ALLIANCE TO SAVE ENERGY
Creating an Energy-Efficient World

Fact Sheet

Energy Efficiency in the American Recovery and Reinvestment Act of 2009

Signed into law by President Barack Obama on February 17, 2009, the American Recovery and Reinvestment Act (ARRA) is the single greatest federal investment in the American economy in United States' history. The stimulus provides more than $25 billion dollars for core energy efficiency and billions more which can be directly or indirectly applied to energy efficiency projects. In every program area, the stimulus represents a major increase in energy efficiency spending with the intent to spur economic growth, create jobs immediately, save energy, and reduce GHG emissions. The programs were designed to promote market transformation: to secure our energy future, create more jobs and realize more energy savings over the long-term.

The stimulus funds will be distributed primarily to states and localities through major grant programs and to individuals through rebates, tax credits and other means. Following are the major components of the stimulus package that are dedicated at whole or in part to energy efficiency.

For more information, please visit our Stimulus Resources website: www.ase.org/stimulusresources

Core Energy Efficiency Programs

Energy Efficiency and Conservation Block Grants (EECBG)

Funding: $3.2 billion - $2.8 billion distributed by formula; $400 million awarded on a competitive basis to grant applicants (During the debate on the Stimulus bill, the Alliance advocated $4.2 billion for EECBG)

Eligible Entities: States, Units of Local Government, Indian Tribes

Summary: The Energy Efficiency and Conservation Block Grant (EECBG) Program was established in the Energy Independence and Security Act of 2007 (EISA), but was not previously funded. The grants are intended to assist eligible entities implement energy efficiency and conservation strategies and programs. Units of local government that receive grants are required to:

1) Take into account plans by adjacent local governments using federal funds; and
2) Coordinate and share information with the state.

Allocation of funds: Formula funding ($2.8 billion) is expected to be allocated roughly as follows: 68% to local governments of a certain size, 28% to states (states are required to pass through at least 60% of their funding share to cities and counties not receiving direct formula funding), and 2% to Indian tribes. Eligible units of local government to receive funds directly include:

1. Cities with a population of at least 35,000
2. Counties with a population of at least 200,000
3. Cities and counties that are among the 10 highest populated cities and counties in the state

Smaller cities can receive funding through coordination with their state government. Competitive funding ($400M) will give priority to local governments located in states with populations of less than 2,000,000 and to projects that would result in significant energy efficiency improvements or reductions in fossil fuel use.

Eligible Activities: A full list of eligible activities can be found in EISA 2007, Part 5, Subtitle E, Section 544. The list includes, but is not limited to, retrofits of municipal buildings and utility infrastructure (water and sewer systems, street lights, etc.); developing/implementing an energy efficiency and conservation strategy; conducting residential and commercial building energy audits; establishing financial incentive programs for energy efficiency improvements (e.g., loan and rebate programs); and providing technical assistance to local government agencies for energy audits.

State Energy Program (SEP)

Funding: $3.1 billion (the Alliance advocated $3.4 billion for SEP)

Eligible Entities: State Energy Offices

Summary: The State Energy Program (SEP) provides grants to states and directs funding to State Energy Offices (SEOs) for energy efficiency and renewable energy programs.

Allocation of funds: By formula according to state or territory population and energy consumption. Amounts in excess of the base allocation established for each state, which is quite small compared to the funds now available, will be conditioned on a commitment from each governor that the state will:

1. Adopt utility regulatory reform that removes utility disincentives to invest in energy efficiency programs;
2. Adopt and enforce the most recent residential and commercial building codes (ASHRAE Standard 90-2007 and IECC 2009); and
3. Prioritize existing state programs when distributing funding for SEP

States are usually required to provide a 20 percent funding match for SEP money, but that requirement has been waived for the ARRA funding.

Eligible Activities: The National Association of State Energy Officials (NASEO) maintains a **list** of current SEP activity organized by state, which summarizes many potential program areas. These include: public education to promote energy conservation; energy efficiency and renewable energy capital investments; commercial and industrial energy audits; initiatives to improve transportation efficiency; development of integrated energy plans; development of peak demand reduction strategies; energy efficiency training and education to building designers and contractors; pursuit of building retrofit standards and regulations; and feasibility studies for renewable energy and energy efficiency resource technologies, among others.

For more information, see the Alliance to Save Energy SEP guidance Summary, available on our Stimulus Resources website: www.ase.org/stimulusresources

Building, Appliances, Electricity, Industry and Agriculture

Energy Efficient Appliance Rebate Programs

Funding: $300 million (the Alliance advocated $300M)

Eligible Entities: States, which may redirect funds to third party rebate programs

Summary: $300 million will be available for consumer rebates for the purchase of residential Energy Star products to replace used appliances of the same type. The ARRA funding can cover 100% of the rebate cost, but only 50% of the administrative cost associated with the program. It cannot replace existing rebate funding.

Allocation of funds: In proportion to state population

Electricity Delivery and Energy Reliability

Funding: $4.5 billion (with an additional $3.25 billion each to Western Area Power Administration and Bonneville Power Administration)

Eligible Entities: Utilities are eligible for demonstration project funds

Summary: Funds shall be available for expenses necessary for electricity delivery and energy reliability activities to modernize the electric grid (including investments in demand response technology) and to allow analysis, development, and implementation of smart grid and energy storage technology. Funds are being directed to DOE's Office of Electricity Delivery and Energy Reliability; however, a complementary section of the act opens smart grid demonstration projects to electric utilities in all areas of the country, offering an amount of not more than 50 percent of the cost to carry out demonstration projects.

Weatherization Assistance Program (WAP)

Funding: $5.0 billion (The Alliance advocated $6.2 billion for WAP)

Eligible Entities: States, who must subgrant the funds to community action agencies, other non-profits and local governments.

Summary: The Weatherization Assistance Program enables low-income families to make their homes more energy efficient. The act increases the eligible income level from 150 percent to 200 percent of poverty, and increases funding assistance to $6,500 per home. It also allows new weatherization assistance for homes weatherized as recently as 1994.

For more information, see the Alliance to Save Energy WAP guidance Summary, available on our Stimulus Resources website: www.ase.org/stimulusresources

Modernization of Schools and Higher Education Facilities

Funding: $9.75 billion, part of which will be allocated to EE retrofits

Eligible Entities: States

Summary: $9.75 billion will be available for use by governors to address public safety and other government services, which may include modernizing, renovating, and repairing school buildings and public higher education institutions in ways that are consistent with a recognized green building rating system. Additionally, ARRA establishes a new kind of tax credit bond that may be issued by states and local governments for the construction, rehabilitation, or repair of a public school facility.

Federal Buildings

High-Performance Green Buildings

Funding: $4.5 billion (Alliance advocated $3 billion for FEMP federal building EE retrofits leveraging private sector funding and in compliance with Section 432 of EISA; and remaining funding to GSA for comprehensive EE projects)

Summary: $4.5 billion will be directed to the General Services Administration for measures necessary to convert federal facilities to "High-Performance Green Buildings." An additional $400 million is appropriated to establish the Office of Federal High-Performance Green Buildings.

Department of Defense Modernization

Funding: $3.6 billion (The Alliance advocated that all DOD projects be comprehensive and leverage private sector financing)

Summary: $3.6 billion is appropriated for modernization of DOD facilities, which can include energy-efficiency improvements.

Research and Development

Advanced Research Projects Agency – Energy (ARPA-E)

Funding: $400 million

Summary: $400 million is appropriated for the performance of research to develop technologies that reduce dependency on foreign oil, improve the energy efficiency of all economic sectors and reduce greenhouse gas emissions. Though ARPA-E was created two years ago, this is the first funding it has received. Proponents hope that ARPA-E will foster out-of-the-box thinking about energy technologies, leveraging the intellectual capital of universities, commercial, industrial, and investor communities, and the national labs to pursue high-risk, high-reward research.

Applied Research, Development, Demonstration, and Deployment

Funding: $2.5 billion (The Alliance advocated $65M for Industrial Assessment Centers and $500M for the waste heat recovery incentive grant program authorized by EISA)

Summary*:* $2.5 billion is appropriated for the Department of Energy's Office of Energy Efficiency and Renewable Energy (EERE). Of that amount, $800 million is designated for the Biomass Program, $400 million for the Geothermal Technologies Program, and $50 million "to increase the energy efficiency of information and communication technologies and improve standards." The rest of the funds are available for unidentified EERE initiatives.

Assisted Housing

Green Improvements to Section 8 Housing

Funding: $250 million

Eligible Entities: Section 8 publicly assisted housing owners

Summary: $250 million is appropriated for grants or loans for energy-saving retrofits and green investments to Section 8 housing owners.

The Public Housing Capital Fund

Funding: $1 billion

Eligible Entities: Public Housing Agencies that own or operate Low Income Public Housing and are eligible to receive capital funding under section 9 of the United States Housing Act of 1937

Summary: $1 billion is appropriated for the Public Housing Capital Fund, to be awarded as competitive grants for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation retrofit investments.

Loan Guarantees

Funding: $6 billion in loan guarantees

Eligible Entities: Commercial entities

Summary: $6 billion is appropriated for the Innovative Technology and Loan Guarantee Program, which supports early commercial use of advanced technologies that avoid and lower air pollutants and the emission of greenhouse gases. Authorized under Title XVII of EPAct '05.

Tax Provisions

Conservation Bonds

Funding: $2.4 billion in additional qualified energy conservation bonds (the previous maximum was $800 million).

Eligible Entities: States, "large" units of local government, Indian Tribes

Summary: The bill appropriates an additional $2.4 billion in qualified energy conservation bonds to finance state, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. It also clarifies that bonds may be issued to make loans and grants for capital expenditures to implement green communities programs.

Eligible Activities: "Qualified conservation purposes" include: energy-saving retrofits in public buildings (to reduce energy use by at least 20 percent); green community and renewable energy projects; research, development, and demonstration of energy efficiency, peak demand management, renewable energy, and carbon capture and sequestration technologies; "mass commuting" and pollution-reduction measures; and public education campaigns to promote energy efficiency.

Existing Homes Tax Credit

Summary: Tax credits to homeowners for residential energy-efficient improvements have been tripled from 10 percent to 30 percent of the cost, up to $1,500 per household. In addition, there are new criteria for eligible improvements to the building and for energy-efficient equipment, and the credit has been extended through 2010.

Advanced Energy Investment Credit

Funding: Up to $2.3 billion in credits may be allocated.

Summary: Establishes a new 30 percent investment tax credit for the manufacture of "advanced energy property," including technology for the production of renewable energy, energy storage, energy conservation, efficient transmission and distribution of technology, and carbon capture and sequestration.

Grants in Lieu of Credits

Summary: Provides grants to businesses instead of tax credits (which only have value if you owe taxes) for specified energy property placed in service during 2009 or 2010, including for combined heat and power systems, geothermal heat pumps, fuel cells, and microturbines.

Transit Benefits

Summary: Increases the monthly exclusion for employer-provided transit and vanpool benefits to the level of the exclusion for the employer-provided parking benefit ($230 per month).

Plug-In Electric Drive Motor Vehicle Credit

Summary: This provision modifies the plug-in electric drive motor vehicle credit by limiting the maximum credit to $7,500 regardless of vehicle weight. It also eliminates the credit for low-speed plug-in vehicles and for plug-in vehicles weighing 14,000 pounds or more, and replaces the 250,000 plug-in vehicle limitation with a 200,000 per manufacturer limitation.

Stimulus Resources:

For more information on stimulus implementation, please visit the Alliance to Save Energy stimulus webpage:
www.ase.org/stimulusresources

To contact Alliance policy staff, email policyinfo@ase.org or call (202)857-0666.

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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