



## **U.S. Climate Action Partnership Energy Efficiency and Buildings Legislative Recommendations**

**June 8, 2007**

The U.S. Climate Action Partnership (USCAP), a coalition of leading businesses and environmental organizations, released a set of legislative principles and recommendations for U.S. climate policy in January, 2007. USCAP recommends the prompt enactment of national legislation to slow, stop and reverse the growth of greenhouse gas emissions over the shortest amount of time reasonably achievable. Fundamental to this is a cap-and-trade that covers as much of the economy's greenhouse gas emissions as possible. In addition, USCAP recommended that Congress pursue complementary policies and measures aimed at developing and deploying low- and zero-emission technologies.

USCAP believes that one of the most immediate steps Congress can take to begin to address climate change is pursuing some of these complementary policies and measures as they pertain to improving the energy efficiency of the U.S. economy. Policies are needed to realize the full potential of energy efficiency as a high priority resource and a cost-effective means of reducing greenhouse gas emissions. USCAP provided a broad set of recommendations for achieving this in *A Call for Action*, including:

- Aligning financial and regulatory incentives with utilities' business interests to pursue energy efficiency;
- Developing and implementing stronger energy efficiency codes and standards for whole buildings and for equipment and appliances;
- Providing incentives and reforming tax policies to facilitate deployment of, and advance the infrastructure necessary to support, new "smart" and highly-efficient technologies and distributed generation; and
- Creating incentives to go beyond existing standards to produce additional energy savings.

As Congress moves to advance legislation that addresses energy efficiency, USCAP has developed more detailed recommendations for consideration. These recommendations include the following:

**Recommendation 1 – Extension of Energy Efficiency Provisions:** Congress approved a comprehensive set of energy efficiency provisions (including codes and standards, tax rebates and

incentives, education and outreach programs, and federal procurement) as part of the Energy Policy Act of 2005. Many of these provisions are slated to expire. *We recommend that, as a first step, the tax credits, incentives, and rebates included in these provisions be extended for, at a minimum, 5 years, and that the energy efficiency outreach and education programs be fully funded for 10 years.* Implementing this recommendation will allow for fuller deployment of energy-efficient technologies and practices and provide certainty to manufacturers and utilities in terms of what products and services can be offered to customers and at what price.

**Recommendation 2 – Codes and Standards:** Codes and standards play an important role in advancing the development and deployment of energy-efficient technologies that will reduce energy use and, consequently, provide greenhouse gas benefits. Currently, DOE has pending before it rulemakings to establish codes and standards for end-use technologies, while others are in the queue. In addition, there are other end-use technologies for which increasing existing standards or establishing initial standards would provide significant benefit. There are also actions that the federal government can and should take to both improve the energy efficiency of its buildings and assist the states in developing and implementing building codes and standards. Finally, the U.S. should participate formally in international efforts to develop uniform codes and standards for end-use technologies. The following provides some additional specifics with regard to codes and standards:

#### *Appliance and Equipment Standards*

- Improve the DOE prioritization process to highlight products and end-use technologies for which efficiency standards have not been promulgated and that have the greatest potential for overall reduction in energy use and greenhouse gas emissions. DOE must, however, continue to meet statutory deadlines for appliances and equipment.
- Ensure that codes and standards being developed focus on the high-priority products.
- Ensure that codes and standards being developed are cost-effective by requiring DOE to apply cost-effectiveness criteria. DOE should use a carbon-adjusted price of energy when conducting these assessments.
- Improve upon standards for the following end-use technologies:
  - Residential boilers
  - Industrial motors
  - Industrial/commercial chillers and boilers
  - Electric distribution transformers
- Establish performance standards that will increase efficiency for all types of lighting.
- Establish energy efficiency standards for power supplies/transformers for consumer electronic equipment (e.g., “parasitic” or “vampire” loads).
- Ensure appliance and equipment standards are implemented and updated in a timely manner by:
  - (1) requiring DOE to complete rulemakings and establish new standards within the statutorily required schedule, and establish a “forcing function” to drive DOE to meet this schedule.
  - (2) for appliances and equipment for which there are mandatory standards, requiring that new standards be considered every 5 years or in accordance with statutory requirements and follow the rulemaking timeline and process outlined above.
- Increase DOE funding to support these efforts, and appropriate funds accordingly.

### *Buildings Standards and Efficiency Improvements*

- Create an office of “green buildings” to develop and oversee implementation of uniform sustainable design standards and procurement policies for federal buildings.
- Require a 30% reduction in energy consumption at federal buildings, including those owned and leased, by the end of fiscal year 2015, relative to energy usage in fiscal year 2003. This program should focus on reducing energy use and energy procurement through energy efficiency and the deployment of combined heat and power (CHP) and distributed generation properties that provide a net greenhouse gas benefit for the facility.
- Create and fund education and outreach programs to assist state and local governments in establishing and implementing commercial building codes and standards for new commercial buildings.
- Provide grants/matching funds to states to pursue development and implementation of building codes and standards.
- Standardize installation requirements for zero- and low-greenhouse gas emitting customer-owned generation to facilitate more efficient and cost-effective deployment of these technologies.
- Revise mortgage qualification criteria established by federal mortgage programs to account for lower energy and transportation costs of owning energy-efficient and location-efficient homes.

**Recommendation 3 – Tax Policies:** Tax policies play a significant role in facilitating development and deployment of highly energy-efficient, end-use technologies. Policies should help to align incentives for energy consumers to make investments in energy-efficient products and processes, align incentives for manufacturers to develop and deploy these technologies, and facilitate turnover in capital stock to more quickly deploy advanced, energy-efficient technologies. These measures include:

- Provide expensing treatment to any major retrofit that meets or exceeds prescribed energy efficiency standards equivalent to standards for new commercial buildings, thereby accelerating the payback period.
- Accelerate depreciation schedule (e.g., 5-year schedule) for advanced meter technologies that facilitate two-way communication, can remotely adjust energy consumption, and are compatible with, or can be upgraded to facilitate, deployment of “smart” appliances and other “smart” end-use equipment.
- Reduce depreciation for distribution transformers (e.g., to 15 years) to provide incentives to more quickly retire existing transformers and replace them with those that meet the standards established in Recommendation 2.
- Accelerate depreciation schedules for new CHP and distributed generation properties that meet or exceed prescribed greenhouse performance standards.
- Establish investment tax credit for new CHP properties that meet or exceed prescribed greenhouse gas performance standards and non-emitting distributed generation properties and distributed generation properties that meet or exceed prescribed greenhouse gas performance standards.

**Recommendation 4 -- Measurement and Accounting Protocols for GHGs:** Having transparent, complete and accurate evaluation, monitoring, and verification (EM&V) mechanisms for measuring energy reductions is essential for the success of energy efficiency. While significant work has been

done in this area, both at the state and federal level, it would be helpful for states to have a common platform for accounting that will also allow energy efficiency to better “roll-up” into a broader, national greenhouse gas cap-and-trade program. NAESB is working on a common platform for evaluating and monitoring savings from demand response, while many states, including California and New York, have robust EM&V programs for both demand response and energy efficiency. *DOE/EPA should collaborate and draw on these and other existing, rigorous efforts to develop a common protocol for measuring and accounting for energy reductions and calculating associated greenhouse gas benefits.*

**Recommendation 5 -- Align Utility Incentives to Pursue and Promote Energy Efficiency:** Many electric and natural gas utilities currently have a disincentive to pursue and promote aggressively energy-efficiency and demand response programs and other measures as a result of existing regulatory and ratemaking structures. In order to truly prioritize energy efficiency as a resource, removing these regulatory barriers is critical. *Congress should clearly state that energy efficiency is a priority resource and encourage the alignment of state regulations and ratemaking with the delivery of cost-effective energy-efficiency and demand management programs.*