ACEEE
American Council for an Energy-Efficient Economy
529 14th Street, N. W., Suite 600 Washington, D.C. 20045 P 202.507.4000 F 202.429.2248 W www.aceee.org

**ACEEE Priority Recommendations for Energy-Efficiency Provisions in an Economic Stimulus Package**

Many ideas are circulating to help spur the economy through "green" investments. In this short memo, we provide our recommendations as to which of these ideas are the highest priority. High priority recommendations provide direct jobs in 2009-2010, reduce energy bills, freeing up funds for other uses and investments, and help to build a green economy that is a key for U.S. economic prosperity in the long-term.

Many of the ideas below involve providing funds to states for specific activities. Where this is done, we recommend that no more than half of the funds be allocated to states using a formula. Remaining funds should be allocated to states based on initial performance including states that can most quickly implement projects, as well as approximate estimates of energy savings achieved and program cost-effectiveness.

Summary

| Program | Amount (billions) |
|---|---|
| Low income weatherization | $ 4.00 |
| Residential energy-efficiency retrofits | 2.81 |
| Green jobs | 0.28 |
| Energy efficiency improvements to federal buildings | 0.60 |
| Energy efficiency improvements to schools and state/municipal buildings | 5.00 |
| Rural Energy Advancement Program | 0.75 |
| Extend energy-efficiency tax incentives | 0.99 |
| Crusher credit to retire gas-guzzling vehicle | 2.00 |
| TOTAL | $16.43 |

(Note: Total does not include public transit and non-motorized transit)

**Low-Income Weatherization.** The Weatherization Assistance Program provides grants for the weatherization of homes housing low-income families. The program has weatherized about 150,000 homes per year in recent years and President-Elect Obama has pledged to raise this to 1 million homes per year. We recommend that at least $2 billion, and preferably $4 billion be appropriated for low-income weatherization in the economic stimulus package. The initial $2 billion will allow the program to weatherize an additional 500,000 homes in 2009-2010 (beyond current appropriations) and make progress towards the 1 million home/year goal. The extra $2 billion would be for 2011, in order to serve as a bridge to funding expected under climate change legislation that would likely begin in 2012. Local weatherization agencies can ramp up staffing if they know the jobs will be sustained. Providing bridge funding for 2011, would provide such assurance.

**Residential Energy-Efficiency Retrofits.** Assistance should be provided to individual home-owners to undertake comprehensive energy saving retrofits by expanding EPA's Home Performance with Energy Star program to include rebates. The rebates would be

performance based, rewarding higher levels of energy efficiency improvement with higher rebates under a good (10% savings), better (20% savings) and best (30% savings or more) model. The program would be administered by the states with EPA serving as the overall administrator. We recommend that $2.8 billion be provided, enough to weatherize 1.5 million homes and create approximately 30,000 jobs conducting energy audits, installing measures, and conducting verification inspections.

**Green Jobs.** Title X of EISA authorized a $125 million/year job training program for jobs in the energy efficiency and renewable energy areas. We recommend that this program be fully funded in 2009 and 2010. In addition, we recommend that an additional $15 million in funding should go to expand DOE's Industrial Assessment Center program that trains industrial engineers while providing small- and medium-sized factories with energy-saving technical assistance. There is a shortage of skilled energy engineers and this funding will allow the program to more than double the number of students it trains. A similar Building Assessment Center program should also be established to train building engineers and assist commercial building owners to reduce their energy use. We recommend that $15 million be allocated to DOE to start-up this program, with training beginning in the 2009-2010 school year.

**Improving the Efficiency of Federal Buildings.** Create a $600 million fund for federal agencies for energy efficiency improvements and installation of clean distributed energy systems in federal buildings. Federal agencies need funds for comprehensive energy efficiency improvements and should use those funds to leverage additional improvements via private sector options. Funds should be provided on a first-come, first-served basis and be available for 18 months. Administration should be at the Federal Energy Management Program of the DOE. The combination of this initiative with the no-cost suggestion of getting FEMP to clear the $1.2 billion federal ESPC pipeline would yield a total of about $2.5 billion of federal projects in the next year, and would create about 12,500 jobs.

**Improving the Efficiency of Schools and State and Municipal Government Buildings.** Analogous to the above program, a similar program should be established to improve the energy efficiency of schools and state and municipal government buildings. The program would be administered by states and would provide grants to cover up to 75% of the cost of efficiency retrofits that were shown to be cost-effective and reduce energy use in participating buildings by at least 20%. The other 25% of project cost would come from state and local capital budgets or from third-party investors. The 20% savings criteria is to promote comprehensive packages of measures, increasing energy savings, avoiding small projects that are less in need of federal funds, and avoiding the need to revisit these buildings in just a few years. We recommend that at least $5 billion be allocated for this purpose.

**Rural Energy Advancement Program (REAP)**. The REAP program is contained in the 2008 Farm Bill and supports energy efficiency and renewable energy projects in farms and rural communities on a cost-shared basis. The program receives many more applications than it can fund. We recommend that an additional $0.75 billion be provided for energy efficiency projects (and renewable energy supporters are suggesting an equivalent amount for renewable energy projects).

Extend and improve existing energy efficiency tax incentives. Existing federal tax incentives for efficient new homes and residential heating, cooling and water heating equipment expire at

the end of 2009 and should be extended for at least two years. The new home program in particular has been particularly effective, helping more than 20,000 homes to reduce energy use by at least 50% in 2007. In addition, the incentive for efficient commercial buildings should be increased from $1.80/sq. ft. to $3.00/sq. ft., as the current incentive is too small to leverage much activity. Tax credits for heavy-duty hybrid vehicles (trucks and buses), which also expire in 2009, should also be extended. Based on previous Joint Committee on Taxation budget impact estimates, we estimate these extensions will cost about $985 million.

**Crusher credit.** Vouchers should be offered for owners of inefficient vehicles in operable condition to retire their vehicles and purchase efficient vehicles. We recommend voucher values of $1,500 to $4,500, depending on the age of the vehicle to be crushed. We estimate that 500,000 vehicles would be crushed annually, with an average voucher value of $2,000, so program costs would be $2 billion for 2009-2010.

**Beyond these investments**, ACEEE strongly supports directing stimulus spending toward construction and maintenance projects that enhance the energy efficiency of U.S. infrastructure systems. The stimulus package offers a crucial opportunity to improve the energy efficiency of our transportation system, for example, and set the course for the reauthorization of SAFETEA-LU by investing in strategic expansions of the public transit and freight rail systems and other alternatives to driving. Tens of billions of dollars of New Starts Transit Capital projects and billions of projects to enhance non-motorized modes are ready to go. Funds should go to projects that have been integrated into regional development plans promoting compact growth patterns and demonstrating substantial potential to reduce the need for motor vehicle use.