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**Residential, Commercial & Industrial Technical Work Group  
Summary List of Pending Policy Options for Analysis**

	Policy Option	GHG Reductions (MMtCO <sub>2</sub> e)			Net Present Value 2007–2025 (Million \$)	Cost-Effectiveness (\$/tCO <sub>2</sub> e)	Status of Option
		2010	2025	Total 2007-2025			
RCI-1	Maximize Savings from the Utility Conservation Improvement Program (CIP)	<i>Not Yet Quantified</i>					Pending
RCI-2	Improved Uniform Statewide Building Codes	<i>Not Yet Quantified</i>					Pending
RCI-3	Green Building Guidelines and Standards Based on Architecture 2030	<i>Not Yet Quantified</i>					Pending
RCI-4	Incentives & Resources to Promote Combined Heat and Power (CHP)	<i>Not Yet Quantified</i>					Pending
RCI-5	Program to reduce emissions of non-fuel, high-global-warming-potential GHGs	<i>Not Yet Quantified</i>					Pending
RCI-6	Non-utility Strategies and Incentives to Encourage Energy Efficiency and Reduce GHG Emissions	<i>Not Yet Quantified</i>					Pending
RCI-7	Conservation Improvement-Type Program for Propane and Fuel Oil Efficiency	<i>Not Yet Quantified</i>					Pending
RCI-8	Energy Performance Disclosure	<i>Not Yet Quantified</i>					Pending
RCI-9	Promote Technology-Specific Applications to Reduce GHG Emissions	<i>Not Yet Quantified</i>					Pending
RCI-10	Support Strong Federal Appliance Standards and Require High State Standards in the Absence of Federal Standards	<i>Not Yet Quantified</i>					Pending

## RCI-1. Maximize Savings from the Utility Conservation Improvement Program (CIP)

### Policy Description

Senate File 145 establishes an energy policy goal for the State of Minnesota to achieve annual savings equal to 1.5 percent of annual retail energy sales of electricity and natural gas. At least 1 percent of these sales should come directly through energy conservation improvement programs and rate design. The additional ½ percent of savings can come indirectly through energy codes and appliance efficiency standards, programs designed to transform the market or change consumer behavior, energy savings resulting from efficiency improvements to the utility infrastructure and system, and other activities to promote energy efficiency and energy conservation. These savings are based on the average of the last 3 years of sales for the utility.

The RCI Technical Work Group (TWG) recommends that the Department of Commerce work closely with the affected utilities and other parties to develop strategies and programs to achieve the increased energy savings goals in the new law. Much work is needed to support this achievement. The TWG also recommends that the DOC recognize the savings over the utilities' triennial plan to allow for year to year variability in savings and that the utility incentives be redesigned to encourage utilities to meet these higher goals of annual savings equal to 1.5 percent of annual retail energy sales of electricity and natural gas, such as through a policy to separate utility sales from revenues ("decoupling") which will encourage utilities to further promote energy efficiency.

The TWG supports the efforts of the utilities in developing and implementing cost-effective CIP programs that reduce Minnesota's energy usage and help the utilities in meeting their CIP goals. The TWG encourages the utilities to develop a standardized portfolio of energy efficiency programs and program rebates that are designed to help overcome market barriers; to maximize convenience of program participants; and capture overall system efficiencies - not just equipment efficiencies. The TWG supports joint utility efforts that help to achieve market transformation; encourage collaborative market and product research, and the development of a standardized method for program evaluation and analysis. The TWG seeks utility sponsored CIP program opportunities that complement government and non-utility efficiency programs; and work to remove any disincentives or regulatory barriers that inhibit energy efficiency.

### Policy Design

#### Goals:

**Timing:** The Department of Commerce program will begin June 1, 2008 with the exception of Xcel.

When must goals be achieved? The Department of Commerce will report back to the Legislature on CIP goals by 2010.

**Parties Involved:** Who is covered by the program? Residential, Commercial and industrial sector

#### Other:

### **Implementation Mechanisms**

How should the program be implemented?

### **Related Policies/Programs in Place**

Minnesota natural gas and electric utilities existing CIP programs.

### **Types(s) of GHG Reductions**

Reductions from avoided fossil-fuel electricity generation and natural gas consumption **as a result of energy conservation programs**

### **Estimated GHG Reductions and Net Costs or Cost Savings**

TBD – [CCS should provide a worksheet and other reference material as needed for transparency]

- **Data Sources:** [TBD by CCS on TWG approval]
- **Quantification Methods:** [e.g. Full life-cycle analysis with supply/demand equilibrium adjustments on TWG approval]
- **Key Assumptions:** [TBD, as needed on TWG approval]

### **Key Uncertainties**

TBD – [as needed and approved by the TWGs]

### **Additional Benefits and Costs**

TBD – [as needed and approved by the TWGs]

### **Feasibility Issues**

TBD – [as needed and approved by the TWGs]

### **Status of Group Approval**

Pending – [until MCCAG moves to final agreement at meeting #5 or #6]

### **Level of Group Support**

TBD – [blank until MCCAG meeting #5]

### **Barriers to Consensus**

TBD – [blank until final vote by the MCCAG]

## RCI-2. Improved Uniform Statewide Building Codes

### Policy Description

Building energy codes specify minimum energy efficiency requirements for new buildings or for existing buildings undergoing a renovation. Given the long lifetime of most buildings, amending state building codes to include minimum energy efficiency requirements and periodically updating energy efficiency codes will provide long-term GHG emission reductions.

The Minnesota Department of Labor and Industry (DOLI) has the responsibility of promulgating the building code in Minnesota. Where possible, the Department has approved the International Code Council's (ICC) "I" family of codes. In July of 2007, the 2006 International Residential Code (IRC) and the 2006 International Building Code (IBC) were both adopted with Minnesota specific amendments to address the Minnesota climate and building practices. Both were also adopted without their respective energy code chapters, as DOLI had been working for some time to amend Minnesota's existing energy code. DOLI decided some time ago that the 2006 IRC Chapter 11 (energy code chapter) would be adopted with Minnesota amendments.

Chapter 11 of the 2006 IRC is greatly simplified compared to past codes, and is expected to be widely accepted because of a US Department of Energy's initiated amendment. That amendment allows builders to comply using a simple "cookbook" compliance method, without needing to perform computer calculations of window, wall and other building component areas.

As a result of the high-energy efficiency requirements required by code since 2000, Minnesota leads the nation in producing energy efficient one- and two-family homes. The new residential code will not significantly increase the efficiency of one- and two-family residential buildings. However the applicability of the new code will be broadened to include townhouses, and by doing so will increase the energy efficiency of those structures.

The new Minnesota Commercial Energy code is based on ASHRAE 91.1-2004 standard, with important state amendments. The percentage increase energy efficiency is unknown at this time, but will be substantial, if stakeholders understand its importance and install components correctly so that efficiencies are realized.

A policy to implement and enforce the commercial and residential energy codes statewide should be addressed legislatively. Here are some facts about the current energy code requirements:

- Approximately 85% of Minnesota's population lives in an area where the building code (including the energy code) has been adopted and enforced.
- 39 of 87 Minnesota counties have adopted the State Building Code.
- In accordance with state law, virtually all cities with population 2,500 and above are enforcing the State Building Code, even if they are located in a county which is not enforcing the code.

- If a municipality or county chooses to enforce a building/energy code it must be the Minnesota State Building Code. A municipality may not adopt a code that is more or less stringent than the Minnesota State Building Code.
- A statewide building code requirement would affect 48 sparsely populated counties, outside of any cities in those with population 2,500 and above, that have not adopted the Minnesota State Building Code.
- While the code is not enforced statewide, homebuilders who are licensed by the state are required to the build code-compliant homes regardless of location.

Additional measures to support the requirement that the building code be implemented statewide would include:

- Consumer and realtor education about the importance of energy efficiency
- Improved enforcement of existing energy and mechanical codes
- Training for code officials on energy code compliance and its importance
- Training for builders, remodelers, and mechanical contractors on energy code compliance
- Development of a clearinghouse for information on how to provide access to software tools to calculate the impact of energy efficiency and solar technologies on building energy performance

## Policy Design

### Goals:

### Timing:

When should the building codes be revised? What goals are to be? Achieved?

Recognizing that the State of MN will be implementing a new commercial and residential energy code in 2008 , other strategies that should be considered include:

- 1) Implementing the energy code statewide in 2009 for all non-agriculture buildings. (Currently, agricultural buildings are exempt for building and energy code compliance)
- 2) Updating energy codes every three years that are at least as efficient as the most recently adopted version of ICC's energy codes.
  - a. Three-year cycles will allow Minnesota construction and renovation to keep consistent most recent ICC national code cycles and keep the construction industry updated with new materials and methods that increase energy efficiency. The three-year cycle will also allow policy makers to address unintended consequences to durability or structural integrity caused by well-intentioned code changes.
- 3) Mandating education on each new energy code cycle for:
  - a. Residential contractors seeking a Minnesota license;
  - b. Residential contractors renewing a Minnesota license;

- c. all building code officials who perform energy efficiency or mechanical inspections;
  - d. and for all architects registered in the State of Minnesota who approve building designs or renovations that affect energy use.
- 4) Requiring all mechanical contractors in Minnesota to be licensed and require at least 1.0 hours of continuing education on energy and mechanical code requirements during every new code cycle.
  - 5) Developing an educational program for the public and realtors through Department of Commerce's Energy Information Office explaining Home Energy Rating System (HERS) scores for different types of housing.
    - a. Require all realtors to complete at least 1.0 hours of continuing education about HERS ratings in existing and new residential homes by 2011.

**Parties Involved:** What buildings or projects are covered by the codes?

Current Energy Code Rules under the Building Code were adopted on April 15, 2000 for one- and two-family residential buildings and July 20, 1999 for commercial and residential buildings other than one- and two-family. The Department of Labor and Industry predicts that the new energy codes will go into effect in late 2007, or if there is a public hearing, by mid-2008: MN Rules Chapter 7670 and MN Rules Chapter 7672 cover new construction and remodeling of single-family and two family homes. Builders can choose from one or the other, which has led to a lot of confusion for compliance and enforcement.

- This code will be replaced by the new Residential Energy Code, MN Rules Chapter 1322.

MN Rules Chapter 7674 covers multi-family new construction and remodeling buildings that are 3 stories or less.

- Townhome units with separate entryways that do not share common spaces (hallways, laundry rooms, foyers, etc) will be covered under the new Residential Energy Code, MN Rules Chapter 1322.
- Multi-family buildings that do not meet the townhome requirements for Chapter 1322, will be covered under the new Commercial Energy Code, Chapter 1323.

MN Rules Chapter 7676 covers all buildings except low rise residential.

- All commercial buildings that do not meet the townhome requirements for Chapter 1322, will be covered under the new Commercial Energy Code, Chapter 1323.

MN Rules Chapter 7678 covers requirements for insulation manufacturer's to register uniform testing of energy efficiency and equipment manufacturer to register equipment efficiencies with the Minnesota Department of Commerce. Chapter 7678 will be repealed, as all of these requirements will be embodied in standards to be adopted by reference in Chapter 1322 or 1323.

Agricultural buildings as defined in Minnesota Statutes, section 16B.60, and subdivision 5 are exempt from the Minnesota State Building Code.

**Implementation Mechanisms**

How should the code revisions be implemented?

Mandating the code statewide requires a statute revision by the Minnesota Legislature. The Department of Labor and Industry has developed a *Minnesota State Building Code Adoption Guide* for local jurisdictions see:

[http://www.doli.state.mn.us/pdf/bc\\_pr\\_code\\_adoption\\_guide\\_1\\_06update.pdf](http://www.doli.state.mn.us/pdf/bc_pr_code_adoption_guide_1_06update.pdf)

Code revisions should be implemented by the Department of Labor and Industry using the rule making process, which allows for public input.

### Related Policies/Programs in Place

Minnesota Rules Chapters 7670, 7672, 7674, 7676, and 7678. See

<http://www.mncodes.org/energy.htm>

Types(s) of GHG Reductions

Reductions from avoided fossil-fuel combustion for electricity and space heating.

### Estimated GHG Reductions and Net Costs or Cost Savings

TBD – [CCS should provide a worksheet and other reference material as needed for transparency]

#### • Data Sources:

- Number of homes by type – MN State Demography Center
- Number of new residential construction permits pulled by year (85% of MN population) – <http://www.census.gov/const/C40/Table2/tb2u2006.txt>
- Number of non-residential construction permits??
- Information gathered from IRS/DOE/BAM/Utilities on Minnesota builders who have taken advantage of the federal tax credit program
- Contact counties that have not adopted the state building code for reports of type and number of land use permits pulled for new construction (all sectors)
- Estimates of consumption for various types of buildings (Utility CIP programs for all sectors), sector specific research results from Minnesota Department of Commerce, Residential -- Builder Association of Minnesota's Energy Payback Incentive Program, Center for Energy & Environment and other Minnesota housing stock research on new and existing homes, ...
- Other sources for other sectors???

[TBD by CCS on TWG approval]

• **Quantification Methods:** [e.g. Full life-cycle analysis with supply/demand equilibrium adjustments on TWG approval]

• **Key Assumptions:** [TBD, as needed on TWG approval]

### Key Uncertainties

TBD – [as needed and approved by the TWGs]

### Additional Benefits and Costs

TBD – [as needed and approved by the TWGs]

**Feasibility Issues**

TBD – [as needed and approved by the TWGs]

**Status of Group Approval**

Pending – [until MCCAG moves to final agreement at meeting #5 or #6]

**Level of Group Support**

TBD – [blank until MCCAG meeting #5]

**Barriers to Consensus**

TBD – [blank until final vote by the MCCAG]

## RCI-3. Green Building Guidelines and Standards Based on Architecture 2030

### Policy Description

(NOTE: The professional training part of “RCI-11 Consumer Education and Professional Training Programs” has been incorporated into RCI-3 and the consumer education part is addressed elsewhere. RCI-11 no longer exists as a separate Policy Option.)

Promote, incentivize, or adopt green building guidelines and standards for the reduction of carbon emissions for all commercial and residential buildings consistent with *Architecture 2030* targets. Clearly communicate the fact that reducing energy use does not always proportionally reduce emissions. Consider developing disincentives to technologies that do not reduce emissions.

Require state and local government agencies including school districts to adopt required building guidelines and standards for the reduction of carbon emissions for all buildings consistent with *Architecture 2030* targets. New buildings must require the following reductions in carbon emissions:

2010	60% reduction
2015	70% reduction
2020	80% reduction
2025	90% reduction
2030	100% reduction

Specific energy targets for each building type are shown at:

[http://www.architecture2030.org/2030\\_challenge/2030\\_Challenge\\_Targets.pdf](http://www.architecture2030.org/2030_challenge/2030_Challenge_Targets.pdf)

These need to be converted into carbon emissions in a Minnesota context.

All guidelines and standards for major renovations of existing buildings must require reductions in carbon emissions consistent with the *Architecture 2030* target of 50% reduction. Provide a variance process when meeting criteria is not appropriate or financially unfeasible.

Track building energy performance and associated greenhouse gas emissions during ongoing building operations.

Provide education and training for all key decision makers and those involved in implementation of this policy. Emphasize education for design professionals such as architects, engineers, interior designers, planners and landscape architects. Also include education for: building owners, developers, contractors/builders, building operators/facility managers, financing, real estate and insurance communities.

### Policy Design

#### Goals:

**Timing:** When should the program begin? Program begins in voluntary form when law passes in June, 2008 and is in place with requirements and incentives on Jan. 1, 2010. When must goals be achieved? Goal is to have program in place by 2010.

**Parties Involved:** Who is covered by the program? Mandatory program is for all public building owners (state, county, city and school). Incentives and disincentives are for all private building

owners (Residential, Commercial and Industrial). Research organizations should support this effort.

### Implementation Mechanisms

How should the program be implemented?

- Pass legislation mandating that all state and local government agencies including school districts must meet *Architecture 2030* criteria for new and existing buildings. Provide funding mechanisms to assist state and local governments and school districts in meeting these criteria.
- Provide tax incentives, utility design assistance and incentive programs, financing incentives (such as “green mortgages”), or other inducements for construction of new and retrofit of existing residential and commercial buildings.
- Provide expedited code review for projects meeting certain energy and green building standards and benchmarks.
- Require designer (AE) to sign off on plans that the “best available energy technology” was used in completion of design, or explain why it wasn’t. Require building owner to sign off they have been informed of energy efficiency technologies by their design team, and accept the current design as meeting their requirements.
- Utilize performance contracting/shared savings arrangements as appropriate.
- Establish a database of ongoing building performance tracking in all sectors (building on existing database models).
- Establish a clearinghouse that provides information and assistance on green building guidelines and standards, the best available technologies for certain applications, a database of ongoing building performance tracking in all sectors, and access to design assistance and software tools to calculate the impacts of energy efficiency and renewable energy strategies buildings.
- Establish education programs for building professionals and other participants in implementing this policy.
- Mandate that State Boards of Licensing for building professionals cover knowledge of the improved building codes and building energy performance requirements reflected in various policy options in licensing exams.

### Related Policies/Programs in Place

- Guidelines that are either required or voluntary in Minnesota include: Minnesota Sustainable Building Guidelines (B3), LEED, Green Globes, NAHB Guidelines, GreenStar, Green Communities (MN Housing Process), and Energy Star.
- Existing federal and state tax credits. Need to inventory other current incentives in the state.
- Current legislative goal of 100 LEED or Green Globes and 1000 Energy Star Buildings in Minnesota.

- Existing continuing education mechanisms for professional education and development of new models as needed.

### **Types(s) of GHG Reductions**

Reductions from avoided fossil-fuel combustion for electricity and space heating.

### **Estimated GHG Reductions and Net Costs or Cost Savings**

TBD – [CCS should provide a worksheet and other reference material as needed for transparency]

- **Data Sources:** [TBD by CCS on TWG approval]
- **Quantification Methods:** [e.g. Full life-cycle analysis with supply/demand equilibrium adjustments on TWG approval]
- **Key Assumptions:** [TBD, as needed on TWG approval]

### **Key Uncertainties**

TBD – [as needed and approved by the TWGs]

### **Additional Benefits and Costs**

TBD – [as needed and approved by the TWGs]

### **Feasibility Issues**

TBD – [as needed and approved by the TWGs]

### **Status of Group Approval**

Pending – [until MCCAG moves to final agreement at meeting #5 or #6]

### **Level of Group Support**

TBD – [blank until MCCAG meeting #5]

### **Barriers to Consensus**

TBD – [blank until final vote by the MCCAG]

## RCI-4. Incentives & Resources to Promote Combined Heat and Power (CHP)

### Policy Description

Combined heat and power (CHP) systems reduce fossil fuel use and greenhouse gas emissions, both through the improved efficiency of the CHP systems, relative to separate heat and power technologies, and by avoiding transmission and distribution losses associated with moving power from central power stations that are located far away from where the electricity is used. This Policy Option should include the following:

- Promotion of the use of natural gas-fired CHP systems
- Promotion of the use of biomass-fired CHP systems
- Creation/expansion of markets for, and incentives designed to promote implementation of, CHP units in capacities suitable for residential, commercial, and industrial users.
- Provision of tax benefits, attractive financing arrangements, utility rebates and other incentives to promote CHP technologies.
- Removal of barriers to CHP development, such as utility rate structures (discounted electric rates that compete with CHP) and interconnection standards (should be designed to facilitate economical and efficient CHP connection to the grid).
- Full consideration of the economic and environmental benefits of CHP as a resource in each electric utility's Integrated Resource Plan.
- Needs to be integrated with MCCAG Energy Sector work.

Potential supporting measures for this option include training/certification of installers/contractors, net metering and other pricing arrangements, establishment of clear, and consistent interconnection standards, and creation/support of markets for biomass fuels.

### Policy Design

**Goals:**

**Timing:** 2008 Legislature

**Parties Involved:** Who is covered by the program?

**Other:**

### Implementation Mechanisms

How should the program be implemented?

### Related Policies/Programs in Place

None.

### **Types(s) of GHG Reductions**

Reductions from avoided emissions from more efficient delivery of heat and electricity to buildings on-site.

### **Estimated GHG Reductions and Net Costs or Cost Savings**

TBD – [CCS should provide a worksheet and other reference material as needed for transparency]

- **Data Sources:** [TBD by CCS on TWG approval]
- **Quantification Methods:** [e.g. Full life-cycle analysis with supply/demand equilibrium adjustments on TWG approval]
- **Key Assumptions:** [TBD, as needed on TWG approval]

### **Key Uncertainties**

TBD – [as needed and approved by the TWGs]

### **Additional Benefits and Costs**

TBD – [as needed and approved by the TWGs]

### **Feasibility Issues**

TBD – [as needed and approved by the TWGs]

### **Status of Group Approval**

Pending – [until MCCAG moves to final agreement at meeting #5 or #6]

### **Level of Group Support**

TBD – [blank until MCCAG meeting #5]

### **Barriers to Consensus**

TBD – [blank until final vote by the MCCAG]

## RCI 5. Program to reduce emissions of non-fuel, high-global-warming-potential GHGs:

### Policy Description

High Potential Greenhouse Gasses include the Hydroflorocarbons (HFC's) Perflororocarbons (PFC's), and Sulfur Hexafluoride (SF6) The HFCs and PFCs are classes of chemical species rather than individual species. The United States is a signatory to the International Convention on Climate Change and is required to report emissions of these gasses annually. The intent of this proposal is to address those gasses reported by EPA pursuant to that convention, excluding CO<sub>2</sub>, Methane, N<sub>2</sub>O and gasses controlled by the Montreal Protocol [http://www.ipcc-wg1.ucar.edu/wg1/Report/AR4WG1\\_Print\\_Ch02.pdf](http://www.ipcc-wg1.ucar.edu/wg1/Report/AR4WG1_Print_Ch02.pdf)

Some of the HPGHG's have a global warming effect up to 23,000 times the impact of CO<sub>2</sub>. For example, a pound of Sulfur hexafluoride is equal to the global warming impacts of 11 tons of CO<sub>2</sub>.

In many cases the cost of reducing these gases can be very low. Thus, an overall percentage reduction of GHG's (including CO<sub>2</sub>) will be more cost effective if this subject is effectively addressed at an early date.

The major sources include:

- Air conditioning (mobile)
- Refrigerants.
- Aerosols.
- Foam insulations
- Aluminum smelting
- Electric Power Systems
- Semi conductor manufacture.
- Solvents
- Fire extinguishers
- Aerosol products

In many cases alternative substances or methods are available. Also the maintenance and disposal of equipment or building materials, which contain these substances, can be a large source of emissions. EPA's website on this subject

<http://www.epa.gov/highgwp/projections.html>

states: "EPA is actively working to reduce emissions of high GWP gases given their potency and long atmospheric lifetimes. Through a set of voluntary partnerships, EPA and industry are making substantial progress in reducing emissions by developing and implementing cost-effective improvements to industrial processes "

For example EPA held a seminar to instruct utilities on proper methods of decommissioning equipment containing SF<sub>6</sub>. EPA has established voluntary partnerships in the electrical, aluminum, Semi conductor and magnesium industries. In addition, EPA has published list of

acceptable substitutes for ozone depleting substances, which are controlled by the Montreal Protocol. <http://www.epa.gov/ozone/snap/index.html>

EPA's web site also contains extensive information on the costs of control. <http://www.epa.gov/highgwp/projections.html>

See also, "Meeting Report of the Joint IPCC/TEAP on Options for the Limitation of Emissions of HFCs and PFCs". Petten, May 1999.

Slide 83 of the First Meeting of the MNCCAG demonstrates a dramatic growth in the emission of these substances, absent some remedial measures.

## Policy Design

### **1. Elimination of emissions of High Potential Global Warming Gasses (HPGHGs) at reasonable cost:**

The RCI TWG recommends that the Minnesota Pollution Control Agency undertake a rulemaking process to identify uses and emission sources of HPGWG's, and to eliminate the use of such gases where that can be done at a reasonable cost, which is defined at \$15 a ton or less.

1. The rulemaking process should include an initial scoping process to determine
  - a. which industries are the subject of an EPA voluntary partnership, or some other voluntary program, or EPA regulation resulting in reasonable measures to reduce emissions of HPGHG's. .
  - b. In those industries which are the subject of an EPA voluntary partnership, or some other program, which of the companies in Minnesota in those industries have taken reasonable measures to reduce their emissions of HPGHG's.
  - c. On the basis of the scoping process, MPCA should determine which industries should be exempted from the rulemaking process, because all reasonable reductions in emissions of HPGHG's that can be accomplished at reasonable costs are being accomplished voluntarily. Individual companies not participating in such industry programs would not be exempted, nor would industries or companies where reductions of emissions which are possible at reasonable costs are not being achieved.
  - d. To the extent that tradable credits result from the rulemaking process for reductions in emission, PCA should develop a mechanism to provide such credits for companies that have reduced such emissions voluntarily.

2. The rulemaking process of the MPCA would:
  - a. Require the elimination of such gases, on a phased basis, where this can be done at a zero or negative cost.
  - b. Require the elimination or reduction of such gases by the use prudent managerial practices, process changes, and improved technology or by substitution of other substances, or other means, where the cost of CO<sub>2</sub> equivalent reduction can be accomplished at a reasonable cost.

c. The reasonable cost per ton of CO<sub>2</sub> equivalent reduction should be established by the agency in the rule making process, taking into account the availability of alternatives, but should not be less than \$15 per CO<sub>2</sub> equivalent ton, or 25 percent of the average costs of control of all greenhouses gasses per CO<sub>2</sub> equivalent ton across all sectors and sources, whichever is greater, as determined by the agency.

**2. Promotion & funding for Process Optimization.**

Where the elimination of HPGWG’s can be undertaken at a reasonable cost, that should be accomplished through the rulemaking process where it has not been done voluntarily through the EPA programs or otherwise. In other cases the state should provide funding and incentives for the reduction and phase out of HPWGS, through tax incentives. and funding for programs which offer education and technical assistance.

<http://www.epa.gov/highwp/sources.html> EPA website on voluntary programs in several industries.

**3. Use of lower-impact alternatives for coolants, refrigerants, aerosols, solvents and insulation.**

Again, where substitutes can be used at a reasonable cost, that should be done, pursuant to the rulemaking described above if not voluntarily. Where substitutes are not available at reasonable costs, the state should undertake to reduce the use and emissions of HPHGH’s through incentives, and through the funding of programs that can provide technical assistance.

<http://www.epa.gov/ozone/snap/> EPA’s website on:

**Implementation Mechanisms**

Minnesota Pollution Control Agency.

Legislative action to provide tax incentives, and funding for technical support and assistance.

Technical support through MNTAPP or similar entities.

**Related Policies/Programs in Place**

MNTapp Technical assistance program.

**Types(s) of GHG. Reductions**

Reductions from avoided emissions of High Potential Greenhouse Gases.

**Estimated GHG Reductions and Net Costs or Cost Savings**

TBD – [CCS should provide a worksheet and other reference material as needed for transparency]

- **Data Sources:** [TBD by CCS on TWG approval]
- **Quantification Methods:** [e.g. Full life-cycle analysis with supply/demand equilibrium adjustments on TWG approval]

- **Key Assumptions:** [TBD, as needed on TWG approval]
- **NOTE THAT THE EPA HAS CALCULATED THE COST OF ELIMINATING THESE HIGH POTENTIAL GREENHOUSE GASES ON A COST PER TON BASIS. SEE.**
- <http://www.epa.gov/highwp/projections.html>. SOME OF THE COSTS ARE NEGATIVE.

#### **Key Uncertainties**

TBD – [as needed and approved by the TWGs]

#### **Additional Benefits and Costs**

TBD – [as needed and approved by the TWGs]

#### **Feasibility Issues**

TBD – [as needed and approved by the TWGs]

#### **Status of Group Approval**

Pending – [until MCCAG moves to final agreement at meeting #5 or #6]

#### **Level of Group Support**

TBD – [blank until MCCAG meeting #5]

#### **Barriers to Consensus**

TBD – [blank until final vote by the MCCAG]

## RCI-6. Non-utility Strategies and Incentives to Encourage Energy Efficiency and Reduce GHG Emissions

### Policy Description

Implement cost-effective non-utility strategies and incentives for industrial processes in manufacturing and commercial facilities that complement (but not duplicate) utility-based programs to encourage energy efficiency (E2) and reduce greenhouse gas (GHG) emissions. These strategies must include mechanisms to:

- Maximize convenience for program users/participants
- Capture overall technology and system efficiencies
- Conduct research, evaluation, and analysis of E2 opportunities
- Provide market, cost, and other incentives to implement
- Removal of disincentives and/or regulatory barriers
- Partner with appropriate groups
- Provide technical assistance for implementation of energy efficient technologies

The proposed programs/strategies/mechanisms fall into four (we can add more) categories: tax incentives or benefits, energy efficiency technical assistance for implementation, state economic assistance, and direct reduction of GHGs from industry.

### Policy Design

#### Goals—program begins:

Tax benefits: 2010

Technical assistance: 2008-2009

State economic assistance: 2010

Direct reduction of GHGs from industry: 2010

#### Goals—goals achieved:

Tax benefits: 2012

Technical assistance: 2010

State economic assistance: 2012

Direct reduction of GHGs from industry: 2012

#### Parties Involved

Tax benefits: residential/commercial/industrial

Technical assistance: commercial/industrial

State economic assistance: residential/commercial/industrial

Direct reduction of GHGs from industry: industrial

### Implementation Mechanisms

#### 1) Tax Incentive Programs (that are not already in place)

- **Tax incentives for capital equipment that reduces energy use per unit of product by more than 10%** (that would be the benchmark). Projects would be done in collaboration

with their local utility. To protect public interest, applicants would adhere to the same measurement and verification protocols required by DOC of Minnesota utility CIP custom energy efficiency projects of similar size. It might be possible for them to provide DOC with equipment invoices, and pre-project energy use and production data (non-public) and post-project data that showed 10% improvement as a means to provide some safeguard to protect public interest. There needs to be some method of verifying claims and evaluating cause/effect behavior change. Equipment suppliers or businesses would need to measure energy consumption before and after installation of equipment.

- **Tax incentives for specific technologies (i.e., pumps, motors, fans, boilers, compressed air systems) known to deliver energy efficiency.** NEMA Premium motors and adjustable speed drives (ASDs) in the right applications are possible technologies, but there are many others. The EPA and DOE Web sites list many Energy Star products for commercial facilities (food, service, lighting, office equipment, etc) that could be given a tax incentive. This would be the simplest to administer because no verification (other than receipt for filing taxes) would be needed. Exempting qualifying items from sales tax would be even simpler to administer, such as is done for groceries. Quantifying energy savings and resulting GHG reduction would be a wild card because base lines would not be known, however, tracking of sales of the selected projects could be used to develop estimates. Naturally, there needs to be targeted marketing with any behavior change project. Projects would be done in collaboration with their local utility. To protect public interest, applicants would use the same measurement and verification protocols required by DOC of Minnesota utility CIP prescriptive energy efficiency projects.
- **Identify the large energy users and offer a tax incentive for energy reduction per ton of production.** Discussions may be needed to determine what size credit might serve as an incentive. Large energy users are probably relatively efficient now, but still represent a substantial opportunity. A screening of energy intensity per ton of product may be needed to determine if variation in credit is warranted. Facility benchmarks might be available but not shared with the public. Pre and post testing would help ensure savings are achieved.
- **Offer tax incentives for facilities that can move into the top 10% of a benchmark.** Various building energy benchmarks (energy/ft<sup>2</sup>) exist for different sectors (schools, warehouses, churches, etc). For example, give a credit for making it into the top 10% or 25% or give a credit based on how far they moved toward conservation. There is an existing federal tax credit for buildings that reduce their energy consumption. The program grants a tax deduction of \$1.80 per ft<sup>2</sup> for reducing energy consumption by 50% or more. If the reduction is at least 16.67%, then the tax deduction is \$0.60 per ft<sup>2</sup>. The program requires using DOE approved software programs to calculate the energy savings.

2) **Energy Efficiency Technical Assistance—voluntary, non-regulatory assistance for residential/commercial/industrial entities as a mechanism to implement policies and expand related programs that would result in energy efficiency savings**

- Provide **energy efficiency (E2) technical assistance to industrial and business facilities** including:
  - site assessments and student intern projects for E2 opportunities related to compressed air, steam systems, process heat, process refrigeration, pumps, fans, motors, etc.
  - energy efficient technology demonstrations and pilots
  - resource development including Web resources and Best Practices documents
  - workshops and seminars, including DOE Best Practices trainings
  - partnering with relevant industry associations/utilities
  
- Assist industries with implementation of the low hanging fruit of energy savings through the above services. These four seem to be easy to implement with quick payback: process-related insulation, steam traps, lighting, and compressed air.
  
- Assist in the formation of **process energy conservation teams** within industrial facilities, or within an industry sector working with industry associations. The people in the plant have the most knowledge about their process but they might get stalled on implementation. Energy conservation teams would be best suited initially for the quick hits that come from focusing on operation and maintenance activities. Over time these groups will provide the ideas for the larger capital projects. The EPA Energy Star program currently has nine focus industries (most relevant to MN are: food processing, water/wastewater treatment, cement, petroleum refining, glass mfg, pharmaceuticals, and wet corn milling) where specific energy management tools are available for that industry. All these industries have networking meetings where companies can share ideas and best practices. Six of the nine have energy guides that have been developed specifically for that industry so they can implement energy saving ideas for their facility. Minnesota industries should participate in these efforts.
  
- Assist facilities that run their own boilers to look at **optimizing the operation of the steam system**. Examples include right sizing boilers, waste heat recovery from steam systems, load balancing for buildings with multiple boilers, and improvements to boiler efficiency.
  
- Develop **benchmarks for industrial operations** where they don't exist or are not widely known, for industrial/commercial facilities or operations. The EPA Energy Star program currently has three industries that have specific energy performance indicators that can be used to benchmark a facility to help prioritize where efforts should be focused. These include cement manufacturing, wet corn milling, and auto manufacturing. The energy performance indicator for a cement plant is based on the total amount of energy required to produce a short ton or MMBtu/short ton of clinker. Even those industries that do not have published benchmarks probably have their own benchmarks but are not comfortable sharing those. If industry could be convinced that data would be confidential they may be more willing to share their benchmarks. Focus groups could be formed to promote energy

conservation in high energy use industries.

- Promote, develop information and resources, provide assistance for the following **industrial energy efficient technologies** that are not frequently used and also help reduce GHG emissions:
  - waste heat recovery (Example: metal casting)
  - pumping systems (potential 20% savings)
  - combined heat and power (cogeneration)
  - boiler blow down heat exchangers or flash steam recovery systems
- Have an outside party **work with utilities and companies to track why energy efficient technologies are not being implemented**. This work would be “field proofing” ideas about barriers, such as getting industry feedback before beginning on a project. If this information already exists, it could be useful guidance on how to improve implementation.

### 3) State Economic Assistance

- **Require energy efficiency to be part of publicly financed economic development projects.** Mandate projects go beyond the building code minimum, maybe move toward a benchmark. EPA Energy Star has a program called “Target Finder” for building designers and architects so they have a target energy consumption to shoot for. The requirement could be for the design to be in the top 10% of the target.
- **Low/no interest loans or other economic assistance** for those companies that do audits, identify energy goals, are doing their first energy project, or implement their energy efficient technologies. The loans may require that an energy analysis is performed to calculate the energy savings that will be achieved which will help ensure the loan will be paid off.
- Conduct a **review of all Minnesota economic development assistance projects to insure that they encourage/require state of the art efficiency and environmental technologies** (key to MN industrial competitiveness).
- Promote and pilot test **performance contracting** in energy areas. Performance contracting is defined as a contract between a building owner and a contractor for the purpose of saving energy in the owner’s building. The contractor agrees to research, design, build, and maintain capital improvements which are expected to save energy and dollars. The owner agrees to pay the contractor from savings realized during the contract period. The Energy Star Program has information on performance contracting which could be used as a guide to provide outreach and education (Ex: a contractor agrees to provide all compressed air services including equipment, maintenance, supply/demand adjustments, etc).

**4) Direct reduction of GHGs from industry (in addition to RCI-5 and others)**

- **Encourage the reduction of industrial emissions of GHGs (defined as climate change greenhouse gases including CO<sub>2</sub>, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride) from industries that have the greatest volumes: food processing, ethanol, petroleum refining, and taconite mining. This could be achieved via voluntary initiatives, technical assistance, best practices checklists, policy (cap and trade), and/or regulatory and other incentives. Educate industries that these activities result in carbon offset credits that they can use as revenues.**

**Related Policies/Programs in Place**

Tax benefits: Commerce? Revenue?

Technical assistance: Build on existing energy efficiency services of the Minnesota Technical Assistance Program (MnTAP) at the University of Minnesota (for manufacturers) and the Center for Energy and the Environment (CEE) (for small business and commercial firms)

State economic assistance: MN Dept of Commerce, State Energy Office grants; MPCA grants and loans

Direct reduction of GHGs from industry: ??

**Other Related Policies/Programs in Place**

Minnesota Department of Commerce Conservation Improvement Program (CIP).

Goals of utility conservation programs are to: promote consumer and industry awareness of energy conservation and its positive effect on the environment; reduce utility bills for homes and businesses; generate innovations in developing energy efficient products and technologies; and promote new energy resource development. Electric utilities are required to show energy savings of 1.5 percent of their annual revenues in CIP (except Xcel Energy, which must show 2 percent energy savings). Natural gas utilities are required to show savings of 0.5 percent of their annual revenues into CIP.

Section 1605b of the 1992 Energy Policy Act (Public Law 102-485) mandated the creation of a national inventory of greenhouse gases and a national database of voluntary reductions in greenhouse gas emissions. In doing so, Section 1605b directed the Department of Energy to establish a procedure for voluntary reporting of greenhouse gas emissions and emissions reductions by companies from the year 1987 forward, on a yearly basis.

The Department of Energy runs a suite of programs dedicated to improving the energy efficiency of buildings. These programs include: Building America, Rebuild America, the High Performance Buildings Initiative, and the Zero Energy Buildings Initiative. All of these programs work through the development of voluntary public-private partnerships.

The Department of Energy Office of Industrial Technologies runs two programs primarily focused on industrial energy audits: Industrial Assessment Centers (IAC) and Plant-wide Assessments (PWA).

The Partnership for Advanced Technology in Housing (PATH) program is a voluntary public-private partnership between homebuilders, product manufacturers, insurance companies, and financial companies and the U.S. Department of Housing and Urban Development (HUD). It is

dedicated to improving the energy efficiency, affordability, durability, environmental sustainability, and resistance to natural disasters of residential housing.

Energy Star is an umbrella term encompassing a broad range of programs, all designed to encourage energy efficient investments.

*DOE Weatherization Assistance Program (WAP) was authorized under Title IV of the Energy Conservation and Production Act (Public Law 94-385) in 1976 to fund weatherization measures for low-income households to reduce their energy use. WAP prioritizes services to low-income families with children, the elderly, people with disabilities, and low-income households with a high energy burden. The program works through partnerships between DOE and state and local agencies in which DOE provides program grants.*

The DOE Climate Challenge program is a voluntary partnership between electric utilities and DOE designed to facilitate voluntary greenhouse gas emissions reductions by utilities.

### **Types(s) of GHG. Reductions**

- Reductions from avoided fossil-fuel electricity generation as a result of implementation of energy efficient practices and technologies.
- Reductions of industrial based GHGs of methane and nitrous oxides.

### **Estimated GHG Reductions and Net Costs or Cost Savings**

#### **Data Sources**

(1) Retrospective Examination of Demand-Side Energy Efficiency Policies, Discussion Paper, June 2004; revised September 2004 RFF DP 04-19 REV, 2004 Resources for the Future, Kenneth Gillingham, Richard Newell, and Karen Palmer

### **Key Uncertainties**

TBD – [as needed and approved by the TWGs]

### **Additional Benefits and Costs**

TBD – [as needed and approved by the TWGs]

### **Feasibility Issues**

Measuring the effectiveness or total energy savings from a conservation initiative or program can be problematic due to difficulties in defining the right baseline, failure to correct for free riding or the “rebound” effect, use of inappropriate discount rates, and double counting of the same energy savings attributed to multiple government programs. A major question that arises when measuring program costs or cost-effectiveness is whether or not all of the salient costs (costs to business, costs to consumers, including consumer surplus losses due to quality changes, and costs to the government) are being accounted for. Equally important, the benefits of the programs (including otherwise unaccounted for spillovers) must be properly accounted for. All of these issues combined suggest that considerable care must be taken in interpreting existing estimates of the effectiveness and cost of energy efficiency programs. (1)

**Status of Group Approval**

Pending – [until MCCAG moves to final agreement at meeting #5 or #6]

**Level of Group Support**

TBD – [blank until MCCAG meeting #5]

**Barriers to Consensus**

TBD – [blank until final vote by the MCCAG]

## RCI-7. Conservation Improvement-Type Program for Propane and Fuel Oil Efficiency

### Policy Description

Implement cost-effective programs to reduce propane and fuel-oil use; target rebates to overcome market barriers; maximize convenience to program participants; capture overall system efficiencies, not just equipment efficiencies; joint efforts to achieve market transformation; ongoing research, evaluation and analysis; complement government, utility and non-utility efficiency programs; and seek to remove any disincentives or regulatory barriers to energy efficiency.

### Policy Design

#### Goals:

*Establish a minimum efficiency standard; using the Energy Star's rating of 85% for fuel oil, and 90% for propane (including water heating). Propose rebates for high efficiency models starting at 90% for fuel oil, and 95% for propane.*

*Offer rebates to discontinue the use of non-programmable thermostat controls.*

*Establish and implement plan for inspection and tune up of all existing in-use heating systems and establish inspection cycle. This plan should include inspection of fuel storage and delivery systems. Inspections are to be conducted and certified by certified and trained personnel.*

*Train and certify fuel haulers in efficiency standards to recognize and tag storage and furnace systems for non-compliance.*

*Provide low interest loans for low income households to encourage installation of higher efficiency models.*

*Encourage manufactures to take advantage of new technological developments such as alarm systems for leaks, monoxide, etc. and for component failure (i.e. filter plug, restricted heat exchanger).*

*Provide public recognition to those individuals or companies that are successful leaders in promoting efficiency standards.*

**Timing:** 2009. All goals must be initiated and progress evaluated.

**Parties Involved:** All Parties with interest.

**Other:**

### Implementation Mechanisms

*Create an on-going state task force of consumers, state agencies, utilities; and business representatives' to annually review Conservation Improvement Program initiatives and make changes according to program effectiveness, technological changes, and critical fuel changes.*

### **Related Policies/Programs in Place**

Xcel's CIP Program.

### **Types(s) of GHG Reductions**

Reductions from avoided propane and fuel oil combustion.

### **Estimated GHG Reductions and Net Costs or Cost Savings**

TBD – [CCS should provide a worksheet and other reference material as needed for transparency]

**Data Sources:** [TBD by CCS on TWG approval]

**Quantification Methods:** [e.g. Full life-cycle analysis with supply/demand equilibrium adjustments on TWG approval]

**Key Assumptions:** [TBD, as needed on TWG approval]

### **Key Uncertainties**

TBD – [as needed and approved by the TWGs]

### **Additional Benefits and Costs**

TBD – [as needed and approved by the TWGs]

### **Feasibility Issues**

TBD – [as needed and approved by the TWGs]

### **Status of Group Approval**

Pending – [until MCCAG moves to final agreement at meeting #5 or #6]

### **Level of Group Support**

TBD – [blank until MCCAG meeting #5]

### **Barriers to Consensus**

TBD – [blank until final vote by the MCCAG]

## RCI-8. Energy Performance Disclosure

### Policy Description

In order to engage utility consumers to actively take a role in Minnesota's energy future by considering efficiency and environmental impacts when using energy or purchasing energy consuming appliances, we propose the following:

Propose that utilities provide an electronic energy performance disclosure to parties owning any public, commercial or residential property. It is proposed that this information be made available electronically by the property owner to the prospective buyer or renter to allow for energy efficiency and environmental impacts to be an integral part of the decision to buy or rent..

Recommend that the energy performance disclosure by the utility be a consumption history of the previous 24 billing months. Additional information that would continue to encourage sound energy decisions such as a rating factor based upon KBTU/SF/Year (from the owner) and CO<sub>2</sub> emissions (from the utility company) should also be included.

Develop a task force of utilities and parties of concern to devise a uniform utility information standard that would provide relevant energy efficiency and environmental impact information to customers; for example, information that indicates the incremental cost of energy per the quantity of billable units, a comparison to an average customer's energy usage, environmental impacts of such usage, and fuel portfolios, if applicable. The purpose of this action is to quantify the consumer's energy usage and to raise the level of interest.

### Goals:

- **Timing:** Program begins in voluntary form after law passes in mid 2008 and is mandatory on Jan 1, 2010. When must goals be achieved? In this case, the goal is the implementation of the program. See "Timing" above.
- **Parties Involved:** Who is covered by the program? All building owners, public and private and all utility companies.
- Take on the issue of the difference in performance based on the occupant's usage. An example would be to measure on an occupant versus SF basis or average out a number of units.
- That each utility bill include relevant energy efficiency and environmental impact information, such as the monthly incremental energy unit charge (less tax), and for comparison, the historical charge for the same period from the previous billing year.

To engage and educate the consumer regarding their incremental monthly billing charges, and as an outcome, initiate sound knowledge based energy decisions.

### **Implementation Mechanisms**

How should the program be implemented? We need to do some research and get into the systems in place for distributing information on commercial and residential buildings for sale or lease (i.e. the MLS system). We also need to make sure the utilities are able to produce the information required. Eventually, more detailed information may be required to be disclosed.

### **Related Policies/Programs in Place**

None. Verify.

### **Types(s) of GHG Reductions**

Reductions from avoided fossil-fuel electricity generation and fuels combustion.  
**(consumption?)**

### **Estimated GHG Reductions and Net Costs or Cost Savings**

TBD – [CCS should provide a worksheet and other reference material as needed for transparency]

- **Data Sources:** [TBD by CCS on TWG approval]
- **Quantification Methods:** [e.g. Full life-cycle analysis with supply/demand equilibrium adjustments on TWG approval]
- **Key Assumptions:** [TBD, as needed on TWG approval]

### **Key Uncertainties**

TBD – [as needed and approved by the TWGs]

### **Additional Benefits and Costs**

TBD – [as needed and approved by the TWGs]

### **Feasibility Issues**

TBD – [as needed and approved by the TWGs]

### **Status of Group Approval**

Pending – [until MCCAG moves to final agreement at meeting #5 or #6]

### **Level of Group Support**

TBD – [blank until MCCAG meeting #5]

### **Barriers to Consensus**

TBD – [blank until final vote by the MCCAG]

## RCI-9. Promote Technology-Specific Applications to Reduce GHG Emissions

### Policy Description

Promote through incentives, technology-specific applications that reduce GHG emissions. Identify the options through research and organize in categories such as; space heating, lighting, water heating, plug loads, etc. Include a process to determine and clarify which applications work best in reducing GHG emissions. Clearly communicate the fact that reducing energy use does not always proportionally reduce emissions. Consider developing dis-incentives to technologies that do not reduce emissions.

Emphasize producing on-site renewable energy as a technology specific application. Clarify what is considered as renewable (i.e. solar hot water heat, photovoltaics and wind generation, as determined by current state law). Require 2 % of energy used by state funded buildings to be on site renewable. Provide incentives to owners of other public and private buildings who produce at least 2 % of their required building energy on-site.

### Policy Design

#### Goals:

**Timing:** When should the program begin? Program begins in voluntary form when law passes in June, 2008 and is in place with requirements and incentives on Jan. 1, 2010. When must goals be achieved? Goal is to have program in place by 2010.

**Parties Involved:** Who is covered by the program? Mandatory program is for state funded building owners. Incentives and disincentives are for all other public and private building owners (Residential, Commercial and Industrial). Research organizations should support this effort.

**Supplement with research of technology specific applications for GHG reductions.**

### Implementation Mechanisms

How should the program be implemented? Inform all building owners about the program, determine and fund possible private incentives and coordinate with education and training programs handled in other Programs.

### Related Policies/Programs in Place

Need to inventory all current incentives in the state (including an evaluation of the current cap on requiring utility companies to buy back renewable power at the cost of purchase).

### Types(s) of GHG Reductions

Reductions from avoided fossil-fuel electricity generation and **energy** generation.

### **Estimated GHG Reductions and Net Costs or Cost Savings**

TBD – [CCS should provide a worksheet and other reference material as needed for transparency]

- **Data Sources:** [TBD by CCS on TWG approval]
- **Quantification Methods:** [e.g. Full life-cycle analysis with supply/demand equilibrium adjustments on TWG approval]
- **Key Assumptions:** [TBD, as needed on TWG approval]

### **Key Uncertainties**

TBD – [as needed and approved by the TWGs]

### **Additional Benefits and Costs**

TBD – [as needed and approved by the TWGs]

### **Feasibility Issues**

TBD – [as needed and approved by the TWGs]

### **Status of Group Approval**

Pending – [until MCCAG moves to final agreement at meeting #5 or #6]

### **Level of Group Support**

TBD – [blank until MCCAG meeting #5]

### **Barriers to Consensus**

TBD – [blank until final vote by the MCCAG]

## **RCI-10. Support Strong Federal Appliance Standards and Require High State Standards in the Absence of Federal Standards**

### **Policy Description**

Implementation of State appliance efficiency standards for appliances not covered by federal standards or where higher-than-federal standard efficiency requirements are appropriate.

Appliance efficiency standards reduce the market cost of energy efficiency improvements by incorporating technological advances into base appliance models, thereby, thereby creating economies of scale. Minnesota should adopt appliance efficiency standards at the state level not covered by federal standards. California has established appliance efficiency standards for a number of appliances not currently included in national legislation, such as consumer electronics (standby power use), and general service incandescent lamps.

The specific policy approach suggested by the RCI TWG is to:

- Address existing federal appliance efficiency standards by developing a State of Minnesota Residential Appliance Efficiency Standard. (Consider adoption of the appliance efficiency standards already adopted by California.). Request that the Governor through the National Governors Association provide the leadership to seek adoption of the Minnesota Residential Appliance Efficiency Standard by the Federal Government.
- As part of a Minnesota Residential Appliance Efficiency Standard, require that all energy consuming appliances be labeled for average annual energy consumption (kilowatt-hours, or thermal units). The information provided in the label would be in addition to any existing EnergyStar information that may already be provided for comparison purposes.
- Also as part of a Minnesota Residential Appliance Efficiency Standard require the development of a consumer education program on appliance efficiency. Insist that all utilities and appliance retailers in the state of Minnesota provide appliance efficiency information to their consumers/customers.
- Require high-efficiency EnergyStar appliances be installed in all new residential construction and major retrofits.
- Require utilities to provide EnergyStar appliance rebates where they are deemed cost-effective. (The MN DOC commissioner will determine cost effectiveness in the CIP process.)
- Advocate for the adoption of a State of Minnesota Residential Appliance Upgrade Program. The program would require the seller of a home to establish an appliance escrow account for any of the major appliances within the home that are older than 15 years. The escrow account would only be made available to the home buyer for upgrading of the major appliances in the home to EnergyStar-rated appliances.
- Where possible, require and/or encourage appliance manufacturers to adopt grid-friendly “smart chip” technology into their appliances that will allow utilities to communicate with “smart chip” appliances to curtail energy usage and/or respond to energy pricing changes.

## Policy Design

### Goals:

**Timing:** When should the program begin? When must goals be achieved?

**Parties Involved:** Who is covered by the program?

### Other:

## Implementation Mechanisms

How should the program be implemented?

## Related Policies/Programs in Place

None.

## Types(s) of GHG Reductions

Reductions from avoided fossil-fuel electricity generation.

## Estimated GHG Reductions and Net Costs or Cost Savings

TBD – [CCS should provide a worksheet and other reference material as needed for transparency]

**Data Sources:** [TBD by CCS on TWG approval]

**Quantification Methods:** [e.g. Full life-cycle analysis with supply/demand equilibrium adjustments on TWG approval]

**Key Assumptions:** [TBD, as needed on TWG approval]

## Key Uncertainties

TBD – [as needed and approved by the TWGs]

## Additional Benefits and Costs

TBD – [as needed and approved by the TWGs]

## Feasibility Issues

TBD – [as needed and approved by the TWGs]

## Status of Group Approval

Pending – [until MCCAG moves to final agreement at meeting #5 or #6]

## Level of Group Support

TBD – [blank until MCCAG meeting #5]

## Barriers to Consensus

TBD – [blank until final vote by the MCCAG]