Energy Efficiency Financing Overview

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ARRA

- The American Recovery and Reinvestment Act ("ARRA") provided funds to state and local governments for a variety of energy efficiency programs:
  - State Energy Program (SEP)($3.1 billion) – state energy offices
  - Energy Efficiency and Conservation Block Grant (EECBG)($3.2 billion) – local governments and state energy offices; including $450 million for competitive/Retrofit Ramp-Up
  - State Energy Efficiency Appliance Rebates Program ($300 million) – state energy offices
  - Weatherization Assistance Program ($5 billion) – state weatherization agencies.

Energy Efficiency Funding

- From the SEP and EECBG funds, between $900 million and $1.1 billion has been allocated to energy financing programs.
- The vast majority of these funds are for energy efficiency programs.
- Approximately, $150 million of this amount was originally allocated for PACE programs.

Energy Efficiency Funding, contd.

- State energy offices have been operating energy financing programs for decades. This is not new. Many programs began with oil overcharge refunds in the 1980s.
- Iowa initiated a school facilities program in 1986.
- Texas has had their “LoanSTAR” program for many years and they have now created the Building Efficiency and Retrofit Program.
- New programs include the Kentucky “Green Bank” for public buildings.
- Many states have issued bonds for energy efficiency programs.
- Go to the naseo.org website for other examples of state actions.
- Under ARRA, DOE must have funds under contract with the state and local governments by September 30, 2010.

Funding Allocation

- There is a great deal of pressure to spend the money quickly.
- States and local governments were thrown a curve ball with the decisions by Fannie, Freddie and various federal regulators that halted PACE efforts. From my perspective, it sure looks like this will be resolved in Congress or the Courts.
- States and local governments are making decisions on where to allocate funds right now. Approximately $2.5 billion of the $3.1 billion in SEP funds and over $1.5 billion of the $3.2 billion in EECBG funds are committed/obligated for specific purposes.

Why Are These Financing Program Decisions So Important?

- The ARRA funds must be “spent” by mid-2012. After that, many people expected funding for energy efficiency programs would come from sales of allowances under a climate bill’s “cap and trade” scheme – that no longer looks very likely.
- What funds will be used to help support energy efficiency programs without climate revenue? The answer is, financing programs.
- If states or local governments put money into a revolving loan program, ARRA requirements mean that the money must be loaned out for the first time by mid-2012, but the money can be continuously recycled for energy financing programs into the future.
- With $750 million - $1 billion in SEP and EECBG funds allocated for financing programs, this is the major source of revenue to supplement and leverage private investment, state public benefit funds and tax credits or deductions.

What types of financing programs are out there?

- Revolving Loans
- Loan Loss Reserves – leverages more money than revolving loans by serving as “reserve” for financial institutions for bad loans.
- On-Bill Financing – Provides funds through utilities for the initial investment in energy measures so consumers do not have to put the money up-front. The investment is paid back over time through monthly utility bills.
- Bonds – Qualified Energy Conservation Bonds, revenue or general obligation bonds can support energy efficiency financing.
- DOE is supporting an extensive technical assistance effort to help states and local governments implement their programs. Bret Kadison will be speaking on that later in this webinar.

Secondary Markets for Energy Efficiency Financing

- The Pennsylvania Treasurer, in conjunction with the Energy Programs Consortium, is developing a new program that could serve to stimulate the secondary market in energy efficiency financing. For more information contact: Mark Wolfe of the Energy Programs Consortium (202-237-5199) (mwolfe@energyprograms.org).

What Role Can You Play?

- Encourage Congress to support energy financing programs (including PACE) and discourage any reallocation of ARRA funds.
- Work with the Administration and DOE to encourage support for energy efficiency financing programs.
- Contact your state energy office and your local governments (over 2,300 local governments and Indian Tribes received EECBG funds) and find out how they are conducting energy efficiency financing programs.