

Federal Energy Efficiency Policy: What Might be Possible

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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!"

These Remarks

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



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

	2009 Shipments (millions)	Percent Qualifying	Average Incentive	2-Year Cost to Treasury (millions)
Gas furnaces	2.2	20%	\$1,200	\$1,056
AC & HP	3.5	10%	1400	980
Gas water heaters	3.8	5%	900	342
Electric water heaters	3.8	1%	900	68
Windows	26.3	75%	120	4,734
Total				\$7,180

[But not everyone files for credit]

Notes:

- * 2009 HVAC shipments from AHRI Dec. 2009 monthly statistical report.
- * Window shipments are projection from Window & Door
- * Other figures are rough ACEEE estimates.

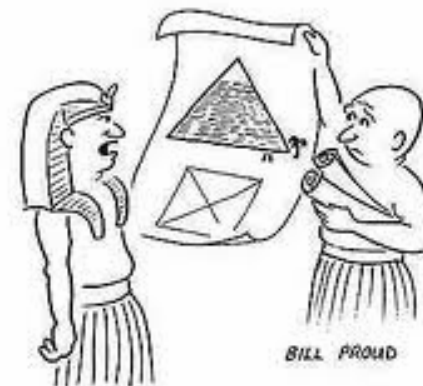


Criteria for Renewal

- 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



...and it must be self-financing.

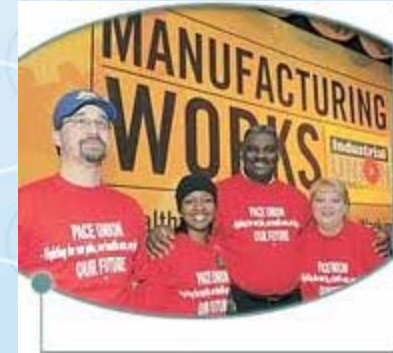
Financing

- 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

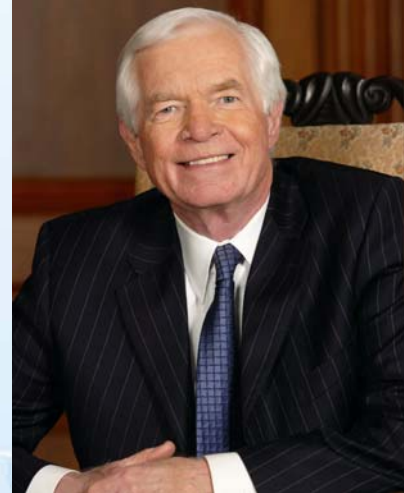


- Senators Brown, Stabenow and others introduced IMPACT
 - 2-yr, \$30 billion manufacturing revolving loan fund to improve manufacturing processes and to retool and expand production of clean energy products
- Discussions begun about a more modest bipartisan package



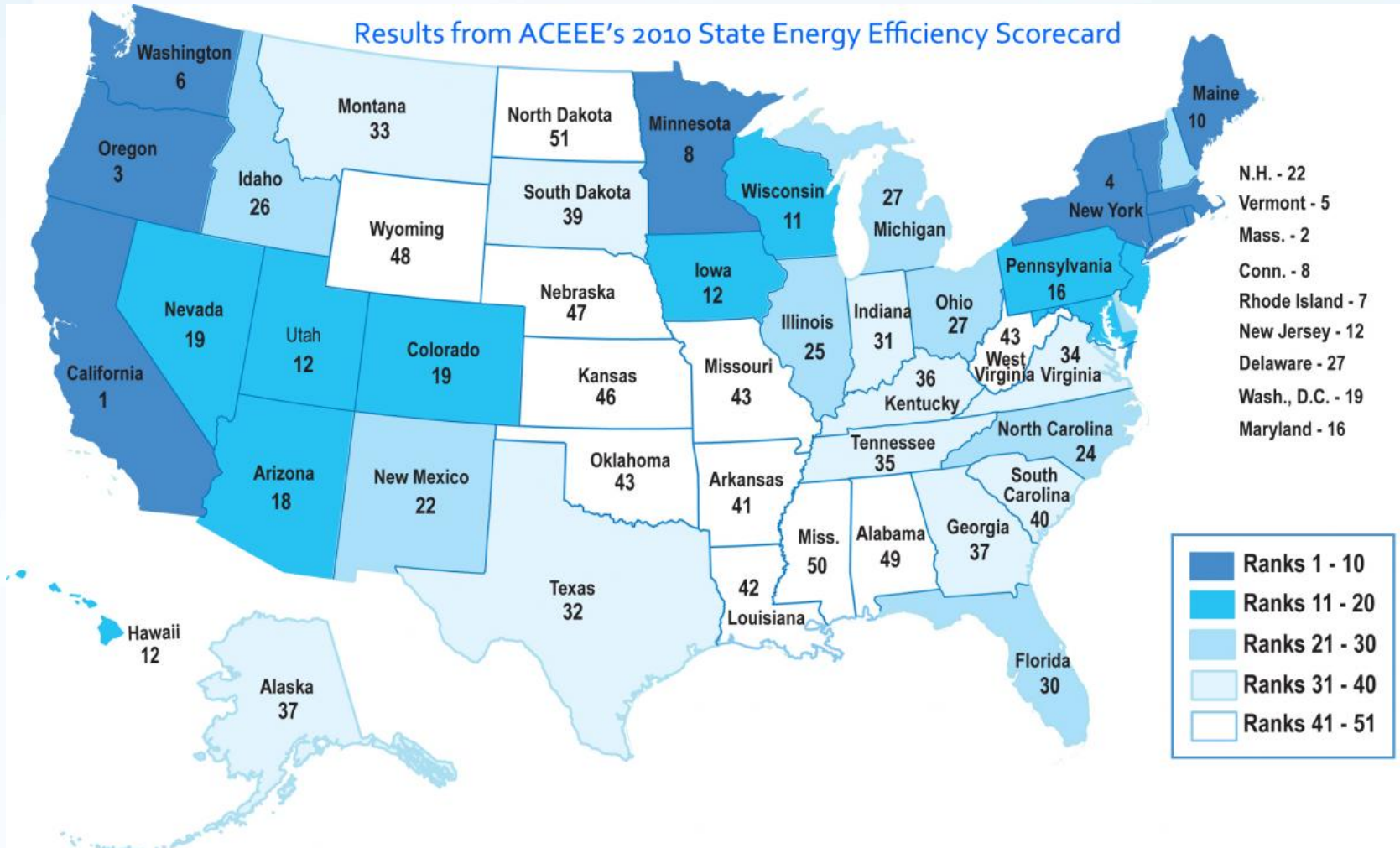
Appropriations

- 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

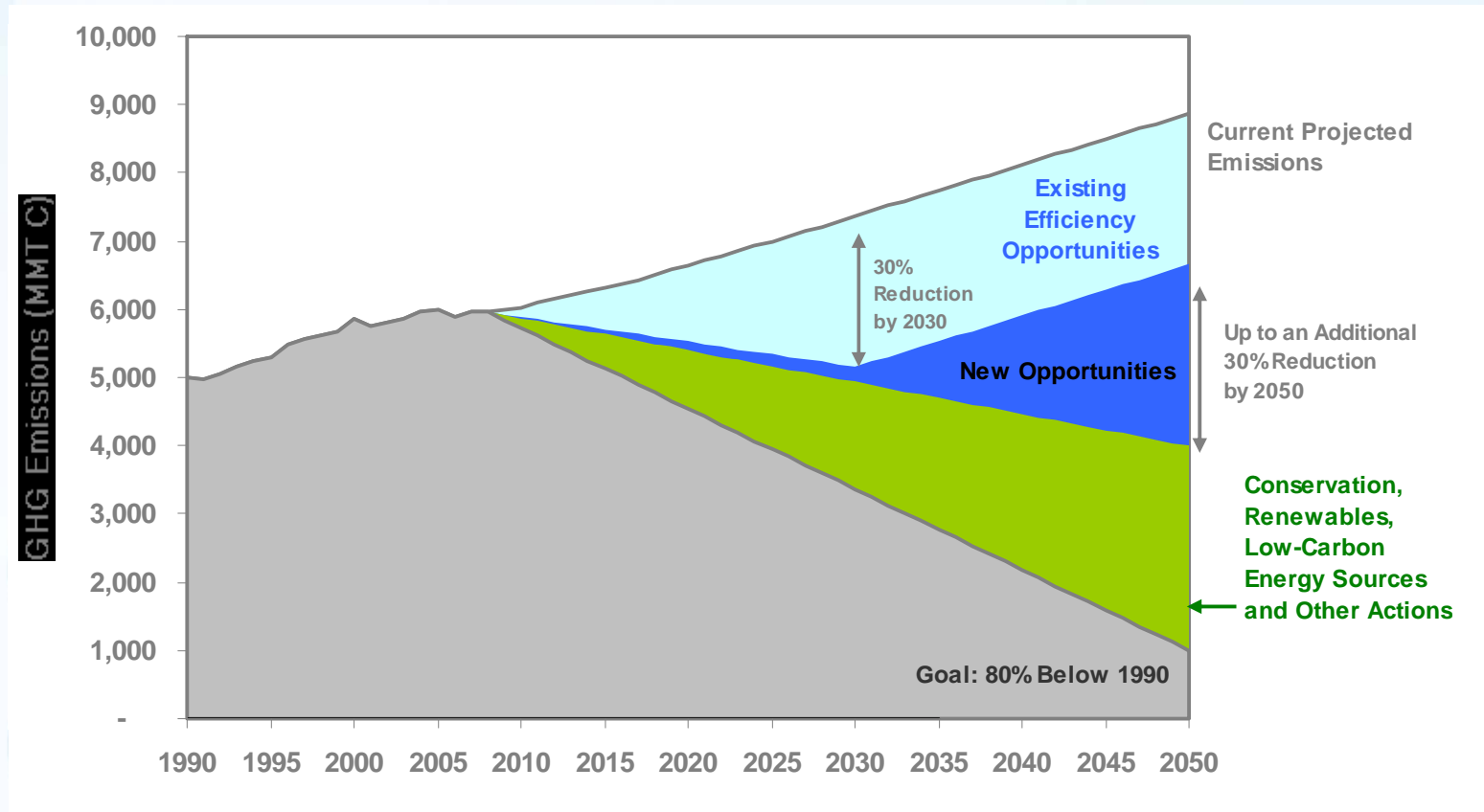


Longer Term



- 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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