

ISSUE BRIEF

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Energy Efficiency: Two Bills Aimed at Reducing Energy Consumption

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The House of Representatives and the Senate released separate energy efficiency bills to ostensibly save families, businesses, and government money and reduce energy consumption. The House recently passed Representative David McKinley's (R-WV) Energy Efficiency Improvement Act (H.R. 2126), and Senators Jeanne Shaheen (D-NH) and Rob Portman (R-OH) re-introduced the Industrial Savings and Competitiveness Act with several amendments.

Policymakers should recognize that government mandates, regulations, and taxpayer-funded "incentives" to drive efficiency empowers Washington and overrides the choices and preferences of Americans. Congress should limit the federal government's authority over efficiency to strictly voluntary programs and promoting efficiency within the federal government.

Problematic Provisions in Shaheen-Portman.

The Shaheen-Portman bill provides subsidies for:

- **Worker training programs in energy-efficient building design and operation.** If efficiency improvements reduced energy costs significantly, and if demand for more energy-efficient buildings and manufacturing processes existed, these pro-

grams would not be necessary. The private sector expands and trains workers appropriately to meet demand or capture more opportunities, and it will make those investments with its own resources.

- **Manufacturing efficiency and rebate programs to research how to commercialize energy-efficient technologies and processes.** Tens of millions of dollars have gone to automotive and chemical companies that have huge market capitalizations and, in some cases, spend more than a billion dollars on research and development. If a supplier has a truly cost-effective new product that businesses will not buy, that supplier needs a new sales strategy, not taxpayer bailouts.
- **Greening state and tribal buildings.** The bill authorizes \$200 million of taxpayer money to "incentivize and assist" states and tribal groups to meet allegedly "voluntary" building codes. But the taxpayer did not volunteer to help states and tribes pay for efficiency improvements. Any state or tribal group that participates should not be eligible for federal support to implement the codes or to achieve compliance.
- **Greening schools and federal buildings.** Energy efficiency provisions should not be used to advance political interests, such as promoting renewable energy or reducing the use of conventional fuels. For instance, an amendment to Shaheen-Portman would specifically require the Department of Energy (DOE) to provide technical assistance to develop and finance the installation of renewable energy projects for schools. It

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also establishes federal building efficiency targets and requires installation of solar hot water heaters if cost-comparable with other technologies. The federal government should not have the hubris to micromanage how much energy should be saved in federal buildings or what technologies will save taxpayers' money and reduce energy use.

- **Energy efficiency underwriting.** Another amendment to Shaheen–Portman would require federal mortgage agencies to account for energy costs and energy efficiency in the mortgage appraisal and underwriting process. Implicit in this regulation is that they are currently excluded. In reality, home appraisers already consider any market value associated with home efficiency products. Furthermore, home buyers already know that energy is a critical component to affording a home, and homeowners already have the option to submit a qualified energy report for debt-to-income and loan-to-value adjustments. Additionally, plenty of information provided by the private sector exists on heating and cooling systems, infrastructure, appliances, and insulation. Extending qualifying ratios and borrowing capabilities to the dollar amount of predicted energy savings could be problematic as well if those energy savings are not realized and banks are granting loans larger than they otherwise should.

Strictly Voluntary Programs, Increasing Government Efficiency. Congress should ensure that any voluntary or government efficiency provision focuses on efficiency gains and energy savings rather than promoting a specific technology. The federal government can play a very limited role in providing information to help consumers make well-informed decisions and in improving energy efficiency within the government. Several titles in both Shaheen–Portman and H.R. 2126 would adhere to these principles.

- **Supply Star and Tenant Star.** Shaheen–Portman would create a Supply Star program that would recognize technologies that improve supply and distribution chain efficiencies, and both bills would establish a Tenant Star program to promote efficiency in leased commercial buildings. Both programs have merit, and if they work as they should, company investments will pay for them-

selves in terms of cost savings and improved efficiency. Furthermore, these programs should not be construed as laying the groundwork for future mandatory programs and remain voluntary.

- **Improving efficiency in government.** Since the federal government is not driven by the same market incentives as American families and businesses when it comes to energy use, improving energy efficiency in the federal government can save taxpayer dollars when done appropriately. Shaheen–Portman requires the federal government to improve energy savings for information and communication services such as computers and software. Any government savings contract should ensure improved transparency, oversight, and energy-savings verifications where problems have existed in the past. An amendment to Shaheen–Portman would also repeal the phase-out of fossil fuel use in federal buildings established in the Energy Independence and Security Act of 2007. In addition, both bills would require federal agencies to coordinate with the Office of Management and Budget to implement efficiency measures, track data, and share best practices. They would also require federally leased buildings to benchmark and disclose energy use data where it is practical.
- **Regulatory revisions.** Certain provisions in the two bills would be regulatory improvements, but more importantly, they are a clear indicator as to why the federal government should not be meddling with efficiency regulations and standards in the first place. For instance, a 2010 efficiency standard set to take effect in April 2015 would phase-out grid-enabled water heaters that can be helpful for energy demand response and load management, but both bills exempt these water heaters by creating a less-stringent efficiency standard. While the exemption and regulatory streamlining are welcome steps in the right direction, these reforms should be part of a larger effort to move away from mandatory standards and regulations to promoting voluntary information and best practices.

Let Markets Drive Efficiency. The federal government's actions to help reduce energy use and save money *sounds* like great policy. However, being

resourceful and saving money are common qualities of businesses and consumers, which means that the economy does not need government mandates, rebate programs, or spending initiatives to push businesses and homeowners to be more energy efficient.

While the market provides valuable information to enable families and businesses to make the best decisions, the government can play a limited role in providing additional information on energy savings and recognizing that efficiency gains can be made within the federal government, so long as they are technology-neutral and truly save taxpayers money.

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