



ENERGY EFFICIENCY POLICY BRIEF: HOT TOPICS AND KEY OPPORTUNITIES FOR STATES

Provided by Northeast Energy Efficiency Partnerships (NEEP)

Energy efficiency can help states to meet economic, environmental, societal and energy system goals. This resource sheet provides an overview of key policy and program issues on the horizon for 2014, and introduces Northeast Energy Efficiency Partnerships (NEEP) — a non-profit organization available to serve as a resource for state and local candidates and policymakers as you navigate the complex and ever-changing world of energy efficiency.

Although the extent and complexity of policies and programs varies across the Northeast and Mid-Atlantic states, significant opportunities and shared challenges transcend state boundaries. That is where NEEP can be helpful: exchanging best practices and connecting various actors in market, program delivery and policy arenas to leverage the power of energy efficiency for all.

2014 will be an important year in energy efficiency, with states tackling key policy issues, both new and ongoing. While we expect significant continuity in the overall goals of energy efficiency programs, we see a number of trends that could impact policy and programs in important ways. Below we list some overarching trends to look out for this year, as each state seeks innovative ways to save energy, while lowering costs and reaching more customers of all types.

POLICY TRENDS TO WATCH

- **Gubernatorial & Legislative Elections:** 2014 is an election year, meaning potential changes in administrations, regulatory leadership and legislatures in a number of states across the nation. Energy efficiency provides broad economic as well as environmental benefits; current leaders and candidates need to be educated on the value and impact of energy efficiency. Policies that advance energy efficiency should be, and are, supported by both Democratic and Republican governors and elected officials. It's important that they are aware of the positive return on investment from energy efficiency programs for local businesses, governments and consumers. A recent [report](#) finds that Massachusetts' energy efficiency programs created \$5.5 billion in economic benefits at a cost of \$1.2 billion from 2010-2012, or \$4.60 in benefits for each dollar invested.
- **Federal Climate Regulations:** The U.S. Environmental Protection (EPA) will issue draft regulations on carbon dioxide (CO₂) emissions for existing electric power plants in June 2014. A number of organizations are working to ensure that energy efficiency plays an important role for compliance. NEEP has provided [recommendations](#) to both states and the U.S. EPA on the topic. In addition, a number of states and the EPA are looking at how energy efficiency can be used as a strategy to reduce criteria air pollutants as part of their State Implementation Plans (SIPs).

ABOUT NEEP

Northeast Energy Efficiency Partnerships (NEEP) is a non-profit founded in 1996 based in Lexington, Massachusetts. NEEP supports the expansion and implementation of policies and programs to accelerate energy efficiency in the Northeast and Mid-Atlantic region. NEEP works in four key areas: speeding the adoption of high-efficiency products, reducing building energy use, advancing knowledge and best practices and generally increasing the visibility of the benefits of efficiency.

Our vision is that the region will fully embrace energy efficiency as a cornerstone of sustainable energy policy to help achieve a cleaner environment and a more reliable and affordable energy system. NEEP is available to assist state energy offices, political candidates, legislators, regulators or administration officials in any of these areas. NEEP works through funded partnerships with the U.S. Department of Energy (DOE), as well as with utilities, third-party program administrators, public officials, various advocacy groups, businesses and foundations.



- **Higher Savings Goals, Constrained Program Budgets:** Leading states are working on energy efficiency programs with annual electric savings approaching or surpassing 2.5 to 3 percent of their electricity needs, while other states are establishing efficiency savings targets for the first time. While the cost per unit of energy efficiency measures may be higher than they have been in the past, forecasts show that these investments remain significantly less expensive than supply-side alternatives — saving ratepayers millions, if not billions of dollars over time. Many states are striving to increase the energy savings from utility and other customer-funded energy efficiency programs, while trying to restrain growth in program budgets.
- **Working for All-fuel Efficiency:** In the Northeast, many customers still rely on unregulated fuels like oil and propane for heating. No state has yet created a dedicated revenue stream to support all-fuels energy efficiency programs. This should be an important issue for states and advocates to tackle in 2014, as a next-tier effort to help consumers and business save energy and money, and make progress on state climate and air quality goals.
- **Building Energy Codes:** States and localities are adopting new building codes to improve the comfort and quality of residential and commercial buildings. Updated building codes are only the first step to achieving energy savings. Governments often do not always have the funds for adequate training to ensure compliance. New policies and programs are being developed to provide for increased investments intended to ensure that energy savings are realized, including innovative ways to link ratepayer-funded energy efficiency programs with code training and compliance efforts.
- **Natural Gas as a Wildcard:** Despite weather-induced price spikes, natural gas prices are expected to remain relatively low in the near-term, though experts say they could double in the next 20 years. With some states trying to expand distribution capacity for electricity and heat, natural gas will continue to be a major focus of state energy policy debates. Policymakers are considering how robust energy efficiency programs can play an important part in right-sizing the nation's overall gas consumption and ensuring a diverse fuel supply while reducing total greenhouse gas emissions, in spite of low gas prices in the near term.

PROGRAM TRENDS TO WATCH

- **Grid Modernization:** States are beginning to examine ways to modernize the electricity grid, taking into account the role of advanced metering, time-of-use pricing and greater uptake of energy efficiency opportunities, and even creating a vision for the 'utility of the future.' New technologies, communication tools, and behavioral strategies can help reduce and manage electricity use, and handle the variable supply and demand that will come from the increasing amount of renewable sources and electric cars on the grid. This service focus is a growing part of the discussion of new business models for energy utilities.
- **Cost-Effectiveness Screening:** A number of states are tackling the ongoing challenge of how to best weigh the cost and benefits of energy efficiency programs for ratepayers. Several states are revising their cost-effectiveness screening protocols to better align with their long-term energy efficiency targets and broader public policy goals.



- **Greater Focus on Peak and Total Energy Savings:** Some states and program administrators are beginning to view their goals more dynamically to reduce *overall* energy use, across fuels – along with water conservation – and working to achieve greater carbon emissions reductions.

In some cases, states are re-focusing energy efficiency programs to also capture peak demand savings to help reduce future transmission costs and the need for expensive peak power generation, while others are examining approaches that may increase electricity use to enable important new high-efficiency technologies like heat pumps and electric vehicles that lower overall greenhouse gas emissions with a power system fuel mix evolving to include more renewable sources.

- **Emerging Technologies and Program Strategies:** States and third-party and utility efficiency program administrators are finding diminishing energy savings potential from “tried and true” energy efficiency measures. Other measures are becoming the norm, as a result of continuously improving state and federal appliance and equipment efficiency standards or state and local building energy codes. Thus, many utilities and third-party program administrators are seeking to new technologies and strategies to maintain if not grow the energy savings they deliver to consumers. As long as efficiency costs less than a unit of new energy supply, the smart money is on efficiency.
- **Building Energy Benchmarking and Big Data:** Some major cities, leading states, and program administrators are exploring ways to provide greater transparency in building-level energy data. Increasing numbers of cities are putting in place benchmarking ordinances for commercial buildings — while efficiency program administrators are testing

ELEMENTS OF SUCCESSFUL ENERGY EFFICIENCY POLICY

- 1) Direct or provide incentives to encourage utilities to capture as much cost-effective efficiency as possible, and link efficiency to broader public policy goals.
- 2) Ensure adequate, stable, long-term funding for efficiency programs.
- 3) Allow for robust stakeholder input and engagement — ideally through a standing advisory board with expert consultants — to help states plan, deliver and evaluate plans to achieve long-term savings goals.
- 4) Ensure that investor-owned utilities are not harmed financially when they help their customers to save energy.
- 5) Advance policies and programs that enable a whole-building approach with an eye to total energy savings.
- 6) Support complementary public policies such as building energy codes, building energy rating and disclosure, appliance efficiency standards, and state and local governments “leading by example.”
- 7) Integrate energy efficiency into long-range state energy and air quality planning.
- 8) Foster a supportive and flexible regulatory framework on issues such as cost-effectiveness.
- 9) Support development and implementation of greater transparency and consistency in evaluation, measurement and verification of program savings.
- 10) Continually demonstrate the value proposition of energy efficiency by sharing success stories.



strategies to use this new, more precise, energy data to find new pools of energy savings including innovative ways to link ratepayer-funded energy efficiency programs with code training and compliance efforts.

- **New Financing Tools:** States and utilities are building upon innovative new financing instruments to leverage, but not supplant, ratepayer energy efficiency programs to achieve deeper and broader energy savings and to transform markets in favor of energy efficient technology and practices. Some states are approaching the issue with the development of “green banks” or Property Assessed Clean Energy (PACE) financing, while others are seeking a greater role for on-bill financing in their energy efficiency program portfolios.

NEEP POLICY RESOURCES:

- [Highlights](#), our policy e-newsletter and the Policy Tracking Brief – Available on our blog at energyefficiencymatters.org
- [The Regional Roundup of Energy Efficiency Policy](#) – An annual look at the states and the region as a whole.
- [The Regional Evaluation, Measurement and Verification Forum](#) – Supports the development and use of common protocols to evaluate, measure, verify, and report the savings, costs, and emission impacts of energy efficiency.
- [The Regional Energy Efficiency Database](#) – A dashboard for the consistent reporting of electric and natural gas energy efficiency program energy and demand savings and associated costs, avoided emissions, and job impacts across the Northeast and Mid-Atlantic region.

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NEEP is a REEO!

Regional Energy Efficiency Organizations (REEOs) are independent non-profits that serve almost every state in the nation with a mix of policy and program tools to help advance energy efficiency as a first order resource.