



# ALLIANCE TO SAVE ENERGY

Good morning, Mr. Chairman and Members of the Subcommittee, my name is Kateri Callahan and I am the President of the Alliance to Save Energy. I thank you for inviting me to testify today regarding the Committee's Discussion Draft on Energy Efficiency and Accountability.

The Alliance is a bipartisan, nonprofit coalition of nearly 140 businesses, organizations and institutions -- spanning every sector of our economy -- that works to advance energy efficiency worldwide. Founded in 1977 by Senators Charles Percy, a Republican from Illinois, and Hubert Humphrey, a Democrat from Minnesota, we are honored to continue a 38-year history of bi-partisan leadership from the House and Senate as Honorary Members of our Board of Directors. We are pleased to recognize the leadership of the following Members of the Energy and Commerce Committee among the 16 House and Senate leaders who are helping us to advance energy efficiency, to drive energy productivity gains for our economy and to stop energy waste: Michael Burgess (R-TX), Peter Welch (D-VT), David McKinley (R-WV), Paul Tonko (D-NY) and Adam Kinzinger (R-IL).

## **Energy Efficiency: America's Greatest Energy Resource**

Since the founding of the Alliance, our country has made huge strides in driving energy efficiency into our economy through new technologies, private and public investment and, most importantly, through adoption of sound public policies. The United States has doubled its energy productivity -- we now get twice as much gross domestic product (GDP) from each unit of energy consumed than we did in 1970's. And, this translates into huge savings for American consumers and businesses on energy bills. ACEEE has reported that Americans saved \$800 billion on their collective energy bills last year.

The EIA is forecasting further gains in energy productivity of 53% between now and 2030 just on a "business-as-usual" case thanks in very large measure to the wide array of impactful energy efficiency policies that Congress already has put into place, including appliance and equipment standards, fuel economy standards and building energy codes to name a few of the critical policy areas. But, our country will be poorly served if we do not continue to put in place innovative and cost-effective policies that will increase the pace of energy efficiency adoption across the entire economy.

At the Alliance to Save Energy we believe we can once again double our energy productivity as a nation, this time within only the next 15 years, by the year 2030. An independent, economic analysis of the impact of achieving this goal found that doubling energy productivity would reduce the energy bills of American families by more than \$1,000 per year and create 1.3 million new jobs all while reducing CO<sub>2</sub> emissions to 1/3 below the level emitted in 2005. This is a bold and audacious goal, but eminently doable if we enact the right policies.

## **The Congressional Road Ahead**

Fortunately, and likely driven by the past policies that have helped us to cut energy waste out of the economy, we meet at a time when the Members on both sides of the aisle and in both chambers are placing a first priority on energy efficiency as energy legislation is being developed. Importantly, we have just witnessed an important milestone with the House adoption S. 535, the Energy Efficiency Improvement Act, earlier this month.

S. 535 is the first energy bill of the 114th Congress to be sent to the President and I am pleased to report that the President will sign the legislation into law later today. More than two dozen bills relating to efficiency are under consideration in the Senate Energy Committee and with this Committee beginning its work on a comprehensive energy bill that will include an efficiency title, we anticipate a similar number of proposals to emerge in the House.

While we are pleased that the Committee's Discussion Draft contains some provisions that will serve to advance energy efficiency, we are deeply concerned that other of the provisions in the Discussion Draft actually will serve to impede and/or roll back progress we are making to drive greater energy productivity. Without significant changes to the energy efficiency title of the Discussion Draft we will be unable to offer our support. Having said that, the Alliance pledges to work together in a spirit of cooperation toward development of an efficiency title that we can embrace without reservation.

#### **Comments on Title IV – Energy Efficiency and Accountability Provisions We Support**

First, there are many provisions which we support wholeheartedly. These include:

1. All of the provisions in Chapter 1 dealing with improving federal agency energy efficiency, with the exception of Section 4114, the repeal of the fossil 5 fuel consumption requirements for federal buildings. The Alliance would support this repeal if it were coupled with an extension of the energy efficiency goals for the government that expire at the end of 2015. There is legislation pending in the Senate, S. 869, that includes both the repeal and the energy efficiency provisions. This bill has wide support among industry and advocates alike.
2. Section 4121 and Section 4122 of Chapter 2 which safeguard the integrity of the Energy Star program and require Energy Guide labels to include information on smart grid capability of products.
3. All of the provisions included in Chapter 4, entitled Energy Performance Contracting, which will enable energy and water efficiency measures in federal buildings.
4. Chapter 5, which establishes a clearinghouse to provide information and resources to schools make efficiency upgrades.

The Alliance urges the Committee to move forward with all of these provisions, again with the caveat that the repeal of the fuel use restriction clause needs to be accompanied with provisions strengthening energy efficiency requirements.

#### **Provisions We Oppose**

We strongly object to the provisions included in Chapter 3, Building Energy Codes. Building energy codes are an important tool for advancing energy efficiency in the largest consuming sector of our economy. Buildings represent more than 40% of the energy we consume. As a result of a 38% improvement in the codes in recent years, we have seen a reduction of \$44 billion annually in the energy bills of American families. And, there are more savings to be realized. The Department of Energy has played a key and

critical role in the development, evaluation, adoption and implementation of building energy codes and it is imperative that this work continue unimpeded.

The Discussion Draft's provisions eviscerate DOE's historic role in three important ways that are detrimental to sound national energy policy.

- First, the provisions weaken the certification process for state code submissions, creating essentially an "automatic" certification by DOE regardless of whether or not efficiency criteria are met;
- Second, DOE is barred from participating in the critical steps of code development, evaluation and adoption and can provide technical assistance to states only on implementation and even that support has limitations; and,
- Third, DOE cannot provide any assistance – technical or financial – if it finds that a proposed code does not meet a simple payback period of ten years or less.

"Simple Payback" is a flawed concept for valuing energy investments that are rolled into a mortgage on a new home or building that likely will last for more than 50 years. Home and commercial building owners who finance their purchase don't pay the full incremental cost of energy efficiency improvements up front but over the course of the mortgage term. And, importantly, the energy bill savings begin on day one of ownership.

A poll conducted by the National Association of Homebuilders (NAHB) found that 9 out of 10 Americans will pay 2-3% more for homes that contain energy efficiency upgrades. This provides evidence that homeowners understand the concept that efficiency upgrades are "permanent" and add value to the home.

The Alliance and many others, including the some of the nation's largest home builders are working together in support of enactment of the "SAVE Act" which will ensure that the value of efficiency upgrades is taken into account during both the appraisal and the mortgage underwriting processes. We urge the Committee to remove Chapter 3 from the Discussion Draft.

### **Other Comments**

With respect to other provisions of the Discussion Draft, we have these comments: Section 4124 of the bill is effectively an "old chestnut" wherein the updating by DOE of a longstanding rule has been delayed by litigation and other factors. We recognize and appreciate the concerns that have been raised about the rule relating to its practical impact on customers, especially low income customers. And, as such, we are part of the ongoing negotiating process, and are hopeful that the negotiations will produce a consensus resolution before the rule is scheduled to go into effect in April of 2016.

We understand that the Section 4124 may be amended, and as some of the stakeholders in the negotiating process are opposed to the current version, we would appreciate the opportunity to work with the Committee and other stakeholders to craft language that will can garner consensus support.

### **Suggested Additions**

We commend the Chair and the Committee for working to develop a comprehensive energy bill that seeks to include energy efficiency as a pillar of national energy policy. We are hopeful that as the Committee continues its work, the energy efficiency title can be made much more robust with the addition of innovative and cost-effective provisions that are contained in bills introduced by 9 Committee members and others in the House on a bi-partisan basis. One such proposals that we believe has merit and deserves consideration for inclusion in the bill include the Energy Savings and Industrial Competitiveness Act was reintroduced by Reps. McKinley and Welch yesterday.

- The bill strengthens model building codes to make new homes and commercial buildings more energy efficient while working with states and the private sector to improve the transparency of the code-writing process;
- The bill promotes the training of the next generation of the clean economy workforce in energy-efficient commercial building design and operation through university-based Training and Research Assessment Centers;
- The bill establishes a “Supply Star” program to help make companies’ supply chains more efficient;
- The manufacturing process will be helped by incentivizing the use of more energy efficient electric motors and transformers; and,
- The bill incorporates the provisions of the SAVE Act, which I referenced earlier, by requiring that all mortgages issued, insured, purchased or securitized by a Federal agency must account for energy efficiency in the mortgage underwriting process.

## **Conclusion**

Past history suggests that the process of crafting a comprehensive energy bill that can garner enough support to be enacted by the Congress can be a challenging and sometimes slow process. And, we note that there are many energy efficiency bills that have broad bi-partisan support and which could begin delivering real benefit in terms of energy and money savings for American homes and businesses. It is our hope that the Committee will move any such bills that do not find their way into the energy package forward even as work proceeds on the bigger bill. And, should the process of moving a comprehensive bill slow or stall, then we hope that the Committee will consider action on the provisions included in the efficiency title separately. Where there is broad consensus and demonstrated, tangible benefit to the country – as there is with energy efficiency policies – we believe that it is important for Congress to act. Finally, it is imperative that no provisions, such as those currently included as Chapter 3 of the Draft Discussion that impede or “roll back” effective energy efficiency policies and programs are included in any comprehensive bill reported by the Committee. We need to move forward on energy efficiency not backward. Thank you again for this opportunity to present the views of the Alliance to Save Energy and I look forward to working with the Committee on energy efficiency legislation.