

Federal Energy-Efficiency Programs Deserve Significant Increases in FY 2007 Funding

Solving our Energy Problems Requires New Efficiency Funding

The undersigned companies, trade associations, environmental and energy-efficiency organizations, state and local government agencies, and consumer advocates call for a significant increase in funding in fiscal year 2007 for energy-efficiency programs at the Department of Energy (DOE) and Environmental Protection Agency (EPA) in order to address record energy prices and related security and environmental issues.

The Administration's FY2007 Budget Request

The Administration's Budget Request for fiscal year 2007 proposes to significantly reduce funding to federal energy-efficiency programs. The FY 2007 proposed level of funding for these important programs is **one-third** lower than the inflation-adjusted budget for these same programs in fiscal year 2002.

At a time of record high natural gas and oil prices, the Administration has proposed to cut funds to vital programs that cut pollution and save energy (Energy Star and Building Codes Assistance); help the federal government save energy and tax dollars (Federal Energy Management Program); and help low income residents save energy so they can afford their utility bills (Weatherization Program), to name a few. Now is the time to invest more, not less, in technologies and practices that promise the quickest, cleanest and cheapest means of addressing tight energy supplies and extraordinarily high prices.

We believe that increasing investment in energy efficiency is vital to a secure energy future and we call on Congress to raise, not cut, funding for energy efficiency programs.

The Energy Situation Has Changed

We understand that budgets are tight, but we have seen that the costs of not addressing energy waste are just too high. Last year gasoline prices nationwide shot up to over \$3 a gallon for the first time, roughly double prices at the beginning of 2004. Wholesale natural gas prices, which had doubled between 2002 and the beginning of 2005, doubled again by the end of last August. Even electricity prices, which have been relatively stable, reached all-time highs. All told, higher energy prices are draining over \$300 billion from American family budgets and business revenues.

As winter continues, the squeeze on American wallets will only tighten. Despite the exceptionally warm weather last month, the U.S. Energy Information Administration (EIA) projects that natural gas heating costs for a typical Midwestern household this winter will rise to \$1091, a 65 percent increase compared to recent averages, and Northeast heating oil costs will rise to \$1421, a 59 percent increase. EIA also anticipates a 59 percent rise in gasoline prices in 2006 compared to recent averages, which means a typical household would spend an extra \$1000 on gasoline this year.

Nor is this situation likely to go away. EIA projects that oil will cost \$54 per barrel in 2025 and \$57 per barrel in 2030, about what it cost last year. This is \$21 more than EIA projected just a year ago, so prices could be much higher. EIA's projections for natural gas and electricity prices also stay high.

Our inefficient use of fossil fuels also are worsening America's global security and pollution problems. We have recently seen dramatic demonstrations of the security implications of energy dependence, with the threat of energy cutoffs from Russia and from Iran highlighting the constraints that energy imports can place on nations' foreign policy choices. Meanwhile our increased use of fossil fuels drives an increase in our emissions of greenhouse gases.

Energy-Efficiency Programs are a Key Solution

High energy prices are taxing our economy with hundreds of billions of dollars in added costs. They already have slowed economic growth, and have resulted in a loss of American jobs in energy-intensive industries. To put our economy back on a healthy track, we need to reduce this "energy tax" through targeted investments in energy efficiency and other clean energy technologies.

Improved energy efficiency is the best near-term strategy to begin balancing demand and supply and bring energy prices down, and is a key component of a long-term energy strategy. When rolling blackouts and electricity price spikes hit California in 2000-2001, the state undertook a massive public outreach campaign that reduced electricity use by 7 percent in just one year, and thus helped avoid further shortages. A recent analysis by the American Council for an Energy-Efficient Economy found that just a small reduction in natural gas use over the next few years, in part through cutting electricity demand, could reduce wholesale natural gas prices by as much as one quarter—because energy supplies are so tight, the potential impact of energy efficiency is magnified. If energy efficiency was needed before the hurricanes of 2005 and their impact on energy supply, the need is even greater today.

Energy efficiency is the nation's greatest energy resource—we now save more energy each year from energy efficiency than we get from any single energy source, including oil, natural gas, coal, or nuclear power. The Alliance to Save Energy estimates that if we tried to run today's economy without the energy-efficiency improvements that have taken place since 1973, we would need 43 percent more energy supplies than we use now. Much of these savings rely on technologies that were developed through federal programs and commercialized with their assistance.

DOE and EPA programs play a key role in the research and development of new technologies, and in helping energy-efficiency technologies, products, and practices achieve widespread use. These programs reduce energy consumption, dependence on foreign oil, and energy costs. They also help create jobs in the United States and decrease harmful pollution. Increased funding for these essential government programs represents a win-win-win opportunity for consumers, businesses, and the environment.

DOE's energy-efficiency programs are remarkably effective. A 2001 National Research Council report found that every dollar invested in 17 DOE energy-efficiency research and development (R&D) programs returned nearly \$20 to the U.S. economy in the form of new products, new

jobs, and energy cost savings to American homes and businesses. Environmental benefits were estimated to be of a similar magnitude. DOE itself estimates that its efficiency and renewables programs will result in major savings, including \$123 billion in energy bills, 262 million metric tons of carbon emissions, 2.3 million barrels of oil per day, and 1.8 quads of natural gas in 2025. Yet funding for DOE energy-efficiency programs has declined each of the last four years. These savings cannot be realized without federal support.

EPA and DOE's Energy Star program, a cornerstone of the Bush Administration's climate plan, is an exemplary consumer education program that helps businesses, homeowners, consumers, and state and local governments to save money by investing in energy efficiency. Every federal dollar spent on the program yields an average cost savings of \$75 or more in consumer energy bills, the reduction of about 3.7 tons of carbon dioxide emissions, an investment of \$15 in private sector capital, and a contribution of over \$60 to the U.S. economy. Last year, 591 Energy Star Company Partners joined with the Alliance to Save Energy in urging Congress to substantially increase funding for the Energy Star program. However, the budget for EPA's program is lower today than it was five years ago. Like many of the energy research and development programs, Energy Star cannot continue forever doing more with less money.

Fund Energy-Efficiency Programs at Authorized Levels

The Energy Policy Act of 2005 (P.L. 109-58) authorized funding for Department of Energy programs at levels more than double current appropriations. The difference in the authorizations for FY 2007 and the FY 2007 Budget Request are stark:

- EAct 05: \$783 million for energy-efficiency research, development, demonstration, and commercial application programs,
Budget Request: \$300 million,
- EAct 05: \$240 million for distributed energy and other electric energy systems programs,
Budget Request: \$125 million,
- EAct 05: \$500 million for the Weatherization Assistance Program,
Budget Request: \$164 million,
- EAct 05: \$100 million for the State Energy Program,
Budget Request: \$49 million,
- EAct 05: \$220 million for several other energy-efficiency deployment programs,
Budget Request: none is funded, and Gateway Deployment is eliminated.

Additional funds are authorized for hydrogen and fuel cell programs, a variety of transportation efficiency programs, and others.

These authorizations follow the recommendations of many experts in recent years. For example, the President's Committee of Advisors on Science and Technology, Panel on Energy Research and Development (in 1997) and the National Commission on Energy Policy (in 2004) both recommended that funding for DOE energy-efficiency R&D programs be more than doubled. In addition, 126 House members and 32 senators from both parties recently asked the president to fund energy-efficiency and renewable-energy programs in the FY 2007 budget at the levels authorized by the Energy Policy Act of 2005.

This is where the fine goals of energy policy must engage with a harsh fiscal reality. FY 2006 funding for energy-efficiency programs is down 12% after inflation, compared to the FY 2002 levels. This downward trend cannot continue if we are to gain relief from high energy prices, and preserve our energy security. If the R&D and deployment programs authorized in the Energy Policy Act of 2005 are to have a real impact on our critical energy problems, significant new money for these programs is essential. If the president's climate change policy is to meet its goal of reducing greenhouse gas emissions through voluntary deployment of improved technologies, it must include a significant new investment of funds for research, development, and deployment of the energy technologies that can make a difference.

The DOE and EPA energy-efficiency programs are effective, and they are the only near-term way to deliver relief from our energy problems. The Administration's FY 2007 budget cuts will harm the effectiveness of these programs. Federal energy-efficiency programs need an increase in funding that matches the magnitude of the energy problems they address, in line with funding authorized in the Energy Policy Act of 2005.

Signed,

Acuity Brands-Lighting Group

Alliance to Save Energy

American Chemistry Council

American Council for an Energy-Efficient Economy

American Gas Association

Arizona Community Action Association

Association of Energy Engineers

Association of Home Appliance Manufacturers

Blue Mountain Energy

California Energy Commission

Calmac Manufacturing

Carnegie Mellon Center for Buildings and Diagnostics

Cascade Associates

CertainTeed Corporation

City of Austin/Austin Energy

CMC Energy Services

Colorado Energy Group, Inc

The Dow Chemical Company

DuPont

Environmental and Energy Study Institute
EPS Capital Corporation
Federal Performance Contracting Coalition
Hearth, Patio & Barbecue Association
The Home Depot
MicroPlanet, Ltd.
Modular Process Control, LLP
National Association for State Community Services Programs
National Association of State Energy Officials
National Consumer Law Center on behalf of its low-income clients
National Environmental Trust
National Grid
National Roofing Contractors Association
Natural Resources Defense Council
Niagara Conservation
North American Insulation Manufacturers Association
Optimum Energy Corporation
Owens Corning
Rinnai Tankless Water Heaters
Sage Electrochromics
Sacramento Municipal Utility District
San Diego Regional Energy Office
Siemens Building Technologies Inc.
Sierra Club
The Stella Group, Ltd
Stingray Energy Systems, LLC
Team Consulting
Union of Concerned Scientists
U.S. Public Interest Research Group
Washington Gas