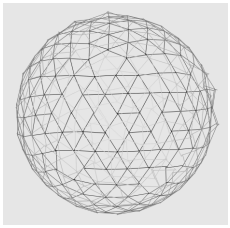

SYNTHESIS.EARTH
01-27-21

RE: NEUTRAL TESTIMONY FOR HB 1452

HB 1452 seeks to create a Clean Sustainable Energy Authority and allocate 25 million dollars from the General Fund to support energy technology grants to "enhance the production of clean sustainable energy."

Historically, government investment in emerging technology has been a win-win for both private enterprise and public policy. Many technological innovations we enjoy today – like the Internet – were created with taxpayer funding.

That said, other forms of government subsidy – such as those given to established industries - have traditionally done nothing more than enrich private business at the expense of taxpayers.

HB 1452 – as written – occupies an uneven middle ground between attempting to fund emerging clean energy innovations by propping up legacy energy industries. This is suboptimal. As such, we are providing neutral testimony in the hopes that the bill may be made better during the amendment process.

The first suboptimal area of HB 1452 is the composition of the 7 voting members of the Clean Sustainable Energy Authority. 5 of the 7 members come from extractive industries. This will likely bias the Authority towards innovative solutions that purport to help extractive industries. This is suboptimal because innovative solutions follow no particular ideology or business model. The most optimal composition of a Fund designed to spur innovation would be one that considered all possibilities in equal measure. As such, our first recommendation would be to amend HB 1452 to create more equitable representation in the seven-member voting block, not only in terms of greater representation from the renewable energy industry, but also representation from at least one Tribal college.

The second suboptimal area of HB 1452 is its lack of transparency. As written, HB 1452 has no open records requirement, and the Authority may withhold information regarding applicants, consultants, and any funding decision. This is suboptimal from a public policy standpoint. Between the composition of the voting members of the Authority and the secrecy of its decision-making, a perception is created that this Fund is nothing more than a slush fund to help

offset the research and development of North Dakota's extractive industries. Instead, we recommend a gradual transparency requirement that would expose the Authority's decision-making process over time so that the people and lawmakers of North Dakota can fully assess the value of the Authority's investments and ensure they have enough data to continue to justify any ongoing appropriations. While there is some necessity to protect the trade secrets and intellectual property of applicants, it should not outweigh the public's interest in transparent governance, and a gradual transparency requirement would be able to accomplish both ends.

The last suboptimal area of HB 1452 is in the Powers and Duties of the Commission, Subheading 2, which states that the Commission may "acquire, purchase, hold, use, lease, license, sell, transfer, or dispose of any interest in an asset necessary for clean sustainable energy technology development to facilitate the production, transportation, distribution, or delivery of clean energy commodities produced in the state as a purchases of last resort." This power is way too broad. In essence, it would allow the Commission to bail out any industry, company, or entity that it deems "necessary" to "facilitate" pretty much anything involving "clean energy commodities". Given that none of these terms are well-defined, this gives the Commission extremely broad powers to interfere in markets and otherwise upset free enterprise with absolutely zero input from the People or the Legislature. As such, we recommend this entire section be removed from HB 1452 to ensure that the sanctity of the free market is not imperiled by governmental overreach.

Sincerely,
Ryan Warner
Synthesis.Earth