

STATEMENT OF
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BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

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Mr. Chairman, Senator Domenici, and members of the Committee, thank you for the opportunity to appear today and offer comments on S. 1115, the Energy Efficiency Promotion Act of 2007. I will also present an overview of some of the larger efficiency efforts underway in the Office of Energy Efficiency and Renewable Energy (EERE).

COMMENTS ON S. 1115

The Administration has not had sufficient time to review or coordinate its interagency review of S. 1115, introduced just one week ago today, and therefore does not have a formal position on this legislation. There are many elements of the bill that appear consistent with the Administration's energy policy objectives, although a number of provisions raise practical, budgetary, or other concerns. S. 1115 contains language that appears to duplicate authorizations previously included in the Energy Policy Act of 2005 (EPACT). It also would authorize several new financial assistance programs. While such programs might help boost energy efficiency in certain sectors, their potential benefits are unlikely to be sufficient to justify their high budget cost. However, the bill as a whole represents an important contribution to the national discussion of how best to make our country more energy efficient.

Several of the efficiency standards proposed in this legislation are consistent with the Department's activities, and reflect consensus among efficiency advocates and manufacturers. The bill also provides some useful new authorities, such as the authorization for regional efficiency standards for space heating and cooling products,

that may provide opportunities for additional energy savings if the potential Federal and State burdens related to monitoring and enforcement can be resolved. On the issue of appliance standards, the Department is working aggressively to address the backlog of rulemakings, and to that end, the Secretary sent proposed language to Congress in February to help us expedite rulemakings where there is consensus on a standard. EERE looks forward to working with this Committee to have that language included in this legislation.

Title V of S. 1115 addresses the important issue of Federal energy management, and the Department supports the permanent authorization of Energy Savings Performance Contracts (ESPCs). ESPCs provide essential flexibility in leveraging limited Federal resources to achieve substantial efficiency gains. However, we believe there are some aspects of the technical language that require further review and discussion, and we look forward to continued discussion with you and your staff on these and other issues.

I would now like to provide an update to the Committee on some of EERE's progress in the efficiency component of our portfolio. Our goal is to transform the built environment in a manner that maximizes efficiency gains and delivers meaningful benefits to consumers. Under the leadership of Secretary Bodman and Assistant Secretary Karsner, we are revolutionizing our efficiency activities, placing increased attention on Federal leadership in energy savings.

FEDERAL ENERGY MANAGEMENT

As is commonly cited, the Federal Government is the single largest consumer of energy in the United States. Thus, as we look to putting our Federal house in order, the potential for making a substantial contribution to becoming a more efficient nation is real and considerable.

President Bush recognized the significance of this opportunity when in January of this year he issued Executive Order 13423 – Strengthening Federal Environmental, Energy, and Transportation Management. This Order targets both improving energy efficiency and reducing greenhouse gas emissions with a comprehensive approach for Federal facilities, alternative-fueled vehicles, product purchases, water consumption, and renewable power. Federal facility reduction goals are scheduled to increase by three percent each year through 2015, which, overall, is 10 percent more than what was mandated in EPACT 2005. The President’s Order mandates increased renewable energy consumption from new renewable sources and on-site renewable energy generation.

As required by the Executive Order, each Federal agency must designate a senior official to take responsibility for implementing its provisions, and EERE’s Assistant Secretary Alexander Karsner is that officer for the Department of Energy. We are taking the Executive Order as a challenge to transform the way that we at DOE contract and manage our energy use. And it is not as if DOE is starting at the top of the Federal heap. A recent study of energy intensity at 20 Federal departments and agencies looked at the

reduction in Btus per square foot in 2006, compared to 2003, and DOE ranked 12 out of 20. Our goal, however, is to be the first agency to meet all of the President's targets, and to exceed the requirements in key areas of reduced energy consumption and greenhouse gas emissions, building efficiency, clean energy production and use, and fleet management. Secretary Bodman believes that we must lead by example, and he is challenging the Department to accelerate our energy efficiency efforts.

A key vehicle for reducing our energy consumption is the ESPC. This performance-based contracting tool, together with the Utility Energy Services Contracts, is essential for project investment in the Federal sector. To strengthen these third-party financing and investment programs, we are working to transform the internal review process, simplify contracts, remove barriers and impediments that delay investments and service support, get more efficiency gains at an accelerated rate, and create replicable models across government.

EFFICIENCY STANDARDS

Turning to a different area of DOE responsibility, I would like to give you an update on the Department's energy conservation standards program, a key vehicle for national energy savings. Established Federal standards for appliances and other equipment have made a significant contribution to energy efficiency. Federal residential energy efficiency standards that have gone into effect since 1988, or will take effect by 2007, will save a cumulative total of 34 quadrillion Btus (quads) of energy by the year 2020,

and 54 quads by 2030. The estimated cumulative net present value of consumer benefits amounts to \$93 billion by 2020 and grows to \$125 billion by 2030.¹

However, as has been publicly stated, the Department has fallen behind in setting and updating required standards. This is a challenging area of great complexity, but the scale of potential energy savings for our Nation demands that we address it with renewed commitment. Since arriving at the Department of Energy last March, Assistant Secretary Karsner has made efficiency standards a top priority, as has Secretary Bodman, who has overseen significant progress during his tenure.

The Department is committed to eliminating the backlog of rulemakings and meeting all of its statutory requirements. On January 31, 2006, the Department submitted a report to Congress on its standards activities, but most importantly, with that report we submitted our action plan and schedule for rulemakings for the next five years. Since committing to this schedule for the standards program, the Department has met 100 percent of its targets. Including test procedure rulemakings and codification of prescribed standards, we have completed eight rulemakings since EPCA 2005 and made significant progress on others that were underway prior to EPCA 2005. In 2006, we began standards rulemakings for 12 products. These accomplishments represent a pace substantially more aggressive than at any prior time in our history. The final rules regarding energy conservation standards for electric distribution transformers and residential furnaces and boilers are on schedule and expected to be issued by September 30th of this year.

¹ Department of Energy, Report to Congress on Appliance Energy Efficiency Rulemakings, including Battery Chargers and External Power Supplies, January 31, 2006.

Success is coming through a variety of measures, from bundling similar products together to move them collectively through the rulemaking process, to organizing staff and contractors into seven technology teams to focus on similar areas and requesting increased budgetary support for the standards program.

Most recently, Secretary Bodman sent legislation to Congress requesting authorization that would significantly speed up the standards process and ultimately bring more efficient products to market sooner. This fast-track legislative proposal would streamline the rulemaking process and allow DOE to go to a Direct Final Rule for certain products when a clear consensus for a standard exists among manufacturers, efficiency advocates, the government, and other stakeholders. This process could shorten the time to a completed standard by nearly one-third. More than 30 products could be included if the legislation is enacted, from a variety of home appliances such as dishwashers to lighting, plumbing equipment, and industrial products like commercial refrigerators and freezers. We look forward to working with Congress on this proposal, along with other potential related legislative proposals.

The Office of Energy Efficiency and Renewable Energy manages a host of other programs devoted to the research, development, and deployment of energy efficient products and practices, from solid state lighting to plans for zero energy buildings. Redesigning the energy fabric of our Nation will take the combined and dedicated efforts of both the private and public sectors, at the State, local, and Federal levels. This Administration, the Department of Energy, and most specifically, our office, EERE, is

eager to join with Congress to find the most effective paths to a more secure energy future.

This concludes my prepared statement. I would be happy to answer any questions the Committee members may have.