

May 1, 2019

The Honorable Nancy Pelosi
Speaker of the U.S. House
Washington, DC 20515

The Honorable Kevin McCarthy
U.S. House Republican Leader
Washington, DC 20515

The Honorable Mitch McConnell
U.S. Senate Majority Leader
Washington, DC 20510

The Honorable Chuck Schumer
U.S. Senate Democratic Leader
Washington, DC 20510

The Honorable Richard Neal
Chairman
U.S. House Committee on Ways and Means
Washington, DC 20515

The Honorable Kevin Brady
Ranking Republican Member
U.S. House Committee on Ways and Means
Washington, DC 20515

The Honorable Chuck Grassley
Chairman
U.S. Senate Finance Committee
Washington, DC 20510

The Honorable Ron Wyden
Ranking Democratic Member
U.S. Senate Finance Committee
Washington, DC 20510

Dear Speaker Pelosi, Republican Leader McCarthy, Majority Leader McConnell, Democratic Leader Schumer, Chairman Neal, Ranking Member Brady, Chairman Grassley and Ranking Member Wyden:

As companies and organizations representing millions of workers in energy efficiency, construction, manufacturing and other fields, we write to urge you to modernize and extend key tax incentives for energy efficiency that expired more than a year ago.

The expiration of three efficiency incentives on Dec. 31, 2017, left the U.S. tax code without any direct incentives for energy efficiency. This is a glaring and urgent omission in both climate policy and economic policy, and we urge you to address it as quickly as possible. We view this as a bipartisan opportunity that would accomplish a number of shared goals: Efficiency incentives have the potential to significantly reduce energy costs for consumers across the country, drive down carbon emissions, and stimulate job creation and economic activity.

Already, energy efficiency is by far the largest sector in the clean energy economy, supporting more than 2.3 million jobs across the country, the vast majority of which are in construction and manufacturing. Additionally, energy efficiency is widely viewed as the single most effective solution for addressing climate change.

Homes and buildings under construction or renovation today will likely be in use for 50 to 100 years, while energy intensive equipment such as air conditioners and furnaces will likely be used for a decade or more. As a result, by not incentivizing efficiency now in a sector that accounts for 40 percent of U.S. energy consumption, we are locking in unnecessary energy waste and

carbon emissions for decades to come while also weakening U.S. economic productivity and competitiveness.

Specifically, we ask that you incorporate the attached updates to the 25C incentive for homeowner efficiency improvements and 45L incentive for new home construction, and pass a forward-looking, multi-year extension that would provide the certainty needed for consumers, manufacturers, contractors and others to fully capitalize on the incentives. The expired incentives, as written, are outdated and no longer reflect the current market for high-efficiency equipment and building technologies. In some cases, such as for water heaters, the efficiency metrics referenced are obsolete.

These updates to the incentives, and the call for a multi-year extension, are endorsed by the undersigned companies and organizations. We also support a modernized, forward-looking, multi-year extension of the 179D incentive for commercial building efficiency improvements. We look forward to working with you on this important issue. If you have any questions, please contact Ben Evans at the Alliance to Save Energy at bevans@ase.org.

Sincerely,

A.O. Smith
Air-Conditioning, Heating & Refrigeration Institute
Alliance to Save Energy
American Council for an Energy-Efficient Economy (ACEEE)
American Institute of Architects
Andersen Windows & Doors
ASHRAE
Association of Energy Engineers
Carrier Corporation
Citizens for Responsible Energy Solutions (CRES)
Covestro LLC
Daikin US Corporation
Danfoss
DFW International Airport
DuPont
E4TheFuture
Energy Systems Group
Goodman Manufacturing
Hannon Armstrong
Hearth, Patio & Barbeque Association
Home Performance Coalition
Illuminating Engineering Society
Ingersoll Rand
Johnson Controls
Knauf Insulation
National Association of State Energy Officials

National Insulation Association
Natural Resources Defense Council
North American Insulation Manufacturers Association
Polyisocyanurate Insulation Manufacturers Association
Sheet Metal and Air Conditioning Contractors National Association
Signify
U.S. Green Building Council

cc: Members of the Senate Finance and House Ways and Means Committees

Energy Efficiency Tax Incentives Proposed Updates – Spring 2019

For questions about this proposal please contact Ben Evans at the Alliance to Save Energy at bevans@ase.org.

45L Energy Efficient Home Credit

- **Current:**
 - Maximum Credit: \$2,000 for new homes and manufactured homes achieving higher target; \$1,000 for manufactured homes achieving lower target.
 - Requirements: Higher target: Energy consumption 50 percent below home built to IECC 2006. Lower target: Manufactured homes achieving 30 percent energy savings for heating and cooling or meeting ENERGY STAR requirements.
- **Proposed:**
 - *Maximum credit: \$2,500 for new homes that meet the building envelope requirements of the 2015 IECC and are certified in compliance with 2015 IECC Section R406 to achieve the Energy Rating Index (ERI) outlined in Table R406.4 (Which vary by climate region from ERI 51 to ERI 55). Note: To prevent incentive double-dipping, the ERI score must be achieved through efficiency measures only, exclusive of any renewable energy credits. Alternative credit: \$1,000 for homes and manufactured homes that meet ENERGY STAR requirements.*

25C Nonbusiness Energy Property Credit for Existing Homes

- **Current:**
 - Maximum Credit: 10 percent up to maximum of \$500 (lifetime cap), with individual product category caps in some cases.
- **Proposed:**
 - *Maximum Credit: 15 percent up to maximum of \$1,200 (lifetime cap, reset upon enactment), with individual product category caps eliminated or raised in many cases. This allows a homeowner to do multiple projects. For example, homeowner could take \$600 credit for new HVAC AND take \$600 credit for envelope improvements such as insulation. Applicable expenses include labor costs. Where applicable, qualified equipment must be installed according to*

ACCA QI standards in effect at the time of enactment. If any referenced standard in this package is terminated, the Secretary of the Treasury, in consultation with the Secretary of Energy, shall replace it with a similar standard.

- Requirements:
 - Building Envelope:
 - Roof or roof products - ENERGY STAR.
 - ***Proposed: Eliminate category as EPA is ending ENERGY STAR roof category.***
 - Exterior window, skylight or door - ENERGY STAR 6.0. (Credit for windows/skylights capped at \$200 and doors at \$500.)
 - ***Proposed: Cap of \$200 for ENERGY STAR windows or \$600 for ENERGY STAR Most Efficient windows; and \$500 for ENERGY STAR doors, with limit of \$250 per door.***
 - Prescriptive criteria IECC 2009 for everything else.
 - ***Proposed: IECC 2015. Product category cap raised to \$600.***
 - Qualified Energy Property:
 - Central air conditioner: Highest efficiency tier from CEE in effect 1.1.2009. Product category cap of \$300.
 - ***Proposed: Highest CEE Tier in effect at date of enactment. (Currently SEER 18/EER 13 for Split Central AC and Split Air Source Heat Pumps; SEER 16/EER 12 for Packaged Central AC and Packaged Air Source Heat Pumps). Product category cap increased to \$600.***
 - Furnace or boiler (natural gas, propane or oil): Annual fuel utilization efficiency rate of 95 or higher. Product category cap of \$150. Additionally, advanced main air circulating fans using no more than 2 percent of a furnace's total energy qualifies for a \$50 credit.
 - ***Proposed: AFUE equal to or greater than 97 percent for furnaces and 95 percent for boilers. Product category cap raised to \$300 for furnaces and \$600 for boilers. Additional \$300 furnace incentive available if converting from an existing non-condensing furnace to a condensing furnace. Fans provision removed.***
 - Electric heat pumps: Energy factor of at least 2.0 for DOE test procedure or highest efficiency tier from CEE in effect 1.1.2009. Product category cap of \$300.
 - ***Proposed: Highest CEE Tier in effect at date of enactment. (Currently SEER 18/EER 13 and HSPF 10.0 for Split Air Source Heat Pumps; SEER 16/EER 12 and HSPF 8.2 for Packaged Air Source Heat Pumps). Product category cap increased to \$600.***

- Water heater: Natural gas, propane or oil - Energy factor of at least 0.82 or thermal efficiency of at least 90 percent. (Electric heat pump water heaters with energy factor of at least 2.0 qualify). Product category cap of \$300.
 - ***Proposed: Gas, propane or oil storage heaters – medium draw UEF equal to or greater than UEF 0.78; high draw UEF equal to or greater than 0.80. Gas, propane or oil tankless heaters UEF greater than or equal to 0.87 or TE greater than or equal to 0.90. Electric heat pump water heaters – UEF equal to or greater than 2.7 through 2020 and UEF equal to or greater than 2.8 beyond 2020. Product category cap raised to \$400, with an additional \$200 to mitigate installation expenses if switching to heat pump.***
- Biomass stove - Thermal efficiency of at least 75 percent. Product category cap of \$300.
 - ***Proposed: Thermal efficiency of at least 73 percent higher heating value through 2020 – and 75 percent higher heating value after 2020 – as reported by the EPA on the "List of EPA Certified Wood Stoves" or "List of EPA Certified Hydronic Heaters" or "List of EPA Certified Forced-Air Furnaces." Product category incentive cap raised to \$400.***