Federal Energy Efficiency Policy: What Might be Possible

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These Remarks

• Lame Duck session
• 112th Congress
  • Energy
  • Tax
  • Finance
  • Manufacturing
  • Appropriations
• Regulations

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"I CAN'T STAND THOSE SNIDE LITTLE REMARKS AND THAT CONSTANT BEATING AROUND THE BUSH... IF YOU HAVE ANYTHING AT ALL TO SAY..... JUST SHUT UP!"
Lame Duck Session

• Limited time, not a lot likely to get done
• Energy efficiency issues in play
  • Consensus federal efficiency standards
  • One-year extension of expiring tax incentives
    • Might reduce to 10%, particularly for windows
    • Could lower caps/household, e.g. $500 for all or perhaps by measure
• Likely continuing resolution on spending side
112th Congress

• Bipartisan items, such as provisions in ACELA
• Something on financing, perhaps part of Fannie/Freddie reform
• Perhaps something on revitalizing manufacturing
• Clean Energy Resource Standard
• Tax incentives
Efficiency Elements in ACELA

• Consensus appliance and equipment standards
• Improved building codes
• Residential and commercial retrofit authorizations
• Building labeling
• Industrial/building job training & TA – IAC, BTAC
• Programs for industry
• Demand response (House only so far)
Clean Energy Resource Standard

• Includes renewables, efficiency, nuclear, carbon capture and storage
• Examples – Lugar and Graham bills
• Issues:
  • No cap on efficiency
  • Eligible renewables
  • Carbon storage vs. “sequestration ready”
Tax Incentives

• Extend/modify 25C
• Performance-based home retrofits (like Gold Star)
• Improve commercial building tax deduction
  • Higher incentive, easier calculations, simpler HVAC and shell paths
• Some possible new items (Bingaman/Snowe)
  • Chillers
  • Advanced motors
  • Homes that save 50% of all energy
  • Expand CHP credit
• Perhaps accelerated depreciation for EE investments
## Cost of 2009-2010 25C Incentives

<table>
<thead>
<tr>
<th></th>
<th>2009 Shipments (millions)</th>
<th>Percent Qualifying</th>
<th>Average Incentive (millions)</th>
<th>2-Year Cost to Treasury (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas furnaces</td>
<td>2.2</td>
<td>20%</td>
<td>$1,200</td>
<td>$1,056</td>
</tr>
<tr>
<td>AC &amp; HP</td>
<td>3.5</td>
<td>10%</td>
<td>1400</td>
<td>980</td>
</tr>
<tr>
<td>Gas water heaters</td>
<td>3.8</td>
<td>5%</td>
<td>900</td>
<td>342</td>
</tr>
<tr>
<td>Electric water heaters</td>
<td>3.8</td>
<td>1%</td>
<td>900</td>
<td>68</td>
</tr>
<tr>
<td>Windows</td>
<td>26.3</td>
<td>75%</td>
<td>120</td>
<td>4,734</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$7,180</strong></td>
</tr>
</tbody>
</table>

Notes:
* Window shipments are projection from Window & Door
* Other figures are rough ACEEE estimates.

[But not everyone files for credit]
Criteria for Renewal

• Promote savings that will not happen without tax credits
  • Increase savings, reduce “free riders”

• Promote advanced technologies and installation practices
  • Rarely provide incentives for Energy Star
  • Might be able to add labor costs for insulation, make air and duct sealing explicit

• Modest cost to federal government (no longer interested in large price tags)
  • Windows in particular likely to be trimmed
Regulations

• DOE minimum efficiency standards
  • New products to be added, particularly industrial products
  • Next water heater and dry-type transformer standard could be accelerated

• EPA
  • Criteria pollutants
  • Greenhouse gases
  • Energy Star – verification, regular updates, “Top Tier”

• FERC and wholesale electric markets
Financing

• Growing interest in financing for EE in lieu of direct spending
• Loan guarantees
  • Clean Energy Deployment Administration (improve on current DOE loan guarantee program)
  • Some states and municipalities using ARRA money
    • Conceivably something new is possible
• PACE
• Residential could be in Fannie/Freddie reform
• Many other ideas out there (e.g. bonds)
Revitalizing Manufacturing

- Senators Brown, Stabenow and others introduced IMPACT
  - 2-yr, $30 billion manufacturing revolving loan fund to improve manufacturing processes and to retool and expand production of clean energy products
- Discussions begun about a more modest bipartisan package
Appropriations

• OMB has directed 5% cuts in FY2012 discretionary spending requests relative to FY2011
• House Republican leadership wants to go to FY 2008 levels, saving $100b
• Also wants to recoup unspent stimulus funds – WAP and EECBG funds could be at risk
2010 State Energy Efficiency Scorecard

Results from ACEEE’s 2010 State Energy Efficiency Scorecard

- Nevada: 19
- California: 1
- Utah: 12
- Colorado: 19
- Arizona: 18
- New Mexico: 22
- Texas: 32
- Hawaii: 12
- Alaska: 37
- Washington: 6
- Oregon: 3
- Idaho: 26
- Wyoming: 48
- Montana: 33
- North Dakota: 51
- South Dakota: 39
- Nebraska: 47
- Kansas: 46
- Missouri: 43
- Oklahoma: 43
- Arkansas: 41
- Tennessee: 35
- Mississippi: 50
- Alabama: 49
- Georgia: 37
- Florida: 30
- South Carolina: 24
- North Carolina: 25
- Virginia: 34
- West Virginia: 43
- Kentucky: 36
- Ohio: 27
- Indiana: 31
- Illinois: 25
- Michigan: 27
- New York: 4
- Pennsylvania: 16
- New Hampshire: 22
- Vermont: 5
- Massachusetts: 2
- Connecticut: 8
- Rhode Island: 7
- New Jersey: 12
- Delaware: 27
- Washington, D.C.: 19
- Maryland: 16

Legend:
- Ranks 1 - 10
- Ranks 11 - 20
- Ranks 21 - 30
- Ranks 31 - 40
- Ranks 41 - 51
Longer Term

• Eventually will be some type of climate law
  • Perhaps a carbon tax tied to balancing budget
• Will likely also be regular energy bills, so opportunities to keep adding new ideas
• States will continue to innovate
Role of Efficiency in Addressing Climate Change in the U.S.

Note: This graph is stylized and is not exact.
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