

Energy Efficiency in the Federal Stimulus Bill – A Useful Start but Not a Long-Term Strategy

Energy efficiency is our country's cheapest and most abundant energy resource. A March 2008 ACEEE study examined the costs and benefits of achieving 15% electricity savings and 10% natural gas savings nationwide by 2020 through an Energy Efficiency Resource Standard (EERS). This study found that that such savings could be achieved at an average cost of about 3 cents per kWh of electricity saved, which is ¼-½ the cost of power from a new power plant.¹ Over the following decade, these savings can be at least doubled cost-effectively using current technologies (e.g. 30% electricity savings potential, 20% natural gas savings potential).²

These efficiency savings have many benefits. For example, ACEEE estimates that the EERS alone will:³

- Create about 222,000 net jobs by 2020
- Save consumers \$169 billion (net present value from investments through 2020)
- Place downward pressure on electricity rates and carbon emissions allowance prices, helping to keep the cost of climate change legislation to consumers at moderate levels.

The federal American Recovery and Reinvestment Act (ARRA) includes about \$25 billion in funding for energy efficiency including in federal facilities (more than \$8 billion), state and municipal programs (just over \$6 billion), weatherization of low-income homes (\$5 billion), and a variety of smaller programs. These funds are to be spent in 2009 and 2010 in order to create a quick economic stimulus. These funds will primarily be used to upgrade public buildings and low-income homes, with a small fraction of these funds helping homeowners and businesses. Additional programs are needed to help these key consumer groups reduce energy use. Furthermore, unless follow-up efforts are put in place, many of these programs will be dismantled in 2011 and their workers laid off. Employers and workers alike will not want to retrain for "Green Jobs" if they believe that the Federal Government is not committed over the long-term, as opposed to a rapid infusion of money with no commitment beyond one or two years.

These Recovery Act programs will also barely scratch the surface in terms of undertaking the cost-effective energy efficiency investments that can benefit our economy. ACEEE estimates that the Recovery Act programs will reduce U.S. annual energy use by about 0.75 quadrillion Btu's, which is less than 1% of total U.S. energy use. In order to build on the stimulus package and achieve the 15% and 30% savings in annual energy use that are possible, long-term policies are needed to continue to spur investments in cost-effective efficiency technologies and address barriers to efficiency investments such as third-party decision makers (e.g. landlords and builders) who make investment decisions but do not pay energy bills, and the fact that many consumers and businesses lack the information, time and capital to pursue efficiency investments. Such policies include:

- An Energy Efficiency Resource Standard (EERS), along the lines of legislation introduced by Rep. Markey (H.R. 889) and Senator Schumer (S. 548), and included in the Waxman-Markey discussion draft.
- Incentives for comprehensive retrofits of buildings, along the lines of H.R. 1778 introduced by Rep. Welch and also included in the Waxman-Markey discussion draft.
- Policies to improve transportation system efficiency such as stronger fuel economy standards and a revenue-neutral set of rebates and fees based on vehicle fuel economy.
- An annual allocation of emissions allowances to states and distribution utilities to support energy-efficiency programs for all fuels.
- Additional tax and financial incentives, including incentives for industry.

¹ Furrey, Nadel and Laitner. 2009. *Laying the Foundation for Implementing a Federal Energy Efficiency Resource Standard*. Washington, D.C.: American Council for an Energy-Efficient Economy.

² Eldridge, Elliot, and Neubauer. 2008. *State-Level Energy Efficiency Analysis: Goals, Methods, and Lessons Learned*. 2008 ACEEE Summer Study on Energy Efficiency in Buildings. Washington, D.C.: American Council for an Energy-Efficient Economy.

³ See Furrey, Nadel and Laitner, *supra* note 1.