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Chapter 4. Energy Efficiency Policies

Saving energy through energy efficiency improvements can cost less than generating, transmitting, and distributing energy from power plants, and it provides multiple economic and environmental benefits. States have adopted many policies that support cost-effective energy efficiency programs by removing key market, regulatory, and institutional barriers that hinder investment in cost-effective energy efficiency. This chapter presents in-depth descriptions of five policies that states have used to support greater investment in and adoption of energy efficiency.

These policies, summarized in Table 4.1, were selected from among a larger universe of energy efficiency strategies because of their proven effectiveness and successful implementation by states. Each policy description is based on the experiences and best practices of states, as well as the following sources: local, regional, and federal agencies and organizations; research foundations and nonprofit organizations; universities; and utilities.

Table 4.1 also lists examples of states that have implemented programs for each policy and where to find more in-depth information on the policy in the *Guide to Action*.

States are also adopting complementary policies to fund and incentivize investment in energy efficiency and allow energy efficiency to be fully integrated into the delivery of and planning for electricity service. These policies are addressed in the following chapters of the *Guide to Action*:

- *Funding and Financial Incentive Policies* describes additional ways states provide funding for energy efficiency through loans, tax incentives, and other mechanisms (see Chapter 3).
- *Policy Considerations for Combined Heat and Power* highlights policy options that help states capture the environmental, energy, economic, and reliability benefits of combined heat and power technologies (see Chapter 6).
- *Electric Utility Policies* presents a number of policies that encourage electric utilities to invest in and encourage greater use of energy efficiency throughout all aspects of their business, including resource planning, ratemaking, offering service to customers, and modernizing electricity delivery (see Chapter 7).

State Policy Options in the *Guide to Action*

Type of Policy	For More Information
Funding	
Funding and Financial Incentive Policies	Chapter 3
Energy Efficiency Policies	
Energy Efficiency Resource Standards	Section 4.1
Energy Efficiency Programs	Section 4.2
Building Codes for Energy Efficiency	Section 4.3
State Appliance Efficiency Standards	Section 4.4
Lead by Example	Section 4.5
Renewable Portfolio Standards	
Renewable Portfolio Standards	Chapter 5
Combined Heat and Power	
Policy Considerations for Combined Heat and Power	Chapter 6
Electric Utility Policies	
Electricity Resource Planning and Procurement	Section 7.1
Policies That Sustain Utility Financial Health	Section 7.2
Interconnection and Net Metering Standards	Section 7.3
Customer Rates and Data Access	Section 7.4
Maximizing Grid Investments to Achieve Energy Efficiency and Improve Renewable Energy Integration	Section 7.5

US EPA ARCHIVE DOCUMENT

Table 4.1: Energy Efficiency Policies and Programs

Policy	Description	State Examples	For More Information
Energy Efficiency Resource Standards (EERSs)	Similar to renewable portfolio standards (see Chapter 5), EERSs direct energy providers to meet a specific portion of their electricity demand through energy efficiency. A total of 27 states have some type of energy efficiency requirement or goal.	AR, AZ, CA, IL, VT	Section 4.1
Energy Efficiency Programs	Energy efficiency programs target a portfolio of related activities, such as energy efficiency investments and reduction of demand during peak periods, to reduce energy costs and meet power system capacity needs and energy savings goals. States rely on a combination of funding sources and authorities to administer and oversee such programs. Most energy efficiency programs are funded by ratepayers through a small charge on every customer's electricity bill. Forty-eight states and Washington, D.C., offer energy efficiency programs.	MA, MO, MS, VT	Section 4.2
Building Codes for Energy Efficiency	Building energy codes establish minimum energy efficiency requirements for new building construction and existing building major renovations. These codes can reduce building life-cycle costs and peak energy demand, as well as greenhouse gas emissions and other air pollutants. More than 40 states have implemented some level of building codes for residential buildings and/or commercial buildings.	AZ, CA, IL, MA, TX	Section 4.3
State Appliance Efficiency Standards	State appliance efficiency standards set minimum energy efficiency standards for appliances and other energy-consuming products. A total of 12 states have adopted appliance standards.	CA, CT, OR	Section 4.4
Lead by Example	Lead by example initiatives advance the use of clean energy within state and local government facilities, fleets, and operations. These programs can help governments achieve energy cost savings while promoting the adoption of energy-efficient technologies. States can adopt specific goals, establish energy efficiency specifications for products, or purchase and use renewable energy.	CA, NH, TX	Section 4.5