

# Setting the Stage

An update on Federal legislation that could transform the energy efficiency industry

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We represent almost 10,000 members who work to deliver improved energy efficiency, health, safety, and environmental performance to people in their homes across the United States and Canada. For more information, please visit [www.Building-Performance.org](http://www.Building-Performance.org).



AnnDyl Policy Group is a Washington, DC-based policy strategy firm that focuses on energy efficiency, renewable energy, and climate change policy, programs, financing, and technology.

We represent clients from across the energy efficiency and clean energy industries, including technology and financial sector companies, energy trade associations, and non-profit organizations.

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# Agenda

- ▶ Big Picture
- ▶ Infrastructure Investment and Jobs Act (IIJA) Overview
- ▶ INSULATE Buildings Act - audits and financing
- ▶ Budget Reconciliation Drill Down – Residential Efficiency and Electrification Rebates
- ▶ Greenhouse Gas Reduction Fund (National Green Bank)
- ▶ Tax Credits and additional provisions
- ▶ FY22 Appropriations

# Big Picture

## ▶ **Infrastructure Investment and Jobs Act (IIJA) - Enacted**

- \$250 million INSULATE Buildings Act (audits and retrofits) + \$40 million Energy Auditor Training Grant Program
- \$3.5 billion WAP

## ▶ **Budget Reconciliation, Build Back Better Act (H.R. 5376)**

- \$3.5 trillion budget resolution trimmed into a HOUSE \$1.75 trillion budget reconciliation
- HOPE for HOMES dropped from \$9.5B to \$6.25B
- Passed House, pending in Senate (committees released draft text)

## ▶ **Appropriations**

- Federal Government funded through Feb. 18
- FY22 appropriations still underway, with FY23 appropriations up next

# IIJA Overview

Program	Appropriations	
	IIJA Funding Level	Timeline
Weatherization Assistance Program (WAP)	\$3.5B	FY22 until expended
State Energy Program (SEP)	\$500M	FY22-26
Energy Efficiency and Conservation Block Grant Program (EECBG)	\$550M	FY22 until expended
Low-Income Housing Energy Assistance Program (LIHEAP)	\$500M	FY22-26
Building Code Implementation within the Building Technologies Office (BTO)	\$225M	FY22-26
Workforce, Education & Training programs	\$60M	FY22-26 until expended
INSULATE Buildings EE Revolving Loan Fund Capitalization Grant Program	\$250M	FY22 until expended

# IIJA - INSULATE Buildings Act Overview

- ▶ **INSULATE Buildings Act** – Enacted in the Infrastructure Investment and Jobs Act (IIJA), November 15, 2021.
- ▶ Initially introduced by Sens. Joe Manchin (D-WV) and Lisa Murkowski (R-AK) in June 2021 before ultimate incorporation in the IIJA.
- ▶ Contains a **total of \$290 million in funding**:
  - **\$250 million** for an Energy Efficiency Revolving Loan Fund Capitalization Grant Program for FY2022.
  - **\$40 million** for an Energy Auditor Training Grant Program from FY2022-FY2026.
- ▶ Both the RLF Grant Program and Auditor Training implemented through the State Energy Program (SEP).
- ▶ States receiving grants must submit reports to DOE within 2 years.



# IIJA - INSULATE Buildings Act, EE Revolving Loan Fund Capitalization Grant Program

- ▶ **\$250 million for capitalization grants to states, which in turn** deposit funds into revolving loan funds for low-income homeowners and small businesses to procure energy audits, upgrades, and retrofits.
  - 40 percent of funding (**\$100 million**) is available to all U.S. states and territories for capitalization grants in accordance with the standard State Energy Program (SEP) formula.
  - 60 percent of funding (**\$150 million**) is limited to **priority states** as Supplemental Capitalization Grants as determined by DOE.
    - ❖ Priority states are defined as among the 15 states with the highest annual per-capita combined residential and commercial sector energy consumption and the highest annual per-capita energy-related carbon dioxide emissions.
  - Any remaining funding from SEP will be redistributed to States still seeking capitalization grants.

# IIJA – Energy Efficiency Conservation Block Grant (EECBG) Program Background

- ▶ National program first created under ARRA to provide grants to state, city, county, and tribal governments to implement energy efficiency and conservation projects and programs in the transportation, building, and other sectors.
  - Under DOE Weatherization & Intergovernmental Programs Office
- ▶ Funds fully expended under ARRA in 2013. "Broad Program Areas" included:
  - Energy Efficiency Retrofits (received 39% of funding)
  - Financial Incentive Programs (received 18% of funding)
  - Buildings and Facilities (received 9% of funding)



# IIJA – Energy Efficiency Conservation Block Grant (EECBG) Program

- ▶ Reauthorized and refunded under IIJA at **\$550 million until expended.**
- ▶ IIJA expands EECBG eligible Use of Funds to include:
  - Programs that allow rebates, grants, or other incentives for the purchase and installation of energy efficiency.
  - Financing for zero-emission transportation (and associated infrastructure).
  - Loan programs and performance contracting programs.

# BBB – Residential Efficiency and Electrification Rebates

- ▶ **HOPE for HOMES** is funded in both the House-passed BBB and the Senate-released Committee Draft at **\$6.25 billion through 2031**.
  - ▶ Note on reconciliation: full legislative text of the standalone HOPE for HOMES bill (S.1768/H.R.3456) cannot be included in the reconciliation package – much will be left to DOE in terms of implementation.
  - ▶ Partial performance/prescriptive approach from standalone version is NOT included in reconciliation version.
- ▶ Paired with a **\$6.25 billion High-Efficiency Electric Home Rebate Program** to provide homeowners rebates for electric systems/appliances.

# BBB – Home Owner Managing Energy Savings (HOMES) Rebates

- ▶ \$5.89 billion (House) / \$5.94 billion (Senate) in Home Owner Managing Energy Savings (HOMES) Rebates
  - Provides direct rebates of up to \$4,000 for insulation, HVAC, and heat pumps.
  - Rebates can reach up to \$8,000 for low- and moderate-income residents.
- ▶ In the House version, States may use no less than 25% of their funding in each bucket: single family, multi-family, moderate income. In Senate, this is open to state discretion.
- ▶ The Senate version also adds a “Prohibition of Combining Rebates” section which prohibits HOMES rebates to be combined with any other Federal grant or rebate—including the High-Efficiency Electric Home Rebate Program.

# BBB – Home On-line Performance-Based Energy Efficiency (HOPE)

- ▶ \$360 million (House) / \$312 million (Senate) in Home On-line Performance-Based Energy Efficiency (HOPE) Contractor Training Grants
- ▶ Grants to States through the State Energy Program provide online and in-person training to support home energy efficiency upgrade construction services, including contractor certification, auditing, insulation, and residential electrification conversion training.
- ▶ The Senate version removes references to what qualifies as a training program, including specifications on course time, course accreditation, and training subject matter.
- ▶ HOPE renamed as "State-Based Home Energy Efficiency Contractor Training Grants" under the draft Senate committee version.

# BBB – High-Efficiency Electric Home Rebate Program

- ▶ \$6.25 billion High-Efficiency Electric Home Rebate Program to provide homeowners rebates for electric systems/appliances.
- ▶ Rebates up to \$10,000/\$14,000 to replace non-electric energy systems with electric heat pump HVAC systems and water heaters, kitchen appliances, electric vehicle charging equipment, solar panels, electrical rewiring and accompanying measures including insulation, air sealing and ventilation.
- ▶ Senate version only allows rebates for LMI homeowners/residents; also includes a "prohibition of combining rebates" section to prevent double-dipping with HOMES.
- ▶ House: "The Secretary Shall Establish within the Department", Senate: DOE sets the rules for a "point of sale" approach. (\*Byrd Rule)

# BBB – Greenhouse Gas Reduction Fund (Green Bank)

- ▶ Appropriates \$30 billion to the Environmental Protection Agency (EPA) to administer a GHG Reduction Fund.
  - \$7 billion for competitive grants to nonprofit, state, and local financing institutions to enable low-income and disadvantaged communities to deploy zero-emission technologies.
  - \$3 billion for grants to States, municipalities, Tribal governments, and others to support installation of publicly-available zero-emission vehicle charging and fueling stations, including in low-income and disadvantaged communities.
  - \$11.97 billion for competitive grants for financial assistance for qualified projects.
  - \$8 billion to provide financial assistance to qualified projects in low-income and disadvantaged communities to reduce GHG emissions or other air pollution by leveraging private sector investment.



# BBB – Tax Credits

- ▶ The House has voted to **extend and expand the 25C credit for ten years, through 2031.**
  - Credit percentage increased from 10% to 30%.
  - Qualified Energy Property includes:
    - ❖ Electric Heat Pumps and Electric Heat Pump Water Heaters.
    - ❖ Central Air Conditioners.
    - ❖ Natural Gas, Propane, or Oil Water Heaters, Furnaces, or Hot Water Boilers.
    - ❖ Electric panels added as qualified energy property in Senate version.
- ▶ The House has voted to **extend and expand the 45L tax credit through 2031.**
  - \$2,500 credit for a Home that meets Energy Star Program Requirements.
  - \$5,000 for a Home that meets Zero Ready Home Certification.
  - \$500 or \$1,000 available for Energy Star Multifamily New Construction National Program Requirements.

# FY22 Appropriations – Annual Process

- ▶ FY22 Appropriations have **not yet passed** either the House or Senate.
- ▶ DOE Residential Buildings Integration (RBI)
  - Funding proposed at \$60M (House) and \$72M (Senate).
  - President Biden requested \$72M in his FY22 Budget.
- ▶ State Energy Program (SEP)
  - Funding proposed at \$70M (House) and \$70M (Senate).
  - President Biden requested \$62.5M in his FY22 Budget.
- ▶ Weatherization Assistance Program (WAP)
  - Funding proposed at \$375M (House) and \$375M (Senate).
  - President Biden requested \$390M in his FY22 Budget.
- ▶ These figures are all **in addition** to funding that passed through the Bipartisan Infrastructure Package in November.

# Thank you! Questions?

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# IIJA - INSULATE Buildings Act, EE Revolving Loan Fund Capitalization Grant Program, cont.

## ▶ Grants to States

- To receive capitalization grants, States must submit applications to DOE detailing how grants will be used, including a plan to establish a new revolving loan fund or use an existing one.

## ▶ Loans to Individuals and Businesses

- Once states receive capitalization grants and deposit the funds into revolving loan funds, they may distribute loans for:

### ❖ Commercial Energy Audits

- Audits must identify and recommend opportunities to reduce energy consumption including via lighting, HVAC, Windows, Appliances, and insulation and building envelopes.

### ❖ Residential Energy Audits

- Audits must provide a Home Energy Score, in addition to identifying energy reduction opportunities.

# IIJA - INSULATE Buildings Act, EE Revolving Loan Fund Capitalization Grant Program, cont.

## ▶ Contractor Referrals

- After audits are completed, States may refer loan recipients to a qualified contractor to estimate the costs of recommended energy retrofits.

## ▶ Commercial and Residential Upgrades and Retrofit Loans

- Low-Income Individuals and small businesses are only eligible for upgrades if they have completed energy audits, either funded by INSULATE, or not (but non-INSULATE-funded audits must still meet DOE requirements).
- Upgrade/Retrofit loans must be fully amortized by 15 years after installation, or when upgrades have exceeded their expected useful life--whichever is earlier.

# IIJA - INSULATE Buildings Act, EE Revolving Loan Fund Capitalization Grant Program, cont.

## ▶ Eligible Residential and Commercial Energy Upgrade/Retrofit Loan Recipients

- Low-income homeowners
- Small businesses with fewer than 500 employees
  - ❖ To be eligible, small businesses must conduct the majority of their businesses in the state where they apply for funding.
  - ❖ Small businesses must also own or operate at least one or more commercial buildings (or a commercial space within a mixed-use building).

## ▶ Grants and Technical Assistance

- States can also use **up to 25 percent of their grant funds** from DOE to provide grants or technical assistance to small businesses or individuals for commercial and residential energy audits, retrofits, and upgrades.



# IIJA - INSULATE Buildings Act, Auditor Training

- ▶ **\$40 million** to establish a competitive grant program for States to train individuals to receive certifications to conduct energy audits or surveys of commercial and residential buildings.
  - Covered certifications include:
    - ❖ ASHRAE Building Energy Assessment Professional certification;
    - ❖ Association of Energy Engineers Certified Energy Auditor certification;
    - ❖ BPI Home Energy Professional Energy Auditor certification;
    - ❖ RESNET Home Energy Auditor certification;
    - ❖ Any third-party certification that DOE determines is equivalent to the certifications listed above.
  - Grant limitations:
    - ❖ Grants cannot exceed \$2 million for any eligible state.
    - ❖ 10 percent of grant funds may also be used to pay the wages of trainees during the period of their training and certification.

# BBB – Additional Residential and Commercial EE Provisions

- ▶ The House-passed Budget Reconciliation and Senate Committee draft extend and expand **Section 179D Deduction for Energy Efficient Commercial Buildings for ten years, through 2031**
  - The total energy and power reduction percentage required for the deduction is reduced from 50% to 25%, which will incentivize additional participants using the deduction.
- ▶ **Codes**
  - **\$100 million** for grants to assist state and local governments to adopt residential building codes that meet or exceed the 2021 International Energy Conservation Code, and **\$200 million** for residential or commercial buildings that meet or exceed the 2021 IECC.
  - This is paired with **\$225 million** in the IJIA from FY22-26 to create a grant program within the Building Technologies Office (BTO) for implementation of updated building energy codes.