Energy Efficiency Works

Campaign for an Energy-Efficient America

THE FACTS ON ENERGY EFFICIENCY: SMARTER, CHEAPER, FASTER

Background on Efficiency

Energy efficiency is a resource for providing residential and commercial customers with the same conveniences and comfort they receive today, using less electricity and natural gas. Rather than building more power plants, energy efficiency measures focus on developing lighting, heating and cooling, computers and electric motors that use less electricity.

In order to meet new standards to reduce carbon emissions, we need to reduce our demand for power and natural gas. At a time when our demand is increasing due to new electronic uses such as computers and video games, we must not only develop wind and solar resources, we must also focus on reducing demand through efficiency.

Traditionally, electric utilities either run their own power plants to produce electricity or they buy power on the wholesale market from other utilities or independent power producers. The cost runs anywhere from 7¢ per Kwh to 12¢ per Kwh, while energy efficiency runs approximately 3-4¢ per Kwh. On the gas side, natural gas prices have escalated in recent years from 30¢ per therm to as high as $1.45, while efficiency programs cost much less.

Efficiency Programs

Energy efficiency programs involve utilities offering discounts and rebates in order to encourage residential and business customers to invest in reduction measures. For example, programs on the residential side include discounts for compact fluorescent light bulbs, home weatherization, and refrigerators, as well as air conditioning and furnace tune-up programs. Commercial programs include upgrades to lighting, heating and cooling systems, as well as assistance with energy-saving industrial equipment and process improvements.

Why We Need These Programs

Utilities recover their expenses and a return on their capital investment (the building of power plants). The more electricity utilities sell and the more they invest in new plants, the more profit they make. Hence, utilities have little incentive to reduce electricity consumption, and every incentive to sell as much as possible. We need standards that require savings. Currently, nineteen states have such programs, and many of these programs do not reach the proposed federal standards.

How a Federal Energy Efficiency Resource Standard (EERS) Would Work

Starting in 2011 utilities would have to reduce their customers' electricity usage by 0.33% ramping up to 2.5% per year in 2018. By 2020 this would produce a cumulative 15%

savings. On the natural gas side, where it is more difficult to produce savings, we would start at 0.25% in 2011 ramping up to 1.5% in 2020, producing cumulative savings of 10%.

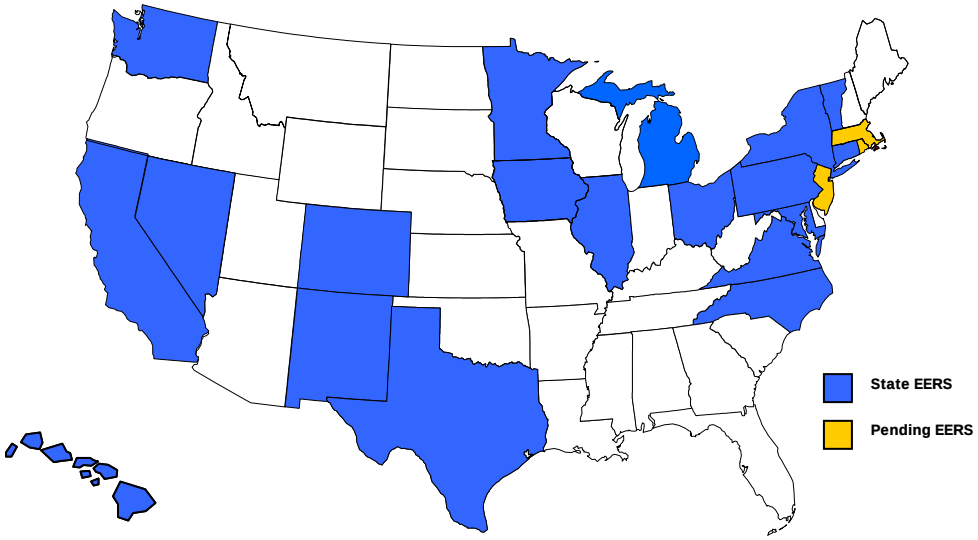
Each utility would be responsible for developing programs to meet the new standards. The Department of Energy would have ultimate responsibility for ensuring utilities meet the standards, but state commissions could apply to DOE to enforce the standards themselves. We anticipate most state commissions will do this.

Incremental Annual Savings

	Electric	Natural Gas
2012	0.67%	0.50%
2014	1.25%	1.00%
2016	1.50%	1.25%
2018	2.50%	1.25%
2020	2.50%	1.50%
Total in 2020	**15.00%**	**10.00%**

Where We Are Today

Nineteen states currently have efficiency standards. Federal standards set a floor and states are free to set their own standards that exceed the federal targets. Some states, such as Connecticut and Vermont already exceed the proposed standards and those programs will not be affected.



EERS Benefits

- 220,000 net jobs created
- Net savings of $169 billion for residential and business customers
- CO2 emissions reductions of 262 million metric tons (emissions from 48 million automobiles for one year)