

Michigan Energy Efficiency Funding/Allocations in ACES

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The *American Clean Energy and Security Act of 2009* (ACES) provides multiple allowance allocations (Sec. 782) to support energy efficiency programs that save consumers money, create local jobs, and reduce cap and trade costs. Investing in energy efficiency programs is one of the best ways to keep cap and trade program costs low, and these critical investments should be increased.

This document describes estimated ACES funding for energy efficiency investments, based on Congressional Budget Office (CBO) allowance price projections for 2012-2019 and allocation percentages in the House bill.

Carbon Allowances Allocated to Energy Efficiency

State Energy and Environment Development (SEED) Funds – States receive annual allowance allocations to support efficiency (including building codes) and renewables as follows: 10% for 2012-2015; 7% for 2016-2017; and 6% for 2018-2019. Under Sections 131&132, allowances are distributed one-third equally among states, one-third based on population, and one-third based on energy use. States decide which efficiency and renewable programs to fund. Assuming one-half of SEED funds are invested in efficiency, over the 2012-2019 period, Michigan is projected to receive up to \$946 million for expanded energy efficiency investments.

Heating Oil, Propane, and Kerosene Efficiency – For the benefit of heating oil, propane and kerosene consumers, states receive annual allowance allocations as follows: 1.88% for 2012-2013; 1.67% for 2014-2015; and 1.5% for 2016-2019. Under Section 785, allowances are distributed among states based on carbon content (emissions) of fuel sold in state. At least one-half of the value of allowances must support cost-effective efficiency programs, with priority given to existing programs. Over the 2012-2019 period, Michigan is projected to receive at least \$203 million for oil, propane, and kerosene energy efficiency investments.

Natural Gas Efficiency – For the benefit of natural gas consumers, natural gas local distribution companies (LDCs) annually receive 9% of allowances from 2016-2019. At least one-third of the value of allowances must support cost-effective efficiency programs. Over the 2012-2019 period, Michigan is projected to receive at least \$671 million for natural gas energy efficiency investments.

Electric Efficiency – For the benefit of electricity consumers, electric LDCs receive annual allocations as follows: 38.75% for 2012-2013; 33.89% for 2013-2014; and 35% for 2015-2019. Beyond supporting “consumer benefit,” no specific requirements exist for use of these allowances. However, electric efficiency programs arguably provide the greatest consumer benefit by reducing consumers’ bills, lowering electric demand, and decreasing emissions, which lowers overall carbon prices and program costs. **If Senate legislation were to require that one-third of the electric LDCs’ allocation support efficiency,** over the 2012-2019 period, Michigan would be projected to receive at least \$3,090 million for energy efficiency investments.

Benefits

Energy efficiency investments typically save consumers about \$3 for every \$1 invested. These investments create new direct energy service jobs and lead to significant new economic activity as consumers invest their savings in other parts of the state economy. Total energy efficiency investments of \$4,910 million in Michigan over 2012-2019 could deliver direct energy savings of \$14,729 million and create an estimated 43,696 direct jobs in the efficiency sector (Doyle/Green Economy, 2009) including energy auditors, weatherization contractors, and efficient heating/cooling equipment installers. Substantially more jobs would be created among industry suppliers and servicers, and consumer spending of energy bill savings would drive job creation throughout the wider economy. Efficiency investments additionally benefit the country as a whole, as lower energy consumption reduces the need to burn fossil fuels. This reduces emissions and demand for emissions allowances, keeping carbon prices lower for everyone.