ALLIANCE TO SAVE ENERGY
Creating an Energy-Efficient World

Fact Sheet

Summary of Dingell-Boucher Climate Change Discussion Draft

This draft bill amends the Clean Air Act to establish an economy wide cap-and-trade program. The draft bill also allocates funds to various programs to decrease the cost of the policy as well as to assist with the transition to a carbon constrained economy.

Scope

Covers around 88% of U.S. greenhouse gas emissions. Caps covered emissions starting in 2012[1] and reaching 6% below 2005 levels by 2020, 44% below 2005 levels by 2030, and 80% below 2005 levels by 2050. A separate cap is established for Hydrofluorocarbons.

Regulated Entities

Power plants, natural gas local distribution companies, producers and importers of petroleum-based and coal-based liquid fuels, large industrial facilities, producers and importers of greenhouse gases and geologic sequestration sites that emit more than 25,000 tons of CO_2 or equivalent are covered under the cap. The EPA is to establish industry-specific emission standards for other industrial plants, so that 95% of industrial emissions are covered. New coal-fired power plants are required to capture and sequester at least 60% of carbon emissions by 2025. EPA is to set or consider nonroad engine, transportation fuel, and aircraft standards, and several options are presented for motor vehicle standards.

Price Stability and Cost Control

Trading, banking, and borrowing emission allowances are allowed. There are no limits on amount of allowed trading and banking. A regulated entity may borrow emission allowances for up to five years to satisfy up to 15% of its obligation, but must pay extra allowances equal to 8% interest. In addition, a "strategic reserve" of allowances is to be set aside for auction to regulated entities with a set (and rising) minimum price.

Regulated entities may also use international allowances from countries with programs at least as rigorous as this one. And they can use verified domestic offsets (greenhouse gas reductions outside the scope of the cap) or international offsets for a portion of needed allowances rising from 5% up to 35% by 2024.

Distribution of Allowances

The discussion draft contains four options for allocating allowances. Three of these scenarios include substantial allocations to electric distribution utilities based on historical emissions corrected for population changes (as well as allocations to other covered entities based on updated emissions). The electric distributor allocations are to be used for the benefit of ratepayers, including energy efficiency programs but not including rebates based solely on electricity usage. All four scenarios allocate all direct

[1] The cap on natural gas distribution companies first applies in 2017 and could be pushed back to 2021 based on reduced natural gas use.

natural gas allowances to natural gas local distribution companies based on historical sales corrected for population changes, and with no restrictions.

In all four scenarios, a portion of the allowances is used to assist energy efficiency, clean technology initiatives assistance for low-income households, and greenhouse gas reductions not covered under the cap. One option would use the majority of allowance value for a per-capita rebate to consumers.

As shown in the table below, the energy efficiency provisions receive relatively similar allowance allocation in each option; some allocations besides "Energy Efficiency Programs" may be used for energy efficiency as well.

Allocations for Energy Efficiency as Percent of Allowances[2] (2012-2025)				
Option	A	B	C	D
State Energy Efficiency Development Fund	7% - 0%	6.5%-0%	7% - 0%	7% - 0%
State EE Programs and State Recycling Program	0% - 4%	0% - 5.25%	0% - 5.25%	0% - 4%
State and Local Transportation EE Program	3%	3% - 4%	3% - 3.5%	3%
State and Local EE and Conservation Block Grants[3]	.5%	.5%	.5%	.5%
Weatherization Assistance Program[4]	1.5%-.5%	1.25%-.5%	1.5% - .5%	1.5% - .5%
Building Programs	.5%	.5%	.5%	.5%
Energy Sustainability and Efficiency Grants and Loans for Institutions[5]	.5%	.5%	.5%	.5%
Waste Energy Programs[6]	.5%	.5% - .75%	.5% - .75%	.5%
EE Program Total	13.5%-9.5%	12.75%-12%	13.5%-11.5%	13.5%-9.5%
Smart Grid Program[7]	.75%-1.25%	.75%-1.25%	.75%–1.25%	.75%–1.25%
Clean Vehicle Technology Programs[8]	3%-2.5%	3%-4%	3%-4%	3%-2.5%
Electricity LDCs[9]	44.25%-38%	44.25%-7%	43%-5%	-

[2] Percent of all allowances *other* than those dedicated to natural gas LDCs. All allowances after 2026 go to consumer rebates unless Congress sets a new allocation.
[3] Authorized under subtitle E of title V of the Energy Independence and Security Act of 2007 (EISA) (42 U.S.C. 17151 et seq.).
[4] Established under section 422 of the Energy Conservation and Production Act (42 U.S.C. 6872).
[5] Authorized in EISA under section 399A of the Energy Policy and Conservation Act (EPCA) (42 U.S.C. 6371h–1).
[6] Authorized in EISA under sections 373-374 of EPCA (42 U.S.C. 6343 and 6344).
[7] Authorized in EISA under section 1306 (42 U.S.C. 17386). (Efficiency is only a component of this program.)
[8] Allocations in Option A and D go up to 3.5% during 2014-2016 before decreasing to 2.5%. Funds are divided equally between the Advanced Technology Vehicle Program established under section 724 of this Act, Transportation Electrification Program authorized in EISA section 131, and Advanced Battery Program from EISA section 135.

TITLE V—ENERGY EFFICIENCY

Subtitle A—General Energy Efficiency Programs

Sec. 501: State Energy Efficiency Development (SEED) Funds

This fund is for low-interest or zero-interest loans, or subsidies to reduce the interest rate on loans offered by commercial entities, for increased energy efficiency in new or existing buildings, vehicle systems, or industrial processes. States are to loan these funds based on detailed applications; loan terms are generally at the discretion of the states, but preference is given to applications that demonstrate a payback period of 8 years or less, and interest is forgiven for buildings that achieve Energy Star designation or 30% energy use reduction. Loans also can go to third parties or to utilities for use on consumer energy efficiency programs (investor owned utilities must meet a rate structure requirement).

The formula for distribution to each state is based on consumption of fossil fuels in 1990 adjusted for the current population in each state.

Sec. 502: Public Information

This section authorizes Energy Star public communications offices at DOE and EPA to enhance public awareness of the Energy Star program, other energy efficiency programs, and the SEED funds established under section 501. This section also authorizes an Energy Star Student Program to provide recognition to students at all levels of education for achievements relating to energy efficiency, and a Public Service Advertising Award Program to reward effective public service advertisements related to energy efficiency.

Subtitle B—Building Energy Efficiency Programs

Sec. 511: Energy Star Program for Residential Buildings Standards

This section increases the qualifying threshold for Energy Star buildings to an energy efficiency level at least 25 percent greater than the building codes target set by DOE under Sec. 515, and requires recertification of current Energy Star buildings within five years (current designation for homes only applies to new homes). Energy Star standards for buildings are to be based on at least eight climate zones, and no more than 50% on lighting, HVAC, and appliance efficiency.

Sec. 512: Energy Star Building Label Program

This section directs the EPA to create building energy performance labeling requirements and measurement protocols for the building types on which robust energy use data is available. The labels are to include ratings based on practical energy efficiency for new buildings and for improvements to an existing building, as well as information on energy systems and usage, and estimated energy requirements. The EPA is to identify data needs for different building types, and DOE, the Energy Information Administration, and

[9] Electricity distribution companies must use allocations for the benefit of ratepayers, including for energy efficiency programs.

EPA are to improve building energy databases such as the Commercial Buildings Energy Consumption Survey and Residential Buildings Energy Consumption Survey.

This section also provides allowances to states that require these labels before sale of eligible buildings in order to cover the costs of administration of the program. The allocation formula is the same as in section 501. EPA is to work with states, counties, localities, and other federal agencies to encourage labeling. EPA is to perform demonstration projects for building labeling. DOE and EPA are to establish a public outreach program to promote labeling.

Sec. 513: Residential Assessment Program

This section directs EPA to establish a program under which state or local agencies provide energy audits at no cost to owners or occupants of buildings. Audited buildings would receive labels under Sec. 512. The federal share of the cost is up to 80%. The funds are to be distributed to the states using the same formula used in section 501.

Sec. 514: Real Estate Industry Coordination

This section directs EPA to establish standards for state programs to work with the associations of real estate professionals and other stakeholders to use energy efficiency labeling effectively. This section also establishes an award program to incentivize more effective use of Energy Star information in appraisals, sales, and resales.

Sec. 515: Greater Energy Efficiency in Building Codes

This section sets targets for the national model building energy codes and standards to achieve overall energy savings of at least 30 percent starting in 2010 and 50 percent starting in 2020 compared to the 2006 IECC for homes and ASHRAE Standard 90.1-2004 for commercial buildings. DOE is to set targets for specific years at the maximum level of energy efficiency that is technologically feasible and life-cycle cost effective, assist ICC and ASHRAE, determine whether their model codes meet the targets, and establish modified model codes if the IECC and ASHRAE standard do not.

This section also directs states to adopt the model codes or codes with equivalent energy savings, and to demonstrate achieving high rates of compliance with their codes. It authorizes competitive funding to the states to adopt and implement advanced building energy codes, including for training and for implementation of a plan to achieve at least 90% compliance with these codes. This section authorizes $70 million for each of fiscal years 2009-2013.

Subtitle C—Energy Star Appliance Program Upgrades

Sec. 521: Individual Appliance Standards Achieved by Consensus

To be supplied

Sec. 522: Technical Corrections of the Energy Independence and Security Act of 2007

To be supplied.

Subtitle D—Transportation Energy Efficiency Programs

Sec. 531: Freight Sector Efficiency Technologies and Strategies Program
This section allows a state to provide assistance from its SEED Fund to a private or public entity for the installation of, or to finance the installation of, energy-efficient technologies certified by the EPA's Smart Way program and to promote heavy-duty vehicle energy efficiency technologies and strategies that meet the criteria for assistance from a SEED Fund.

Sec. 532: High-Efficiency Vehicles
This section allows a state to provide assistance from its SEED Fund both to enable low-income residents to obtain vehicles at least 25% more efficient than the average comparable new standard gas-powered vehicle and for loan assistance to any person to pay for the difference in the price of these vehicles.

Sec. 533: Vehicle Recycling
This section allows a state to provide assistance from its SEED Fund to encourage private entities to purchase inefficient vehicles that get 15 mpg or less for permanent disposal and recycling of materials, but not for replacement parts.

Subtitle E—Industrial Energy Efficiency Programs

Sec. 541: Industrial Plant Energy Efficiency Standards
This section directs DOE to develop industrial plant energy efficiency certification standards and seek ANSI certification of such standards.

Sec. 542: Electric and Thermal Energy Efficiency Award Programs
This section directs DOE to award allowances, and allows states to award SEED funds, to promote electric and heat recovery in power plants fueled by fossil fuels or nuclear power.

Subtitle F—State Efficiency Programs

Sec. 551: State Electricity Efficiency Program
From 2018-2025, EPA is to distribute allowances to states to encourage cost-effective investment in energy efficiency measures and programs. The allowances can be used for a wide variety of energy efficiency measures and programs, including the SEED fund, as well as advanced biofuels.

The allocation is to be based on a start-up formula for the first two years, a performance-based formula for the later years, and half on each formula in 2020 and 2021. The start-up formula is based half on the quantity of electricity used in each state during 3 preceding years and half on the population of each state in the most recent year. Allowance eligibility under the start-up formula also requires a state to adopt a binding statewide electricity savings target of not less than .25% in 2018 and 2019, and no less than .5% in 2020 and 2021. The performance-based formula is to be based on actual electricity savings in the prior year from energy efficiency measures and programs, and is

to take account of past performance in achieving electricity savings and maximize the incentive for states to achieve cost-effective electricity savings. Allowance eligibility under the performance-based formula requires that a state must quantify and certify electricity savings based on EPA standards and provide necessary data.

Sec. 552: State and Local Transportation Energy Efficiency

From 2011 to 2024 EPA is to distribute allowances to states, cities, and counties to support the development and implementation of strategies to reduce greenhouse gas emissions by reducing vehicle miles traveled and improving transportation efficiency.

Allowances are to be allocated 70% to cities with a population of at least 35,000 and counties with a population of at least 200,000 and 30% to states. Initial allocations may be used to develop transportation energy efficiency plans and implementation proposals; then implementation awards are to be made on a competitive basis to entities with plans approved by EPA.

The allowances may be used to reduce vehicle miles traveled and improve transportation system efficiency, including through mass transit, transit-oriented and mixed infill development, bicycle and pedestrian infrastructure, telecommuting, pricing, parking policies, intermodal freight, traffic smoothing, idle reduction, and retrofit of existing vehicles.

Sec. 553: State Recycling Programs

From 2015 or 2016 to 2024 EPA is to distribute allowances to states to increase recycling and reduce waste. The allowances are to be distributed using a performance-based formula.

For more information please contact Alliance policy staff at (202)857-0666 or policyinfo@ase.org or visit www.ase.org.

The Alliance to Save Energy is a coalition of prominent business, government, environmental and consumer leaders who promote the efficient use of energy worldwide to benefit consumers, the environment, the economy and national security.

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