

Energy Efficiency Policies for Local Communities

JUNE 2014

CONGRESS SHOULD

- Provide a stable investment environment for energy efficiency through sustainable funding and financing resources. Reauthorize and fully fund the Energy Efficiency and Conservation Block Grant (EECBG) that provides cities, counties, states, territories, tribes resources to develop, promote, implement, and manage energy efficiency and conservation projects.
- Support appropriate legislation and regulation that encourages simple repayment mechanisms for energy efficiency investments such as Property Assessed Clean Energy (PACE).
- Continue to support bond financing options for energy efficiency – including authorizing additional funding for Qualified Energy Conservation Bonds (QECBs) and maintaining the traditional tax exemption for municipal bonds.
- Continue to encourage local energy code implementation and enforcement through training and financial assistance to state and local governments, such as DOE’s Building Energy Codes Program, which provides model codes and technical assistance to states and localities as they adopt and enforce energy codes.
- Consistently and adequately fund established local efficiency programs including at least \$230 million for the DOE Weatherization Assistance Program and \$63 million for the State Energy Program annually.
- Continue to support technical assistance and market transformation programs such as ENERGY STAR®, the EPA Local Climate and Energy Program, the DOE Better Buildings Initiative, and the State and Local Energy Efficiency Action Network (SEE Action) facilitated by DOE and EPA.
- Authorize and adequately fund the Partnership for Sustainable Communities, the partnership between the Department of Housing and Urban Development (HUD), the Department of Transportation (DOT), and the Environmental Protection Agency (EPA), which enables better integration of systems efficiency into local decision-making on housing, land use, and transportation. Appropriate adequate funding to offer competitive grants and other resources to improve regional and local planning and development efforts.
- Support federal agencies’ efforts to work directly with local policymakers and leaders in the development of local energy assurance plans that help governments identify their key assets and services, and, through direct technical assistance, help their communities become more resilient in the case of future energy disruptions.

THE FEDERAL EXECUTIVE BRANCH SHOULD

- Support HUD’s adoption and implementation of improved and stronger building codes for new homes with FHA mortgages and HUD-assisted multifamily housing.
- Expand access to capital to finance energy efficiency investments. Support legislation that bolsters or expands HUD and DOE’s efforts to include a home’s expected energy cost savings in underwriting used by federal mortgage agencies (e.g., SAVE Act), and other simple repayment mechanisms for energy efficiency investments like on-bill financing and PACE.
- Support OMB and DOE’s efforts to issue standards for new manufactured housing, and for HUD to make associated changes to their Manufactured Home Construction and Safety Standards (HUD Code).
- Support HUD’s efforts to incorporate energy efficiency into its programs and criteria for competitive grants, and expand funding and financing for building practices for new and existing housing that reduce energy consumption, including through programs such as HUD-DOE Weatherization Partnership, Fannie Mae-FHA Green Refinance Plus, workable performance contracting guidelines, and green capital needs assessments.
- Continue and expand efforts to provide local governments, building owners, and utility customers easy access to energy usage data such as the Green Button initiative and the Standard Energy Efficiency Data (SEED) platform.

- Provide financial and technical assistance for local planning efforts to improve the resiliency of energy systems to extreme weather, including the expansion of district energy systems and combined heat and power.

SUMMARY

Energy efficiency is implemented in communities and demand for energy efficiency is driven substantially at the local level—often through word of mouth and social norms. Likewise, the business infrastructure to provide energy efficiency services and products—available finance, experienced contractors, and a trained workforce—must be established at a local scale. In short, transforming the market for energy efficiency services requires creating both supply and demand resources at the local level. Implementing new approaches to finance, business models, marketing, and workforce development in communities will create self-sustaining local markets for energy efficiency.

Federal support for the adoption of aggressive energy efficiency policies and programs at the local level can help to grow the market for energy efficiency, reduce costs for local governments, and address a large and growing source of energy use in the United States. To date, the biggest influx of funding and resources for local governments to implement energy efficiency and clean energy programs came from the American Recovery and Reinvestment Act of 2009 (ARRA) appropriations. While most of this money has now been spent, the lasting effects of this funding are seen in the many communities that continue to pursue expanded energy efficiency initiatives. Even with this progress, too many cost-effective energy savings measures remain unimplemented.

THE ISSUE

Local motivations for investing in energy efficiency vary: economic development and recovery, energy security and the resilience of local energy systems, energy affordability and climate change. In all of these cases energy efficiency acts as an important community development strategy, aiming to provide savings, sustainability, security, and resilience.

Many communities are innovating where state and federal government action is absent. Through action on energy efficiency at the local scale, communities are finding ways to meet their particular needs and interests. Leadership on energy efficiency at the local level is often from advocates and policymakers that support economic development, neighborhood stabilization, or energy security goals. By acknowledging the diverse benefits of local energy efficiency, these leaders are providing tangible and desirable examples for others at the state and national levels, and laying the foundation for further policy and program development.

Urban areas, defined as all cities and towns, account for the vast majority of energy use in the United States. The International Energy Agency projects that energy consumption in U.S. urban areas will increase at 0.7% annually from 2006 to 2030, nearly double the 0.4% growth rate nationally.¹ This greater share of energy use corresponds with projected urban population increases, from 82% of total U.S. population currently to 88% by 2035.² Beyond these general trends, U.S. urban areas vary greatly in their energy use based on climate, size, population density, building design, per-capita income, and state and local policies. Local governments alone often spend up to ten percent of their budgets on energy costs, including up to a third of it going to drinking water and wastewater treatment.³ Reducing these costs through greater efficiency can save cities money, retain and create jobs, improve

¹International Energy Agency, *World Energy Outlook 2008*, Chapter 8 - Energy Use in Cities, 187.

<http://www.worldenergyoutlook.org/2008.asp>

²International Energy Agency, *World Energy Outlook 2012*, Chapter 1 – Understanding the Scenarios, 39.

http://www.iea.org/publications/freepublications/publication/WEO2012_free.pdf

³EPA 2010, ENERGY STAR for Wastewater Plants and Drinking Water Systems.

http://www.energystar.gov/index.cfm?c=water.wastewater_drinking_water

municipal services, and reduce local taxes.⁴ Cities around the country are taking action to improve efficiency and benefit their communities.⁵

Energy efficiency has similar economic benefits for local households and businesses. Reducing waste in homes puts more money in ratepayers' pockets, which they can reinvest to buy goods and services where they live, stimulating the local economy. Efficiency lowers energy bills and reduces unnecessary financial burdens, helping local businesses thrive and attracting more business to the state.⁶

Urban areas are already more energy efficient than the United States as a whole. These savings come in part from the transportation sector. Each urban resident consumes 11% less transportation energy than the average U.S. resident.⁷ However, transportation is only one example of the system efficiencies that can be gained from the compact, mixed land uses of urban areas. Compact development can also improve energy efficiency, as single-family attached and multifamily residential buildings require less space heating and cooling.⁸ They also exist and can be greatly improved in the building and industrial sectors through, for example, the use of district energy systems that integrate combined heat and power generation.

Overall, in addition to its positive environmental impact, energy efficiency is an important strategy for economic development, furthering sustainable communities, and reducing costs for households and businesses.

ACEEE CONTACTS

Eric Mackres
emackres@aceee.org
(202) 507-4038

Suzanne Watson
swatson@aceee.org
(202) 507-4006

⁴ See, "[Energy Efficiency Policies for Local Governments](#)" (an ACEEE Fact Sheet)

⁵ For more information on city policies and scoring, see ACEEE's [State and Local Policy Database](#).

⁶ See, "[Energy Efficiency and Economic Opportunity](#)" (an ACEEE Fact Sheet)

⁷ IEA 2008, 185.

⁸ See, EPA's resource on "[Location Efficiency and Housing Type – Boiling it Down to BTUs](#)"