

Better Buildings Initiative

Overview Presentation

Outline

- 1. Overview of Better Buildings Initiative goals**
- 2. Budget details**
 - **Tax incentives**
 - **Financing**
 - **Race to the Green competitive grants**
 - **Partnership/Better Buildings Challenge**
 - **Workforce training**
- 3. Plan for continued stakeholder discussions**

Goals

- **Achieve a 20 percent improvement in the energy efficiency of commercial buildings by 2020.**
- **Reduce companies' and business owners' energy bills by about \$40 billion per year.**
- **Save energy by reforming outdated incentives and challenging the private sector to act.**



President Obama at Penn State University
February 3, 2011

Building on Progress

- **ARRA grants for Weatherization, Better Buildings (residential) and EECSBG will retrofit 600,000 homes**
- **The interagency Energy Regional Innovation Cluster (E-RIC) initiative led to the award of \$129.7 million for building efficiency RD&D to a consortium led by Penn State University (<http://gpichub.org>).**
- **ARRA provided GSA with \$5.5 billion to improve the efficiency of existing federal buildings and build more efficient new buildings.**
- **Executive Order 13154 directs federal agencies to use high-performance and sustainable design principles for buildings.**
- **The Administration continues to be committed to the passage of the HOMESTAR program.**

Initiatives

1. **Tax incentives.** Streamline the 179D commercial building tax deduction for tax year 2011 and restructure the tax incentive for tax year 2012.
2. **Financing.** Increase and accelerate financing opportunities for commercial and public building energy improvements through existing SBA loan program & proposed DOE loan guarantee program
3. **Grants.** Give competitive grants to state and local governments to streamline and update codes and regulations and to adopt policies and programs to attract private-sector investment in building retrofits.
4. **Challenge.** Challenge CEOs and university presidents to systematically upgrade their facilities for improved efficiency.
5. **Workforce.** Improve and expand workforce training and pilot a buildings extension service.

Tax incentives: current programs

- **The Section 179D commercial building tax deduction currently allows owners or lessees of commercial buildings to claim a deduction (up to \$1.80/sf) for installing energy-efficient building property (lighting, envelope, equipment).**
- **Government entities (federal, state and local) may allocate the deduction to the architect, engineer or other entity “primarily responsible” for designing the retrofit.**
- **DOE provides technical guidance for energy modeling and maintains a list of qualified software for use in calculating and claiming the deduction (see <http://www.nrel.gov/docs/fy07osti/40467.pdf> and http://www1.eere.energy.gov/buildings/qualified_software.html).**

Tax incentives: current programs (cont.)

- Unfortunately, Section 179D has limited uptake, due to confusion about technical aspects, cumbersome claim procedures and limited industry awareness.
- DOE has established a new email address to respond to technical questions about ASHRAE Standard 90.1-2001 in connection with Section 179D: 179DTaxDeduction@ee.doe.gov
- DOE is working with IRS to streamline the requirements for claims, including establishing expanded prescriptive claim procedures for partial deductions.
- Next Steps: DOE will release updated prescriptive guidance in Spring 2011.

Tax incentives: legislative proposal

- DOE and IRS have worked to develop a proposal for revising the 179D commercial building tax deduction. The proposal would:
 - Modify the deduction to become a tax credit
 - Maintain the Special Rule for Government-Owned Buildings
 - Allow Real Estate Investment Trusts (REITs) to entitle shareholders to the credit
 - Update the baseline to ASHRAE Standard 90.1-2004 and establish 3 levels of efficiency performance and credit value

Reduction (vs. 90.1-2004)	Credit value
20%	\$0.60/sf
30%	\$0.90/sf
50%	\$1.80/sf

- Next steps: Legislative Process

See *IRS Green Book* for more information:

(<http://www.treasury.gov/resource-center/tax-policy/Documents/Final%20Greenbook%20Feb%202012.pdf>)

Financing: current programs

- **SEP/EECBG grantees have received guidance regarding loan loss reserves, revolving loan funds, interest rate buydowns, utility on-bill repayment, Qualified Energy Conservation Bonds and other financing mechanisms to leverage public dollars with private capital (see <http://www1.eere.energy.gov/wip/>).**
- **DOE's Better Buildings (residential) program provided over \$500 million of competitive grants to over 40 state and local governments to implement community-scale retrofit programs focused primarily on residential buildings including innovative financing programs (see <http://www1.eere.energy.gov/buildings/betterbuildings/>).**
- **DOE is working with HUD on the PowerSaver pilot program to provide additional finance tools for home energy improvements (see <http://www.hud.gov/offices/hsg/sfh/title/presentation.pdf>).**

Next Steps: HUD will make selections to pilot lenders in Spring 2011

Financing: legislative proposal

- DOE is requesting authorization and funding for a Better Buildings Pilot Loan Guarantee Initiative to provide loan guarantees focused on retrofitting universities, schools, and hospitals, as well as other commercial buildings.
 - The \$100 million request provides credit support up to \$2 billion in loan principal.
 - The program is intended to provide funds for cost-effective technologies and measures, and help to catalyze the emerging industry for commercial building retrofits.
 - Once authorized, DOE would design program regulations outlining terms and conditions for issuing loan guarantees.
 - For more information, see <http://www.mbe.doe.gov/budget/12budget/Content/Volume2.pdf>.
- SBA 7A & CDC/504 existing loan programs allow proceeds to be utilized for energy efficiency improvement; SBA is working with select lenders to encourage the use of these products for energy efficiency improvements for small businesses
- Next steps: Legislative Process

Competitive grants: current programs

- The Better Buildings Residential program uses innovative deployment models for residential upgrades/retrofits, as well as, some small commercial buildings. This initiative received ~\$500 million in funding from the competitive EECSBG and SEP programs (<http://www1.eere.energy.gov/buildings/betterbuildings/>).
- DOE's Weatherization Innovation Pilot Program aims to accelerate innovations in whole-house weatherization for low-income families. These projects include new and nontraditional partners and weatherization service providers, leverage significant non-federal financial resources in addition to federal funds, and aim to improve the effectiveness through the use of new materials, technologies, behavior-change models, and processes (http://www1.eere.energy.gov/wip/weatherization_innovation.html).

Competitive grants: legislative proposal

- DOE is requesting authorization and funding for a “Race to the Green” program of competitive grants to state and local governments, modeled after the highly successful “Race to the Top” program of the Department of Education.
 - The program would be funded at \$100 million in FY2012.
 - DOE would award competitive grants to state and local governments who develop plans to attract increased private investment in commercial retrofits, by adopting suites of improved policies.
 - Potential policies include adopting modern building codes, benchmarking and disclosing building energy use, innovative financing – including financing for non-profits, improved utility regulatory policies, establishing public energy-savings targets, and implementing systematic auditing and retro-commissioning.
 - For more information, see (<http://www.mbe.doe.gov/budget/12budget/Content/Volume3.pdf>).
- Next steps: Legislative Process
For more information on Race to the Top, see <http://www2.ed.gov/programs/racetothetop/index.html> .

Partnerships: current programs

- Energy Star is a public-private partnership to promote consumer recognition of highly efficient products and provide public recognition of highly efficient buildings. Over 13,000 commercial buildings have earned Energy Star (<http://www.energystar.gov/>).
- DOE's Commercial Building Energy Alliances provide a forum for key industry partners to share best practices and leverage the use of technologies emerging from the National Laboratories (<http://www1.eere.energy.gov/buildings/alliances/>).
- DOE's Save Energy Now program partners with companies who agree to reduce their energy intensity by 25% in ten years (<http://www1.eere.energy.gov/industry/saveenergynow/>).
- Next steps: DOE is supporting foundational tools for ISO 50001 and Superior Energy Performance to foster a new culture of energy management.

Better Buildings Challenge

- The Better Buildings Challenge is a White House-convened, DOE-supported leadership initiative that is co-led by former President Bill Clinton and Jeff Immelt, chair of the President's Council on Jobs and Competitiveness.
- The Challenge will directly engage CEOs and University Presidents; recognize the organizations they lead for making actionable commitments to improve energy efficiency in their facilities; and support their efforts with technical assistance.
- The cumulative results of The Better Buildings Challenge will demonstrate how making America's buildings more energy efficient creates jobs and saves money through specific examples of leadership.
- Next steps: The Challenge will roll out specific commitments and events beginning in the Spring 2011

Workforce development: current programs

- DOE supports a portfolio of ARRA-funded grants to develop curricula and training for commercial building technicians, building operators, and energy commissioning agents/auditors.
- DOE is working with the General Services Administration (GSA) to implement the Federal Buildings Personnel Training Act of 2010 by identifying core competencies and designating relevant courses and credentials for the federal facilities workforce.
- DOE's Energy Innovation Hub for buildings supports workforce development by working with regional Workforce Investment Boards.
- DOE is working with the NIST Manufacturing Extension Partnership (MEP) to pilot an extension service for commercial buildings, providing regionally based training and building re-commissioning services.
- Next steps: Extension service pilot launched Spring 2011; public and commercial building workforce competencies in development.

- **DOE plans to hold additional webinars to discuss specific components of the Better Buildings Initiative in more detail. Information on topics and dates will be provided to all participants of today's webinar.**
- **DOE is working with stakeholders in the private sector and NGO community – including non-profits – to develop actionable agendas in locations across the country in support of BBI**

Thank you