NRDC Legislative Facts

Extension of the tax credits for energy-efficient commercial buildings, homes, and appliances will save Americans money and reduce global warming pollution

The cheapest, cleanest, and quickest response to global warming and high natural gas prices is to target energy efficiency. Studies have shown that energy efficiency is the most cost-effective way to reduce global warming pollution. Increasing energy efficiency also decreases natural gas consumption, helping to lower prices while also reducing pollution and saving consumers and businesses money on their energy bills. The Energy Policy Act of 2005 (EPAct 2005) established tax incentives for energy-efficiency technologies. Congress extended these incentives in the Emergency Economic Stabilization Act of 2008 (H.R. 1424) enacted in early October.

The incentives had either expired or were set to expire at the end of 2008. Congress extended the tax incentives for efficient residential appliances and new homes through 2009 and the commercial buildings tax deduction through 2013. The five-year extension of the commercial buildings credit is necessary, as these buildings take several years to design and construct, and buildings can now be designed to confidently achieve the aggressive energy savings levels needed to attain the incentives. This long-term approach will begin a market transformation that has the potential to dramatically reduce global warming pollution and cut our energy costs. A successful market transformation is a sequence of events resulting in essentially all products sold in the covered marketplace reaching the efficiency levels established by the incentives.

Successful market transformations in all the areas covered by the efficiency provisions would achieve:

- **Creation of new jobs.** The market transformation would create more than 370,000 new jobs in two different ways. First, workers are needed to install and certify the energy-efficiency measures. All of these jobs are created in existing communities—they cannot be outsourced overseas. Second, consumers and businesses save money on their utility bills, allowing them to spend more on other activities.
- **Global warming pollution reductions.** The market transformation would reduce annual carbon emissions by 48 million metric tons of carbon equivalent after 10 years, or 2.5 percent of total U.S. annual emissions.
- **Natural gas savings.** The market transformation would save 33 trillion cubic feet (tcf) of natural gas over 20 years and 270 tcf over 50 years. The annual savings in the 20th year alone would heat more than a quarter of U.S. homes for a year.
- **Decreased need for more power plants.** The total need for peak power would decrease nationally by the equivalent of more than 300 mid-sized power plants by 2018. Energy-efficiency measures such as federal tax incentives are essential to reducing the need for new power plants.
- **Consumers and businesses saving money.** Consumers and businesses would save more than $25 billion annually in utility bills by 2018. And the savings from decreased natural gas prices could add another $25 billion in annual savings.

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