

# House & Senate Energy Efficiency Legislation

## Alliance to Save Energy Comparison—108th Congress

### May 23, 2003

#### EXECUTIVE SUMMARY

*The House and Senate Energy Bills represent a missed opportunity for energy efficiency. While they include important provisions such as tax incentives, appliance standards, and federal energy management, both bills are most notable for the issues not included—increased fuel economy standards and a “public benefits fund.”*

On April 11th, the House passed the production-oriented “Energy Policy Act of 2003” (H.R. 6) by a vote of 247 to 175. On May 6th, the Senate began floor debate on its version of the “Energy Policy Act of 2003” (S. 14), which was reported out of the Senate Energy and Natural Resources (Senate Energy) Committee on near party lines (13 to 10). The bi-partisan tax title of the bill that was reported by the Senate Finance Committee in April is expected to be joined with S. 14 on the floor. The Senate and House bills include provisions for equipment efficiency standards, federal energy management, and other efficiency measures based on provisions agreed to last year by the House-Senate Conference Committee. Despite being deeply disappointed with the 108th Congress’s energy legislation, the Alliance to Save Energy (ASE) will continue to press for aggressive efficiency tax credits, vehicle fuel economy improvements, new equipment standards, strengthened federal energy management, and other pro-efficiency provisions.

#### TAX INCENTIVES

The future of energy efficiency tax incentives has become less certain as the full House and the Senate Finance Committee passed packages with mixed results for energy efficiency. In the Senate, the tax credit for new highly efficient homes was diminished from last year’s bill, but

other provisions—including those for hybrid and fuel cell vehicles, appliances, commercial buildings, existing home upgrades, and smart meters—remain intact. Unfortunately, while the House offers tax incentives for highly efficient homes and upgrades of existing homes, other important efficiency incentives for hybrid vehicles, appliances, commercial buildings, and advanced meters were eliminated. The discrepancy in the House and Senate tax packages has much to do with the mushrooming federal deficit and the give-and-take world of Congressional politics.

### Tax Incentives

Item	Senate Finance Mark <sup>1</sup>	H.R. 6 As Passed by the House <sup>2</sup>	ASE Recommendation
<b>Efficient New Homes</b>	Provides builder credit of up to \$1,000 for the construction of new homes that reduce energy use by 30% better than 2000 International Energy Conservation Code (IECC), and \$2,000 for homes that save 50% relative to the code. Gives manufactured housing credit for reaching Energy Star designation. Builder can certify through 1) component-based measure where certification shall be provided by a third party, such as a local building regulatory authority, a utility, a manufactured home production inspection agency, or a home energy rating organization or 2) performance-based where certification shall be provided by an individual recognized by the secretary. Purchased During: Enactment until 12/31/05 (30%) or 12/31/07 (50%).	Sec. 41005 - Provides builder credit of up to \$2,000 for the construction of a new home that reduces energy use by 30% better than 2000 IECC. Building envelope improvement accounts for 1/3 of 30%. Envelope measures include insulation, windows, doors, and applicable metal roofs. Home can be checked by local utility, building regulated authority, IPA, an accredited housing rating system, or home rater using technical specification or computer software approved by organizations designated by secretary. Compliance is based on NASEO, or HERS Guidelines. Purchased During: 1/1/04 until 12/31/06.	Support a credit for both 0% and 50% levels at a minimum of \$1250 and \$2000 respectively. Start at enactment and end no earlier than 12/31/07. Meaningful certification should apply.
<b>Energy Efficiency Improvements to Existing Homes</b>	Provides homeowner credit up to \$3 00 for 10% of cost for installation of equipment consistent with 2000 IECC, or that use a combination of measures to achieve a 30% reduction in energy usage. Certified by component-based or performance-based method. Dates: Enactment until 1/1/07.	Sec. 41004 - Provides homeowner credit of up to \$2,000 for 20% of energy upgrade costs for installation of envelope components consistent with 2000 IECC. Dates: after 12/31/03.	Support House provision. Recommend modifications.

### Tax Incentives (Cont'd)

Item	Senate Finance Mark <sup>1</sup>	H.R. 6 As Passed by the House <sup>2</sup>	ASE Recommendation
<b>High-Efficiency Appliances</b>	Provides \$50, \$100, and \$150 credits for production of refrigerators and clothes washers that significantly exceed recently adopted standards.	No comparable House provision.	Support Senate provision.
<b>Hybrid Vehicles</b>	The amount of credit is the sum of a base credit amount with the power available from the rechargeable storage system and a fuel economy credit amount that varies with the rated fuel economy of the vehicle compared to a 2002 model year. <sup>3</sup> For passenger cars and light trucks, credit ranges up to \$1,000 based on power and an additional \$3,000 based on fuel economy.	No comparable House provision.	Support Senate provision.
<b>Fuel Cell Vehicles</b>	Similar to House provision. Provides \$4,000 per automobile, with possible increase of another \$4,000 based on fuel efficiency. Expires: 12/31/12.	Sec. 4101I - Provides \$4,000 (8,500 lbs) to \$40,000 (26,000 lbs) for fuel cell vehicles and increases according to % fuel economy. Greater than 2000 model year, \$1,000 (50 75%) to \$4,000 (at least 300%). Dates: after 12/31/03. <sup>4</sup>	Support Senate provision.
<b>Advanced Meters</b>	Provides accelerated, 3-year depreciation for time-of-use meters installed prior to 2008.	No comparable House provision.	Support Senate provision. Recommend including \$30 deduction per meter as in S. 597 as introduced.

<sup>1</sup>Available legislative language is limited because the Finance Committee Mark-up on April 2nd has not been finalized in legislative language. Please continue to check the ASE web page for updated versions. This analysis is based on the mark-up vehicle and our understanding of any changes during mark-up. The mark-up vehicle was based on S. 597 introduced by Senators Grassley, Baucus, Domenici, and Bingaman.

<sup>2</sup>The tax portion of H.R.6 passed the Ways and Means Committee as H.R. 1531.

<sup>3</sup>The Senate also provides for credits for alternative fuels and electric vehicles.

<sup>4</sup>While not providing for a hybrid vehicle credit, the House did provide for "lean bum" vehicles. The Alliance opposes this benefit to diesel at the expense of clean, available hybrid vehicle technologies.

**Tax Incentives (Cont'd)**

Item	Senate Finance Mark <sup>1</sup>	H.R. 6 As Passed by the House <sup>2</sup>	ASE Recommendation
<b>Efficient Commercial Buildings</b>	Provides deduction for energy efficient building property that reduces energy use 50% beyond ASHRAE 90.1-2001 of \$2.25 per square foot.	No comparable House provision.	Support Senate provision. Modifications recommended.
<b>Efficient Residential Equipment</b>	Provides maximum credits for energy efficient property: 30% of fuel cell expenditures; \$75 for heat pump water heater; \$250 for electric heat pump; \$250 for advanced natural gas furnace; \$250 for central air conditioner; \$75 for natural gas water heater; and \$250 for geothermal heat pump.	No comparable House provision.	Support Senate provision.
<b>Combined Heat &amp; Power Systems</b>	Same as House provision.	Sec. 41006 - Provides tax credit for systems of 50 kW or more that meets specified energy efficiency criteria. Depreciation limits application in industrial facilities. Dates: 12/31/03 until 1/1/07.	Support placing cap of 15 MW on systems and deleting floor and depreciating provision.
<b>Stationary Fuel Cells</b>	30% credit for purchase of stationary fuel cells with generation efficiency greater than 30 percent not exceeding \$1,000/kW. Termination date 12/31/07.	Sec. 41003 - Provides tax credit for stationary fuel cells greater than 30% generation efficiency that does not exceed \$ 1,000/kW. Effective Date: 12/31/03 until 12/31/06.	Support Senate provision.

**ELECTRICITY**

Both the House and Senate essentially missed the boat with regard to the potential of energy efficiency in the electric sector during the formation of their respective energy bills. Aggressive demand-side energy efficiency measures can alleviate the need for more than half of the 1300 power plants estimated by the Energy Information Administration to be needed by 2020 more quickly, cleanly, and cheaply than building new generation. For a variety of reasons, the Congress has been unwilling to seize the opportunity afforded by energy efficiency to lower electricity prices for consumers, increase the reliability of stretched transmission facilities, and reduce emissions of both criteria pollutants and greenhouse gases. This is a policy area that must be re-visited.

Item	S. 14 - As Passed Senate Energy Committee	H.R. 6 As Passed by the House	ASE Analysis
<b>Public Benefits Fund</b>	No Senate provision.	No House provision.	Without an aggressive national public benefits fund (a/k/a Systems Benefit Charge) or efficiency performance standard, this energy bill will have largely failed to pursue or achieve greater energy efficiency in the electric sector. Thus, the sector's contribution to air pollution, reliability, and ability of consumers to reduce their bills through greater efficiency remains unaddressed.

**TRANSPORTATION FUEL ECONOMY**

Despite high gasoline and natural gas prices and war in the Middle East, Congress is working on energy legislation without seriously considering improved vehicle fuel economy, the most effective way to cut oil imports and lessen price pressure on oil. By failing to deal with fuel economy, the Senate and House have failed American consumers and their pocketbooks, our environment, and national security. The ASE continues to support a significant increase in vehicle fuel economy and urges Congress to strike the current provisions in both bills.

Item	S. 14 - As Passed Senate Energy Committee	H.R. 6 As Passed by the House	ASE Analysis
<p><b>Fuel Economy</b></p>	<p>Sec. 711 - Establishes new criteria for the DOT to consider when deciding maximum feasible average fuel economy.</p>	<p>Sec. 18001 - Authorizes \$2 million in appropriations for FY2004-2006 to the National Highway Traffic Safety Administration (NHTSA) to implement and enforce fuel economy standards.</p> <p>Sec. 18002 - Directs the administrator of NHTSA to study the feasibility and effects of reducing the use of fuel for automobiles by 2012, and to report by one year from enactment. No reduction amount is specified except 'significant.' Items include fuel economy standards recommendations, fuel cell vehicle contribution to reduction, and impacts on auto industry, air quality, safety, and gasoline supply.</p>	<p>Support House provision over Senate provision. Both fail to address America's dwindling fuel economy.</p>

**Transportation Fuel Economy (Cont'd)**

Item	S. 14 - As Passed Senate Energy Committee	H.R. 6 As Passed by the House	ASE Analysis
<b>Dual Fuel Vehicle</b>	Sec. 712 - Extends the dual fuel vehicle program without change, allowing credits of up to 1.2 mpg through 2008, with further extension by DOT at a maximum of .9 mpg through 2012.	No comparable House provision.	The Senate bill's extension of the dual fuel vehicle program will further erode national fuel economy making it even more egregious than the House provisions.
<b>Clean School Buses</b>	No comparable Senate provision.	Sec. 23001-23004 - Directs the Secretary of Energy and the Administrator of EPA to establish a pilot program to award competitive grants for the demonstration and commercial application of alternative fuel (including fuel cell) and ultra-low sulfur diesel school buses.	Support House provision.
<b>Conserve by Bicycling Program</b>	No comparable Senate provision.	Sec. 15051 - Establishes and authorizes funds for a Conserve by Bicycling Program within the Department of Transportation (DOT) to investigate the energy savings and feasibility of encouraging biking rather than driving.	Support House provision.

**APPLIANCE AND EQUIPMENT STANDARDS**

The House-passed bill (H.R. 6) is identical to the provisions agreed to in last year's Conference Committee. The bill reported from in the Senate Energy Committee, however, has a few improvements over that agreement, including: a legislated standard for unit heaters, instead of a standard set by rule and a standard for CFLs. The appliance standards program has cut national electricity demand by 2.5 percent and saved consumers \$50 billion since its inception in 1987.

## Appliance and Equipment Standards

Item	S. 14 - As Passed Senate Energy Committee	H.R. 6 As Passed by the House	ASE Analysis
<p><b>Appliance Rebate Program</b></p>	<p><u>Sec. 613</u> - Authorizes DOE to allocate funding to supplement eligible state programs to replace old appliances with Energy Star appliances.</p>	<p><u>Sec. 11023</u>. -Same as Senate provision.</p>	<p>Support both provisions.</p>
<p><b>Energy Conservation Standards for Other Products</b></p>	<p><u>Sec. 621 (a)</u> - Adds definitions and test procedures.</p> <p><u>Sec. 621 (c)</u> - Directs rulemakings for: battery chargers and external power supplies in standby mode; standby power for additional products; ceiling fans, vending machines, and commercial refrigerators and freezers. Legislates standards for exit signs, torchiere lamps, certain transformers, traffic signal modules, unit heaters, and compact fluorescent lamps. Directs DOE to collaborate and develop voluntary programs to reduce standby power. Advances the state preemption date from the effective date of the federal standard to the date of federal final rule.</p> <p><u>Sec. 622</u> - Directs secretary to prescribe labels for new listed products; and directs FTC to consider changes to make labels more effective.</p>	<p><u>Sec. 11043 and 11044</u> - Same as Senate provision, but as needed for House standards.</p> <p><u>Sec. 11045</u> - Same as Senate, except it does not include legislated standards for unit heaters, which remains a rulemaking, or for CFLs. Does not advance preemption date.</p>	<p>Support both provisions.</p> <p>Support both provisions.</p>
<p><b>Energy Star</b></p>	<p><u>Sec. 623</u> - Authorizes Energy Star Program at EPA and DOE.</p>	<p><u>Sec. 11046</u> -Same as Senate provision.</p>	<p>Support both provisions.</p>
<p><b>Industry Voluntary Agreements</b></p>	<p>No comparable Senate provision.</p>	<p><u>Sec. 11041</u>. - Same as Senate provision.</p> <p><u>Sec. 11007</u> - DOE shall enter into voluntary agreements with industries to reduce the energy intensity of their activities with the goal of reducing energy intensity by 2.5% each year from 2002 to 2014.</p>	<p>Support both provisions.</p> <p>Support House provisions.</p>

**Appliance and Equipment Standards (Cont'd)**

Item	S. 14 - As Passed Senate Energy Committee	H.R. 6 As Passed by the House	ASE Analysis
<p><b>Consumer Education on Benefits of HVAC Maintenance</b></p>	<p><u>Sec. 624</u> - Directs DOE to establish a program to educate homeowners and small businesses of the benefits of HVAC maintenance, and directs the SBA to develop a program to assist small businesses in becoming energy efficient.</p>	<p><u>Sec. 11042</u> - Same as Senate provision.</p>	<p>Support both provisions.</p>

**FEDERAL ENERGY MANAGEMENT**

According to the Alliance to Save Energy's report *Leading by Example, Improving Energy Productivity in Federal Government Facilities*, federal agencies waste at least one billion tax dollars annually through inefficient energy use in buildings alone. Both the House and Senate ENR provisions are identical to those passed last year by the Conference Committee except for: modification of certain dates; the Senate has authorized a Pilot Program for the expansion of Energy Savings Performance Contracts (ESPCs); and there are minor differences in the modification to Utility Energy Savings Contracts (UESC).

Item	S. 14 - As Passed Senate Energy Committee	H.R. 6 As Passed by the House	ASE Analysis
<p><b>Agency Energy Reduction Goals</b></p>	<p><u>Sec. 601</u> - Changes the baseline for federal agency energy use from 1985 to 2000 &amp; sets 2%/yr. annual reduction goals in FY2004 through 2013. Requires DOE to recommend % reduction goals in FY 2012 for 2014 to 2021. Also includes a subsection tightening rules for exclusion from these targets.</p>	<p><u>Sec. 11004</u> - Same as the Senate, except that the baseline year is moved to 2001.</p>	<p>Support Senate provisions.</p>

### Federal Energy Management

<p><b>Measurement and Accountability (Metering)</b></p>	<p><u>Sec. 602</u> - By October 1, 2010 all federal buildings shall be metered and submetered consistent with DOE guidelines which shall be issued within 180 days. Within 6 months of establishments of guidelines, each agency shall submit an implementation plan to the Secretary of Energy.</p>	<p><u>Sec. 11003</u> - Same as Senate provision.</p>	<p>Support both provisions.</p>
<p><b>Federal Building Performance Standards</b></p>	<p><u>Sec. 603</u> - Directs the Secretary of Energy to revise energy performance standards within 1 year to 30% below consumption in ASHRAE 90.1 for commercial buildings, or 30% below IECC for new residential buildings. DOE determines if amendments to code should trigger update of requirements. Agencies shall include lists of new buildings and their compliance with standards in budget requests.</p>	<p><u>Sec. 11004</u> - Same as Senate provision.</p>	<p>Support both provisions.</p>
<p><b>Energy Savings Performance Contracts</b></p>	<p><u>Sec. 604</u> - Repeals the September 30, 2003 sunset on ESPC authority. Extends ESPC authority to replacement facilities and allows consideration of O&amp;M savings. Expands definition of 'energy savings' to include water and cogeneration savings. Directs a review of the ESPC program to identify obstacles that prevent Federal agencies from fully utilizing the program.</p> <p><u>Sec. 604 (f)</u> - Authorizes a \$ 100 million pilot program to expand ESPCs to non-building projects where two-thirds of federal energy use occurs.</p>	<p><u>Sec. 11006</u> - Same as Senate provision, but excludes the pilot program.</p>	<p>Support Senate provision.</p>
<p><b>Federal Procurement of Products</b></p>	<p><u>Sec. 605</u> - Requires procurement of Energy Star or FEMP designated products unless they are not cost effective based on life-cycle analysis or reasonable [use?]... Requires GSA and DLA to clearly and prominently display Energy Star and FEMP designated products (highest 25% efficiency of equivalent products).</p>	<p><u>Sec. 11005</u> - Same as Senate provision.</p>	<p>Support both provisions.</p>

**Federal Energy Management (Cont'd)**

Item	S. 14 - As Passed Senate Energy Committee	H.R. 6 As Passed by the House	ASE Analysis
<b>Federal Procurement of Products (cont'd)</b>	Secretary shall designate, within 120 days, specifications for electric motors of 1 to 500 horsepower, and after consultation with manufacturers and energy efficiency groups.		
<b>Utility Energy Service Contracts</b>	<u>Sec. 608, by amendment</u> - Adds a clause to NECPA describing the purpose of UESCs as: increasing energy efficiency, conserving water, and managing electrical demand.	<u>Sec. 11008</u> - Adds a paragraph to NECPA expanding the scope of utility programs that federal agencies are encouraged to participate in.	Support House provision.
<b>Congressional Buildings</b>	<u>Sec. 606</u> - Arch. of Capitol shall submit revised energy and management plan to Congress within 180 days. Plan requirements are set forth. Requires follow-on annual report. Authorizes \$2 million for updated master energy management plan for capitol buildings and development of more reliable utility service	<u>Sec. 11001</u> - Same as Senate provision.	Support both provisions.

*Alliance policy staff will continue to update this comparison. Please check back for changes.*

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