

## **Rebuilding America: A National Campaign to Renovate 50 Million Buildings, Save Energy, and Create 625,000 New Jobs**

### *Vision Statement*

Investments in building efficiency retrofits can drive both economic recovery and sustained growth, spurring construction and manufacturing while creating hundreds of thousands of good jobs across the country. Retrofitting our homes and businesses will also slash consumer energy costs, increase real estate values, enhance energy security, and provide profitable, near-term reductions in greenhouse gas emissions. Deep building retrofits can cut energy use by 30 percent or more with proven techniques and off-the-shelf technologies.<sup>1</sup> Best of all, they can pay for themselves from the energy they save.

*Rebuilding America* calls on our nation's leaders to adopt and implement a comprehensive national strategy to transform the market and stand up a retrofit industry that can renovate 50 million residential and commercial buildings by 2020 – 40% of the nation's building stock. We seek to build on the pioneering work of the many entities with significant financial, managerial, and technical experience in the retrofit sector to forge a large-scale, nationwide public-private partnership that will continue to grow the number and quality of building retrofits even after funding from the American Recovery and Reinvestment Act stops flowing.

Retrofitting 50 million homes and small businesses will require \$500 billion in public and private investment and support approximately 625,000 sustained full-time jobs directly and indirectly each year throughout the decade,<sup>2</sup> while saving consumers \$32 billion to \$64 billion on their energy bills each year for an estimated energy savings of \$685 billion through 2020.<sup>3</sup>

The scale of investment required is too large – tens of billions of dollars annually – to be financed or implemented solely through government grants, loans, or tax credits. Instead, governments at all levels must develop and execute a coherent and coordinated strategy for unleashing a national market for energy efficiency funded primarily by private investment.

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<sup>1</sup> We define a "deep building retrofit" as one that saves at least 30 percent of the energy used in a large commercial building, multi-family apartment building, small business or single-family residence. A complete retrofit should include four or five distinct steps: auditing or benchmarking a building's energy performance to determine cost-effective improvements; weatherization such as air sealing and installing insulation; capital improvements such as properly installing better windows, doors, lighting and mechanical heating, ventilation, and air conditioning equipment; commissioning or retro-commissioning to ensure that a building's energy systems perform as designed; and, finally, operating and maintaining a building for peak performance.

<sup>2</sup> This estimate, based on analyses by the Center for American Progress, the Center on Wisconsin Strategy, and the Political Economy Research Institute at the University of Massachusetts at Amherst, assumes every \$1 million investment in energy efficiency retrofits will result in 12.5 full-time-equivalent jobs per year.

<sup>3</sup> Consumer savings estimates are based on an analysis by the Center for American Progress. The cumulative savings estimate represents the net present value of energy savings, derived from *Unlocking Energy Efficiency in the U.S. Economy*, published by McKinsey & Co., July 2009.

The following reflects the views of more than 100 experts consulted in the finance, building, manufacturing, labor, consumer, insurance, and environmental communities on what our national leaders must do to begin *Rebuilding America*.

## **Priorities for National Leadership**

To create the market conditions needed to support an energy efficiency industry large enough to perform comprehensive retrofits of 50 million buildings, Congress and the Administration should:

1. Mobilize major institutions – including local and state governments, utilities, banks, and insurance companies – with strong customer relationships with building owners to promote energy efficiency investment, provide financing, and facilitate access to certified contractors.
2. Enforce standards necessary to establish a high-performance industry that delivers guaranteed energy savings for consumers, growing markets and a fair return for the construction industry, and family-supporting careers for workers.

***Specifically, we urge Congress and the Administration to take the following actions:***

### **1. Mobilizing Major Institutions**

The federal government should establish a new framework of standards and incentives for energy providers, the financial industry, and state and local governments:

#### **Mobilizing Energy Providers**

- Congress should enact energy and climate legislation that:
  - Reduces carbon emissions and thereby creates strong economic incentives for utilities and energy users to increase energy efficiency in ways that are cost-effective.
  - Includes a robust national Energy Efficiency Resource Standard of at least 10% by 2020, requiring electric and gas utilities to meet an increasing share of their demand through energy efficiency.<sup>4</sup>
  - Directs at least one-third of the carbon allowances flowing to electric and gas utilities to be used for energy efficiency programs, especially those benefiting low- and moderate-income customers.
  - Encourages states to allow utilities to finance building retrofits pursuant to energy performance contracts and other means.
- To allow energy efficiency to compete on an equal basis with new generation, the Federal Energy Regulatory Commission should encourage all Regional Transmission Organizations (RTOs) to replicate what the New England Independent System Operator has done by including demand response and energy efficiency in forward-capacity market auctions for energy supply or incur penalties for above-cost resources. A larger dialogue on how to launch similar programs outside of the territory covered by RTOs should be launched.

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<sup>4</sup> Currently, 19 states have an EERS that range up to this level.

## **Mobilizing the Financial Sector**

- Congress should:
  - Provide federal credit enhancements to lower the cost and enhance the profitability of commercial and residential retrofit investments (e.g., loan guarantees for the retrofit). The Green Bank/Clean Energy Deployment Administration concept provides a good foundation.
  - Direct federally insured banks and Government-Sponsored Enterprises (GSEs) to adopt additional mortgage underwriting criteria that incorporate demonstrable energy, water, and transportation costs into underwriting. This cost information will allow the capital markets to fully recognize and incorporate the economic value of energy efficiency into financial transactions.
  
- The Administration should:
  - Work with Fannie Mae and Freddie Mac to issue Green or Efficient Building Securities – i.e., bonds backed by 100% green building mortgages, as assessed by the Green Value Score or its equivalent.
  - Work with regulators and the private sector to expand the use of building insurance products that provide discounts reflecting the reduced risks and lower costs associated with energy-efficient buildings.
  - As part of its program to address the emerging commercial building refinancing crisis, provide new owners of distressed properties with incentives such as interest-rate buy-downs or accelerated depreciation for deep building retrofits, and link energy audits and retrofits to the refinancing process.
  - Where a home loan is held by Fannie Mae, Freddie Mac, provide loan extensions conditioned on deep retrofits. When a residential building changes hands, provide a package of incentives to the new owner in exchange for a deep retrofit, including a reduced interest rate, tax credit, or other incentives.
  - Leverage private-sector funding for energy retrofits – e.g., through interest rate buy-downs for homeowner purchases of high-efficiency furnaces, water heaters, or windows, with additional subsidies for deeper retrofits, including weather sealing or upgrading insulation.

## **Mobilizing State and Local Government**

- Congress and the Administration should:
  - Provide carbon allowances to entities, including cities, states, and the private sector, that:
    - Pay for retrofits directly, encouraging whole-building retrofits that achieve measurable and verifiable energy savings. An equitable share of allowance revenue should support residential energy efficiency retrofits in the homes of low- and moderate-income consumers, such as those provided through the Weatherization Assistance Program, as well as in public and assisted affordable housing stock.
    - Seed revolving loan funds or other innovative financing mechanisms that provide sustained financing resources to cover the up-front costs of retrofits.
    - Support the additional state and local inspectors and training programs needed to certify building energy performance in instances where there is no energy service company guaranteeing energy savings to the building owner.
    - Provide the value of carbon reductions directly to those who pay for building retrofits, creating a major incentive for efficiency investments.

- Support broader implementation of Property Assessed Clean Energy (PACE) bonds, which tie repayment of clean energy loans to the property title, as well as mechanisms that promote “on bill” financing of building retrofits. A tax credit for the mortgage holder and additional regulatory guidance can increase comfort in the market for managing the tax lien and spur uptake of these practices by the mortgage industry.
- Review how governors have fulfilled their commitments, as a condition of receiving Recovery Act funding, to implement policies that align utilities’ financial incentives with helping their customers use energy more efficiently.
- Provide financial and technical assistance to states for long-term strategic planning on energy efficiency as a least-cost source of new energy supply.
  - Establish a National Energy Efficiency Advocate at the Department of Energy or jointly with the Environmental Protection Agency, who could provide technical assistance, economic analysis, legislative and program models, best practices tailored to the unique needs of particular communities and market segments, and consulting support to states and cities.

## **2. Encouraging a High-Performance, High-Standards Retrofit Industry**

To enhance consumer confidence in an expanding retrofit industry, Congress and the Administration should take steps to encourage high performance standards and verifiable energy savings across the entire industry, including:

### **Standards for Auditing, Performance, and Verification**

- Congress and the Administration should:
  - Develop a uniform set of national standards for training, certifying, and licensing workers and contractors, relying when possible on existing national organizations.
  - Adopt a national energy audit standard for existing homes, tailored to accommodate different market needs, based on existing home energy audit standards.
  - Develop new nationally standardized tools and protocols for measurement and verification of energy, carbon dioxide, and cost savings from large-scale building retrofit programs.
  - Provide grants, training, and guidance to increase the skill level of building code and energy efficiency assistance, inspection, and enforcement personnel for retrofit and building project certification.
  - Provide incentives that reward whole-building retrofits employing a comprehensive set of energy efficiency measures and not just individual measures.
  - Establish model green retrofit standards and programs for states and cities to encourage cost-effective retrofits of existing buildings.
  - Continue support for strong and continuously improving building and energy codes.

### **Standards for Workforce Training and Career Development**

- Congress and the Administration should:
  - Promote collaborative workforce development systems in which community-based training providers encourage “pathways out of poverty” by focusing on promotion, outreach, recruitment and basic job skills, especially through pre-apprenticeship programs, to create a pipeline to formal placement in registered, jointly administered apprenticeships. Promote labor-management training programs to foster career ladders for incumbent workers in the retrofit industry, including allocating carbon allowances to fund the Green Jobs Act of 2007.

- Integrate the training and performance standards of the newly emerging residential retrofit market into those of the Weatherization Assistance Program to ensure that workers trained in weatherization are hired for expanding labor market opportunities. Tie the use of federal weatherization and retrofit funds to local hire provisions, Community Retrofit Workforce Agreements, job site standards, prevailing wage, and utilization of workers from jointly administered apprenticeship and labor-management programs.
- Establish appropriate certifications to ensure that trained building energy efficiency workers have the requisite skills to perform the work to the highest standards.
- Avoid workforce development efforts that train workers without a reasonable expectation that employment positions will be available, both during and at the conclusion of training.
- Provide universities, colleges, and community colleges with resources to expand their engineering offerings to address installing, operating, and maintaining energy efficiency technologies as well as measuring and verifying energy savings.
- Engage with executive branch agencies – including the Small Business Administration and the Department of Commerce’s Economic Development Administration, Manufacturing Extension Partnership and Minority Business Development Administration, the Department of Labor, the Department of Energy, the Department of Agriculture’s Cooperative State Research, Education and Extension Service, and the Department of Housing and Urban Development – to meet financing and workforce training needs of businesses, create green jobs and green careers, and expand businesses in the skilled construction trades and supporting manufacturing industries.

### **Empowering and Encouraging Building Owners to Act**

- To encourage building owners to take greater advantage of energy efficiency services, Congress and the Administration should:
  - Expand usage of national protocols and standards for energy labeling and disclosure, such as Home Performance with Energy Star, for new and existing buildings. Continue to strengthen appliance standards and Energy Star for products and buildings. Strengthen the Energy Information Agency’s national building energy usage statistics to benchmark individual building and building-sector performance and progress.
  - Create incentives for time-of-sale/time-of-rental energy audits, retrofits, and energy usage disclosure of residential and commercial buildings.
  - Provide accelerated depreciation, investment tax credits, and other incentives for smart meters, advanced HVAC, and other energy-efficiency technology, to accelerate deployment of advanced energy-saving technology in the short, medium, and long term.
  - Provide consumers and technical implementers with easily understood, readily accessible, and Internet-based information on building energy consumption, best practices, and available tools.
  - Work with state and local governments and energy service providers to:
    - Encourage the aggregation of individual efficiency projects into larger blocks of retrofit work, to increase homeowner and small business participation, reduce investor risk, ensure steady work for contractors and workers, and achieve economies of scale.
    - Encourage whole-building renovations to capture the greatest possible energy and cost savings while concurrently improving building health and safety, water conservation, and other goals.
    - Make information more available to consumers, retrofit services more reliable, and benefits more certain through replication of best practices now emerging at the state and local level.

## Our Call to Action

The *Rebuilding America* coalition has come together in a campaign to:

- Urge President Obama and Congress to adopt a national goal of renovating 50 million commercial and residential buildings by 2020.
- Urge the President to establish a White House-led Task Force to coordinate the national government's role in achieving this goal.
- Promote the broad policy framework outlined here to drive market transformation and support a vibrant and sustainable energy efficiency retrofit market.
- Foster building retrofit partnerships between business, labor, utilities and others.
- Work with national, state, and local policy makers to educate energy users to understand and support the economic and environmental benefits of building retrofits for the country.

The *Rebuilding America* strategy outlined here will jump-start the long-overdue revitalization of America's infrastructure, make a substantial contribution to the long-term vitality of our construction and manufacturing sectors, curb carbon emissions at little or no cost to consumers and industry, create hundreds of thousands of quality careers, and provide all Americans with healthier, more productive, and more energy-efficient buildings.

It's time to get started *Rebuilding America*.

*[Signed]*