

WELCOME TO TODAY'S WEBINAR!

**Federal Policy Proposals for
Rebuilding the Efficiency Industry
During the COVID Era**

July 15, 2020



Advancing Our Clean Economy



Today's Speakers

- Roger Flanagan, TRC
- Ben Evans, Alliance to Save Energy
- Kateri Callahan, Dynamic Energy Strategies
- Jennifer Schafer, Cascade Group

Webinar Moderator: Greg Wikler

Discussion and Q&A

Thank you!

Greg Wikler

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Federal Energy Efficiency Policy & COVID-19

Ben Evans, VP of Public Affairs: Bevans@ase.org

STATE OF THE INDUSTRY - COVID-19 STIMULUS

ENDED 2019 WITH 2.4 MILLION ENERGY EFFICIENCY WORKERS – Among the largest in the U.S. energy sector.

- ✓ 1.3 million of those jobs – nearly 60% – are in construction.
- ✓ Most jobs are in small business: Nearly 79% of the 361,000 U.S. energy efficiency businesses have fewer than 20 employees.
- ✓ 2020 growth had been expected at 3%.

POST-COVID JOB LOSSES – Industry has sharply contracted since the pandemic shutdown began.

- ✓ 360,000 jobs lost since March – twice the size of the entire coal industry workforce.
- ✓ Makes up 70 percent of the 515,000 total clean energy jobs lost in that time.
- ✓ Significant uncertainty about what will happen in the coming months as COVID continues spreading rapidly and with federal aid potentially ending.

STATE OF PLAY IN WASHINGTON

COVID-19 STIMULUS

HOUSE MOVEMENT

- ✔ House Democrats passed a transportation/infrastructure bill July 1 with clean energy provisions, including tax incentives and new federal funding for efficiency and other sectors.
 - ✔ Not as robust as COVID recovery policy proposals but contains good provisions:
 - ✔ Strengthening EE tax incentives, Weatherization Assistance Program (up to \$1B per year), Energy Efficiency and Conservation Block Grants (\$3.5B per year), HOMES Act residential efficiency rebates (\$1B per year), and public building retrofits (\$100M per year).
 - ✔ Re-implements 2.5 percent energy reduction requirements for federal buildings.
- ✔ House Democrats also included an \$8 billion COVID-response emergency spending package in their Energy-Water appropriations bill that funds DOE, with significant money for weatherization, State Energy Program, Advanced Manufacturing Office, etc.
- ✔ House bills getting little or no Republican support but will serve as markers in future negotiations.

STATE OF PLAY IN WASHINGTON

COVID-19 STIMULUS

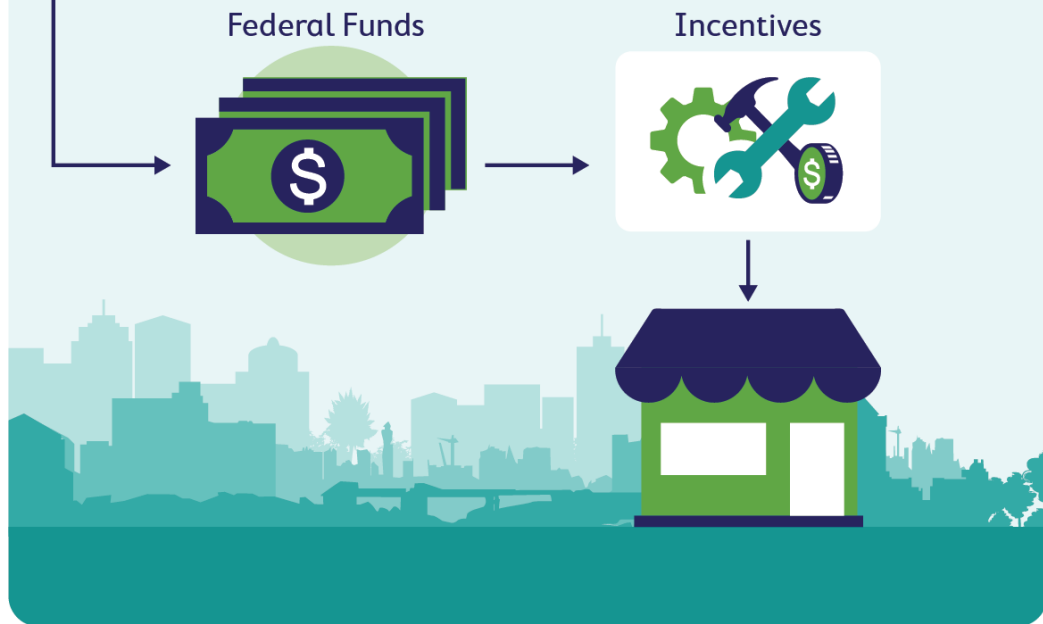
WHAT'S NEXT?

- ✓ Talks underway for a fourth COVID-response package with lawmakers aiming for passage prior to Congress' recess in August.
 - ✓ Senate Republicans pushing for narrow scope, and package is likely to be heavy on direct relief to businesses and unemployed, state and local government aid, health care, etc.
 - ✓ Complicated by fight over liability protections for businesses, health care facilities, etc.
 - ✓ Scope of bill remains uncertain, and possibility for EE provisions remains.
- ✓ Calendar is not our friend: Very tight calendar with August recess and elections looming.
- ✓ Can clean energy provisions pass?

SMALL BUSINESS ENERGY EFFICIENCY GRANT PROGRAM

HOW IT WORKS

The program will use federal funds to **SUPPLEMENT** existing utility incentives for energy efficiency, making energy efficiency projects **FREE** for small businesses



BENEFITS OF SBEEG



Enable efficiency upgrades at zero cost to small businesses



Leverage existing utility efficiency funds and programs



Revive energy efficiency workforce



Help overall economic recovery by investing in small businesses



SMALL BUSINESS EE GRANT PROGRAM

PROGRAM STRUCTURE

- ✓ Administered by DOE's EERE Building Technology Office.
- ✓ Grants provided through a rolling application process.
- ✓ Eligible recipients include investor-owned electric and natural gas utility companies, public power, and rural electric cooperatives, and third-party administrators.
- ✓ \$6.0 billion available for 2 years

ELIGIBILITY REQUIREMENTS

- ✓ Participants must have electric or natural gas distribution service territories located in the U.S., its territories or tribal nations.
- ✓ Participants must utilize a qualified Demand Side Management (DSM) program that provides incentives to small commercial/nonresidential customers for energy efficiency upgrades.

LIMITATIONS ON FUNDS

- ✓ No eligible participant may receive more than \$100 million in funding.
- ✓ Funds can be used only for DSM programs that provide incentives to utility small nonresidential customers.
- ✓ All federal funds, beyond those allowed for program administration, must be used to the benefit of the participating small business customers.

SMALL BUSINESS ENERGY EFFICIENCY GRANT PROGRAM ENDORSERS – A SAMPLING



TAX INCENTIVES PROPOSALS - COVID-19 STIMULUS

Strengthen energy efficiency incentives for homes and buildings that are slated to expire Dec. 31, with sharply higher incentives and multi-year extensions that provide long-term certainty:

- ✔ 25C Nonbusiness Energy Property Credit: Encourages homeowner efficiency improvements with a 10 percent tax credit up to \$500 (lifetime cap).
 - ✔ Proposal would increase incentive to \$2,400, doubling levels outlined in last year's bipartisan Home Energy Savings Act.
- ✔ 179D Energy Efficient Commercial Building Tax Deduction: Offers a deduction of up to \$1.80 per square foot for savings at least 50 percent more than minimum requirements under the 2007 version of ASHRAE Standard 90.1
 - ✔ Proposal would maintain status quo through 2023 while immediately creating an option for increased incentive of \$3 per square foot with modernized efficiency performance.
- ✔ Sec. 45L Energy Efficient Home Credit: Offers homebuilders a tax credit of up to \$2,000 for building a home that meets a certain efficiency performance.
 - ✔ Draft proposal would increase incentive to \$2,500 for modernized efficiency performance.

TAX INCENTIVES PROPOSALS - COVID-19 STIMULUS

Organized June 3 letter signed by nearly 800 companies – mostly small businesses – calling on Congress to strengthen the homeowner energy efficiency tax incentive.

June 3, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Chuck Schumer
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Majority Leader McConnell, Minority Leader Schumer, Madam Speaker Pelosi, and Minority Leader McCarthy:

The undersigned companies and organizations represent the 2.4 million Americans employed in the energy efficiency field. Our industry includes domestic manufacturers and family-owned “Main Street” businesses in virtually every community across the U.S. With an estimated 413,500 jobs lost since the onset of the COVID-19 pandemic, our industry has been devastated.

Federal Energy Efficiency Policy & COVID-19

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What is under consideration in Stimulus legislation

Energy Efficiency Strategy Group Priorities

Jennifer Schafer, Coordinator

Weatherization Assistance Program

- H.R. 2 Section 33231 includes:
 - reauthorization for five years at \$350 million in 2021, increasing to \$1 billion in fiscal year 2025.
 - Includes requested definitional changes (renewables now included)
- House Appropriations Request includes:
 - \$310 M for the base program
 - An additional \$3B supplemental as emergency response

Establishment of Home Energy Savings Retrofit Rebate Program(HOMES)

- H.R. 2, Sec. 3320 establishes program for rebates to homeowners that achieve energy savings
 - Whole home rebates of up to \$4000 for 40% reduction in energy use, \$2000 for 20%
 - Partial system rebates available.
 - Authorizes \$1 B per year 2021-2025
- Amendment to H.R. 2 accepted: HOPE for HOMES
 - Provides \$ 500 M for online training for contractors to perform HOMES.

Open Back Better Act - Amendment to H.R. 2

- Authorizes \$18 B to leverage state, and \$500 M to leverage federal energy related performance contracts.
 - Includes and additional \$1.5 B for the same in Indian lands.
 - Funds to pay for critical infrastructure using private sector investment for energy efficiency upgrades.
 - Expected to spur at least \$100B in public infrastructure investment and create hundreds of thousands of clean energy jobs.
-
- EESG's Build Back Better Proposal did not include Indian energy and provided funding to additional federal agencies beyond DOE

State Energy Programs

- House Appropriations Recommendation
 - \$730 M to SEP for 2021 (supplementa)
 - \$65 M to SEP regular 2021 appropriations

Energy Efficient Conservation Block Grants

- H.R. 2, Sec. 33241
 - Authorizes \$3.5 B per year 2021-2025
 - Changes – include adding alternative fuel infrastructure deployment
- House Appropriations Request includes:
 - \$2 B in 2021

. Energy Efficient Public Buildings

- H.R. 2, Sec. 33211
 - Amends section 125 of the Energy Policy Act of 2005 (EPACT05).
 - adds reference to ASHRAE Standard 90.1; adds benchmarking; adds third party verification
 - Ensures prevailing wage
 - Authorizes \$100 m per year 2021-2025

Energy Retrofitting Assistance for Schools

- H.R. 2, Sec. 33221
 - Reopen and Rebuild America's Schools Act which includes \$100 B over five years to modernize America's public school infrastructure
 - Temporary increase of \$100 M per year for five years of IMPACT Aid
 - Grant program at DOE of \$100 M per year for five years focused specifically on efficiency and renewables

Grant program for Solar Installations

- H.R. 2, Sec. 33131.
 - For low-income and underserved areas.
 - Requires funding received through the program to be used for solar generating equipment, job training, deployment support, or administrative expenses.
 - Authorizes \$200 million each year for fiscal years 2021 through 2025.
- House Appropriations Recommendation
 - \$200 M for 2021
 - No cost share required

Other Energy Efficiency Provisions in H.R. 2

- Federal energy and water reduction targets of 2.5% per year in Federal buildings.
- Authorizes the Federal Energy Management Program at DOE
- Sec. 331818 DOE Loan Guarantee Program adds states and state financial institutions as eligible for DOE loan guarantees authorized under sections 1701, 1702 and 1703 of the Energy Policy Act of 2005.