

Setting the Global Bar for Energy Efficiency

Energy efficiency is the cleanest, cheapest and most abundant energy resource available to the United States. It is estimated that energy savings of \$1.2 trillion could be achieved through 2020 with the expenditure of \$520 billion on efficiency in all sectors. This would reduce end use energy consumption roughly 23 percent from projected demand.¹

Reward Efficiency

The Council Recommends that:

- Congress set the 2030 CAFE standard to 100 mpg and provide more federal transportation funding to states that are the most effective in reducing vehicle miles traveled per person.
- All states decouple utility rates from gross energy sales and focus on providing utilities with a reasonable rate of return on all their investments.

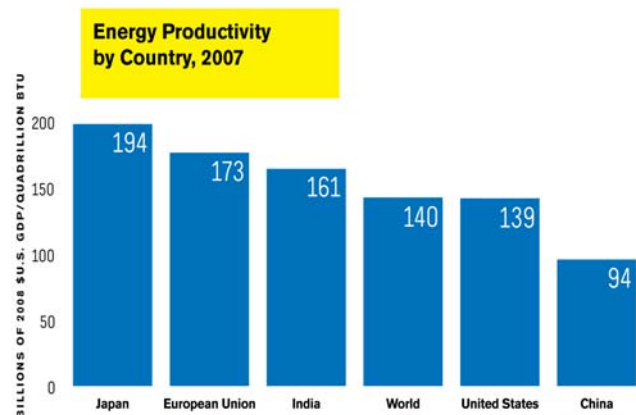
Investments in energy efficiency today can:

- Support an orderly energy system transition period over the next half-century;
- Relieve pressure on U.S. energy production capacity;
- Lower or stabilize energy expenses, freeing up precious investment capital for other uses;
- Provide very attractive returns over the life of those investments; and
- Support numerous American jobs.

Despite the many benefits increased energy efficiency can offer, the United States has failed to fully realize them and ranks behind many of its economic competitors in terms of energy productivity. Market failures, such as lack of upfront investment capital and/or technical information, have inhibited

The United States Trails Developed Nations in Energy Productivity

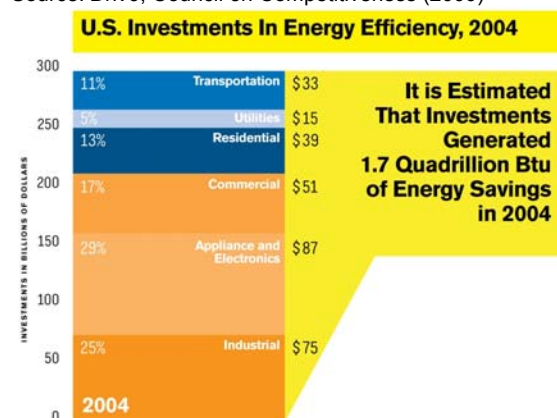
Source: *Drive*, Council on Competitiveness (2009)



Note: Graph represents analysis of data from the Central Intelligence Agency and the Energy Information Administration.

U.S. Energy Efficiency Investments Totaled an Estimated \$300 Billion in 2004

Source: *Drive*, Council on Competitiveness (2009)



It is Estimated That Investments Generated 1.7 Quadrillion Btu of Energy Savings in 2004

Note: Graph represents analysis of data from the American Council for an Energy-Efficient Economy.

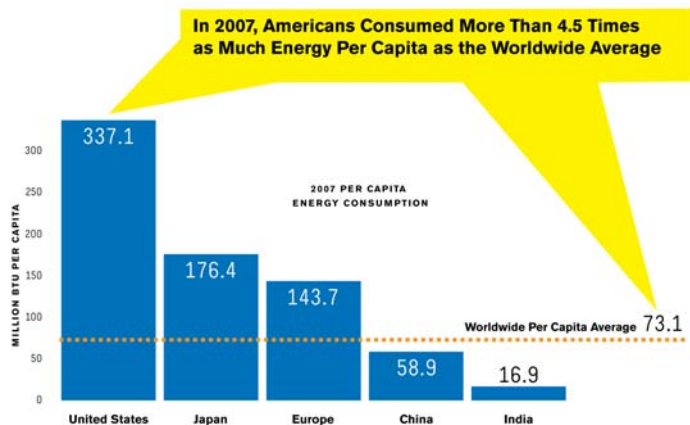
opportunities for the United States to pursue efficiency measures and imposed needless costs on the economy. "Pulling" market demand for energy efficiency through financial incentives and "pushing" demand through the establishment of targets, standards and/or regulations can address these market distortions.

In addition to federal government actions, electric utilities are uniquely positioned to be change agents and aid their customers in becoming more energy efficient. In states where regulations "decouple" profits from increased energy production, utilities have been incentivized to promote efficiency by delivering services and technologies to customers or facilitating their acquisition.

The economic opportunities around increasing energy efficiency and productivity are great, for the technologies that will enable all nations to have a secure and sustainable energy system will also enable each to spur its own competitiveness.

U.S. Per Capita Consumption Is Highest Among Developed Economies

Source: *Drive*, Council on Competitiveness (2009)



Note: Graph represents analysis of data from the Energy Information Administration.

“Increased energy efficiency creates a more cost-efficient and competitive economy with improved energy security and reduced emissions. The United States is five percent of the global population, consuming on the order of twenty-five percent of the world’s energy. Closing this gap between our own energy supply capability and demand creates a big first step towards greater energy productivity—what we get from the energy we produce. There’s too much waste in the system today.”

James W. Owens

Chairman and CEO, Caterpillar Inc.; and Co-Chair, ESIS Initiative, Council on Competitiveness, in July 2008.

In Drive: A Comprehensive Roadmap to Achieve Energy Security, Sustainability and Competitiveness (September 2009) and Prioritize: A 100-Day Energy Action Plan for the 44th President of the United States (September 2008), the Council detailed actions to be taken by the federal government in six critical “pillars” as necessary for true breakthroughs in U.S. energy production and use to be achieved. Below are additional recommendations from Pillar 1: Setting the Global Bar for Energy Efficiency.

Additional Recommendations:

- Congress expand and extend long-term tax credits and federally-backed financing programs for qualified energy-efficient home improvements.
- Congress extend tax credits to accelerate the turnover to advanced technology vehicles.
- Congress require that future efficiency standards are set to current best-in-class products and updated at regular intervals of at least every seven years.
- The U.S. Government work together with private sector standard-setting bodies to create the world’s leading energy efficiency standards.
- All federal agencies and U.S. Government contractors procure the most advanced and cost-competitive energy efficient equipment and vehicle fleets and purchase low carbon and electric fuel were available.
- The U.S. Government require comprehensive energy efficiency compliance provisions in all its contracts.

For More Information: Visit our website at Compete.org to find the full reports or contact Susan Rochford, Senior Vice President, at 202 969 3384 or SRochford@compete.org.

¹ Granade, H. C., Creyts, J., Derkach, A., et al., *Unlocking Energy Efficiency in the U.S. Economy*. McKinsey Global Institute. July 2009.