

ACCO Defense, National Security and Climate Change Workshop

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Hosted by McKenna Long & Aldridge LLP

ROUNDTABLE NOTES

Track 1: Clean Energy Infrastructure

Session 2: Leveraging the Department of Defense as Test Bed for Renewable Energy Technologies

Moderators: Allan Hoffman, Richard Goffi

Takeaways:

- DOE Energy Innovators program to transfer techs to commercialization – could be important.
 - MOU between DOD and DOE – a way to use the great means of testing commercialization of technologies/processes
- Question:** What are the opportunities and barriers of this partnership? Where are the challenges?
- MOU between DOD and DOE establishing a means for testing commercialization of renewable energy technologies/processes
 - Some test bed projects already in place, but not many yet – focus is on getting away from conventional sources for energy
 - Test bed projects – new round will be about \$30M. There were 23 new projects for FY 2010. About 600 applications received for FY 2011.
 - DOD has the land and the buildings, but it can't just be used arbitrarily
 - Contracts required -- takes a long time
 - By the time a DOD facility allows for something to use its land and buildings, new tech generation may already pending
 - What happens to the equipment in a pilot project?
 - Dismantle costs?
 - Who gets it if it does work?
 - How does it relate to Core DOD mission?
 - Make it a PPA only system?
 - Opportunities relating to DoD's vast use of liquid fuels and production of waste materials
 - Benefit of working with DOD is that it encompasses all environments and regions (e.g. warm, cold, wet, dry, etc.), which is beneficial for test bed needs
 - Commercial businesses get the benefit of testing things out and working out kinks
 - Successful test bed = cost effective and applicability/wide scale replication
 - Potential for competing policies
 - Who owns RECs? (DOD wants to sell the RECs for power created on its land, but also wants the credits)
 - Long-term investment – Fed agency to Fed agency setup might transcend short-term outlook
 - DOD has been a phenomenal innovator because it's willing to pay a premium for enhanced capability
 - What are mechanisms to push innovations in electricity production?

- Short-term focus in our nation is challenging ability to compete
 - The market economy is coming under fire because of its role in the short-term /short-sightedness
 - For a company like 3M, they've been able to do a lot in other fields on their own. Getting back into DOD work, they have to partner with Lockheed and others for DOD contracts. There are a lot of Gov't systems that don't exactly align with their company. 3M is a non-traditional DOD vendor.
 - Computer systems, employee clearances, contracts (prime vs. sub) all become barriers to 3M being a vendor to DOD.
- How does government make it easier for non-traditional energy vendors to use the test bed and then make the leap into commercialization?
- Energy for the military is a means and not an end (i.e. when all is said and done, military won't be an energy provider)
- There's a learning curve to working with the DOD
 - Many companies might be turned off after one round of working with DOD.
 - What about when the DOE looks at 600 applications for test beds and whittles it down to about 50? Will the other 500+ come back? Do we lose out on that innovation and talent?
 - Accountability – no one is held accountable
 - If government going to make this happen, you have to make it easy for the companies. How does Gov't make it easier?
- Currently the model is you have to earn political will (lobbying) to get something changed, but this is a sub-optimal solution
- What's the threshold for accepting failure? What do you do with projects that are on the brink of failure?
 - There will be failures; we have to start doing new things
 - We're 20 years late and we're seeing the jobs leave
 - Some pilot project just won't make it past the lab. It is important to get those failures out of the way. There should be little fear of failure – learn from it

Takeaways:

- DOD as a test bed is a great opportunity but there are some significant barriers – cultural, institutional barriers – to leverage it you need support
- The DOD system is a substantial challenge, particularly for entities not accustomed to navigating DOD
- Government and industry will need to collaborate in order to figure out the best way to develop renewable energy technologies/processes
- This is still too hard, for too much cost, and not to scale for large future solutions – how do we overcome? Need a national energy policy, finally!

Next Steps / Prospective Action Items:

- Establish working group to author white paper on the need for national energy policy