycle begetting a cleaner, more sustainable, more affluent society. I ask each of you simply that you always keep in mind the context in which we produce power and what should be our common goal. If you do this, and if all of us work to define and find the common ground in the center, I am convinced that when history is written three generations from now, it will be said that the post-hydrocarbon age began when, in the ninth year of the third millennium, the United States Congress led the way in turning Americans away from consuming the Earth's resources in a non-sustainable way, to focus instead on the type of value creation and life experience that can be sustained and enjoyed fully by their own grandchildren.

Thank you again for the opportunity to testify. I would be pleased to answer any questions you may have.