



April 21, 2010

Stimulus Aid Is Slow to Reach Energy Savers

By **KATE GALBRAITH**

FOR companies that specialize in the business of saving energy, these ought to be flush times. Last year's [stimulus package](#) devoted at least \$20 billion to efficiency measures, more than any other single law. [President Obama](#) regularly preaches the virtues of better insulation and weatherizing homes.

Yet the efficiency business has not reaped the benefit that it had hoped to receive. The stimulus dollars — enough to increase the amount of federal money some state energy offices receive by a factor of 100 — are still being distributed. Money being doled out by different government agencies has been delayed by problems like insufficient staff in the Energy Department and pay requirements for contractors in the stimulus law.

"It's happening slower than we would like," said Jim Davis, the president of [Chevron Energy Solutions](#), a 10-year-old branch of the oil company that is devoted to energy efficiency and renewable power.

Assuming the money is eventually disbursed and the push to save energy continues, a handful of big efficiency-oriented companies, including [Chevron Energy Solutions](#), [Johnson Controls](#), [Honeywell Building Solutions](#) and [Lockheed Martin](#), could gain substantially. Smaller, more local businesses that perform energy audits and retrofits for individual homes could also benefit.

"Energy efficiency" refers, largely, to measures that help buildings save energy. They are numerous and include insulating walls and attics, changing light bulbs, replacing appliances, sealing leaky building ducts and improving the performance of heating and cooling systems.

All such measures can be costly initially but should save money long term. [A report last year](#) from the consulting firm McKinsey & Company found that the United States as a whole could save \$1.2 trillion through 2020 by investing \$520 billion in efficiency. California, where per-capita electricity use has remained essentially stable for three decades, is the nation's longtime leader in efficiency. [Chevron Energy Solutions](#) says the state accounts for about 50 percent of its business. But, even in California, "we believe we've only just scratched the surface" of the business possibilities, Mr. Davis said.

Another enormous opportunity lies with the federal government, the country's largest consumer of energy, with its vast, aging web of structures like military bases, postal centers and courthouses.

"The seriousness of the feds in attacking this problem is still a relatively new development," said Thomas P. Grumbly, a vice president of Lockheed Martin, which has a four-year-old efficiency business. Lockheed representatives recently attended a conference in Europe on how to make United States embassies green, he said.

Almost any building in the United States is a candidate for energy-efficiency work, if upfront money is available. Such buildings include state and local government structures, like schools and city halls, as well as offices and industrial plants.

A \$20 million retrofit project at the Empire State Building that Johnson Controls is overseeing is projected to reap 38 percent efficiency savings annually by 2013, at an annual savings of \$4.4 million. Stimulus dollars have reached a few projects. In the Santa Ana school district in Southern California, Chevron Energy Solutions is improving the energy efficiency of roofing, heating and ventilation systems. Under the Great Appliance Swap Out, conducted by Lockheed this spring, New Yorkers got rebates — as much as \$100 for clothes washers, for example — to trade old appliances for new, energy-efficient models.

But in many cases, efficiency companies say, the stimulus money is still awaiting distribution. One exception is a weatherization program for homes, where the dollars have been moving, Mr. Grumbly of Lockheed said. Last year, more than **30,000 homes were weatherized** with stimulus funds, and the number is increasing. Seth Kaplan, the clean energy and **climate change** program director at the Conservation Law Foundation, says that one of several reasons disbursement has been slow is that many localities are not accustomed to a flood of money coming in and do not have the infrastructure to use it. Another challenge, he says, is a shortage of labor in the efficiency business — especially for specialized roles like air sealers.

"Finding somebody who needs a job and who is trained and qualified to be an air sealer and who you trust and who is available — that's the hard part," Mr. Kaplan said.

Credit markets that remain tight continue to be an issue, Mr. Davis at Chevron Energy Solutions said, noting that businesses needed private money to supplement stimulus dollars. But energy prices are creeping up again as the economy bounces back from **recession** — meaning that the incentive to pay for efficiency work is increasing.

Looking ahead, business leaders and entrepreneurs in the efficiency sector are optimistic.

On the federal level, President Obama **signed an executive order** in October requiring increased energy and water efficiency in federal buildings. Some of the stimulus dollars for federal building efficiency are still being awarded by the **General Services Administration**. "The pipeline is still

releasing, so to speak,” and federal agencies are also finding other ways to finance projects, sometimes through contracts where the energy-services company pays the upfront costs and gets paid back gradually, Mr. Grumbly said.

For homeowners, innovative methods of financing efficiency improvements have cropped up. One of the most talked-about models is Property-Assessed Clean Energy, or PACE, a state and local program that allows municipalities to pay the upfront costs of retrofitting homes and to be repaid through higher property taxes.

The program, which is operating in some California cities, is still in its infancy, but in theory it will let homeowners improve efficiency without paying upfront costs, and allow the payments to be transferred to the next owner if the property is sold.

Congress is considering establishing a rebate program, called Home Star or, informally, cash for caulkers, to encourage investment in insulation, efficient appliances and revamped heating and cooling systems.

For the efficiency business as a whole, another benefit could come from a federal efficiency standard, a requirement that utilities offset a certain proportion of their growth in demand with energy-saving measures. Some states already have such a requirement, and Congress could wrap it into forthcoming energy legislation.

With the prospect of a big effort ahead, the industry says it is determined to make sure quality standards are maintained. Recent [concerns over some Chinese drywall](#) in American homes serve to underscore that the building business is not immune from such problems.

Matt Golden, the chairman of Efficiency First, an advocacy organization whose members include hundreds of efficiency-oriented businesses, said that quality was something that the Home Star rebate program, which the group supports, would address “pretty aggressively,” adding, “We’re going to set up a national quality insurance infrastructure and start holding contractors accountable,” Mr. Golden said.