UNITED STATES SENATE
REPUBLICAN
POLICY COMMITTEE

Larry E. Craig, Chairman
Jade West, Staff Director

June 28, 2001

High Tech Industry and the President's Energy Plan: You Can't Support One and Not the Other

Solving the energy crisis is critical to the U.S. high tech industry, that sector of the economy that has driven productivity growth during the last decade. If the United States is to maintain its world leadership in scientific accomplishment, technical proficiencies, and entrepreneurial spirit, the Congress must pay attention to the needs of high tech — or risk our record economic growth. And, without a sensible, market-based approach to energy policy, the technology industry will be unable to maintain this lead.

The high tech sector views with alarm the energy shortages in California and looming shortfalls in other regions of the country, and urges action on a comprehensive energy policy. President Bush's energy plan and the Senate Republican legislative proposals offer policies that will support the high tech industry by increasing energy supply, improving conservation, improving electricity reliability, and building out the energy infrastructure. By contrast, the leading Democrat proposals sponsored by Energy and Natural Resource Committee Chairman Jeff Bingaman and Senator Dianne Feinstein rely on failed policies of the past that increase government control of the energy sector and impose price controls, while doing little to create new supply.

The technology industry requires real solutions, not proven failures, yet the Democrats' approach is reminiscent of the same policies that brought California to this point in the first place: rigid government controls on the energy industry; fixed prices at the retail level; requirements on retailers to buy power through state-run central exchanges; and prohibitions against retailers from buying electricity for more than one day ahead of time.

The High Tech/Energy Nexus

Why is it that high tech and a comprehensive energy plan are so interlinked? In part, it's because technology companies are disproportionately affected by energy scarcity. Rolling blackouts, brownouts, or even momentary power interruptions can cost a single technology company millions of dollars in ruined products, not to mention manufacturing stoppages, lost productivity, and employee down-time. According to industry analysts, California's technology businesses could lose $1 billion a day this summer if the blackout predictions for this summer hold true.

While some may claim that the rapid growth of the U.S. technology industry is largely responsible for the increased demand for energy, that argument is irrelevant. The benefits of the high tech boom far outweigh any so-called costs. The Commerce Department reports that the communications, computer, and software industries accounted for an average of more than one-third of the growth of the economy over the last four years. Without this growth, the U.S. economy would have increased at a rate of 2.6 percent, instead of roughly 5 percent last year. In California, for example, the problem is not the prosperity of the technology industry, but that energy production has flat-lined while energy consumption has grown by 7 percent per year.

If blame is to be cast on high tech, blame it for the creation of 1.3 million new jobs in the United States over the last five years. And blame it for the excellent salaries that go along with those new jobs: average yearly high-tech salaries in California, for example, are more than twice that of average non-high-tech wages.

High tech is to be commended for having assumed a leadership position in the arenas of conservation and creation of energy-efficient technologies. The industry has successfully used technology to make all types of business and industry cleaner and more efficient. For example:

- A popular model of a leading manufacturer's laser printer used 125 watts of power when introduced in 1996. This year's model uses just 21 watts.

- A leading manufacturer of computers has increased the energy efficiency of one of its models used for large database and computation needs. From 1994-1997, the computing speed of this particular model has increased six times, yet its power consumption in 1997 was only one-fifth of that in 1994.

These are not isolated examples. Rather, we see time and time again evidence that as technology evolves and improves, it becomes less of a drain on power grids.

U.S. Energy Efficiency Improvements Important But Not Sufficient

Similarly, as high tech has led the way in efficiency improvements, the U.S. economy has become more efficient as well. Improvements in energy efficiency since the 1970s have had a major impact in meeting national energy needs relative to new supply. According to the U.S. Department of Energy, if the intensity of U.S. energy use had remained constant since 1972, consumption would have been 74 percent higher in 1999 that it actually was.

While the high tech industry has led the way in conservation and energy-efficient technologies, and the U.S. economy has conserved more than ever before, we still have a growing need for new energy supplies. According to the Department of Energy – in spite of growing efficiencies – the United States will require significant new generation capacity in the next two decades. That means building 1,000-2,000 new power plants — or about one new power plant a week during those 20 years. This underscores the simple fact that we cannot conserve our way out of this crisis.

Will Congress Allow the U.S. to Remain the High Tech World Leader?

It is troubling that Senate Democrats have not owned up to the reality of the need for a long-term plan and new reliable supplies. Instead they seem more focused on price controls and stifling demand. Yet, in order to ensure the reliability of energy to the high tech industry, Congress must support proposals that increase domestic supply, reduce regulatory burdens, and — most importantly — encourage power plant construction and the expansion of transmission lines. Price controls will do nothing for the short- or long-term needs of the high tech industry. Instead, such action will only serve to drive away desperately needed supply and discourage new investment.

The tools the technology industry creates and delivers allow Americans to compete and succeed in the new millennium. The unprecedented growth in the use and breadth of the Internet for electronic commerce and personal entertainment is a phenomenal accomplishment. So too are the great leaps in other technologies utilized by our businesses, schools, and communities. If the United States is to remain the undisputed technological leader of the world, Congress must aggressively support policies that will increase energy supply, improve conservation efforts, and build out the infrastructure to ensure energy delivery when and where it is needed.

RPC Staff Contact: Lori Otto, 224-2946