

United States Senate

WASHINGTON, DC 20510

December 11, 2009

COMMITTEES:
ENVIRONMENT AND
PUBLIC WORKS
HEALTH, EDUCATION,
LABOR, AND PENSIONS
BANKING, HOUSING,
AND URBAN AFFAIRS
BUDGET

The Honorable Barack Obama
President of the United States of America
The White House
1600 Pennsylvania Ave NW
Washington, DC 20500

Dear Mr. President,

I am writing to applaud your efforts to promote energy efficiency retrofits as a critical component of job creation efforts. As you work towards enacting and implementing new initiatives as you laid out this week, I urge you to design the energy efficiency retrofits program in a manner that will enable as many Americans as possible to access the program, thus maximizing both job creation and energy savings for Americans.

I strongly believe that to achieve these goals, the program must include financing assistance for residential and commercial building owners who cannot afford the upfront cost of a home renovation but who could pay for it out of the savings they will see on their energy bill. Financing assistance can allow federal dollars to be leveraged substantially farther than a rebate program. For example, appropriating \$2 billion for loan guarantees could allow \$20-\$40 billion in financing.

As you know, energy efficiency represents a vast untapped energy resource, global warming solution, and job-creation engine for the United States. Simple measures like adding insulation, sealing ducts, and replacing inefficient appliances not only reduce energy use and pollution, but also create jobs in the construction and manufacturing sectors that have been particularly hard-hit by the recession. By reducing Americans' energy bills, efficiency upgrades provide a double economic stimulus, putting extra money in the budgets of families and small businesses and making it easier to make ends meet, avoid foreclosure, or spend money in ways that stimulate the economy.

Despite the fact that these measures often pay for themselves in reduced energy costs, market barriers continue to prevent their widespread adoption in many places. Many families and commercial property owners cannot afford the upfront investment needed, even though the energy savings will return the investment. To address this barrier, a number of entrepreneurial leaders have developed innovative financing strategies to allow building owners to borrow and then pay off upfront costs over time using the money saved on energy bills. These include government entities offering tax-based financing, repaid through a surcharge on property taxes, and government entities or utilities offering "on-bill" financing that can be paid off through a surcharge on utility bills.

Oregon has been a leader in energy efficiency investment for decades, and is now spearheading innovation in energy efficiency financing. The state Legislature has created a statewide program,

and Portland already has an ambitious project up and running. By matching state and federal funds with private capital, while also connecting local contractors to local homeowners, the program is retrofitting buildings and creating jobs now. In addition, the city entered in to a landmark Community Workforce Agreement to set standards that will make sure that new jobs are high-quality jobs, that disadvantaged populations have access to jobs, and that clean energy jobs are tied to training, apprenticeship, and career pathways.

I strongly encourage you to ensure that any efficiency retrofits program considered for job-creation legislation learn key lessons from programs such as Oregon's and also include these programs as eligible service providers alongside retailers or contractors. Directing funding to these existing retrofit programs will not only create new jobs immediately, but will continue funding retrofits into the future.

I have introduced legislation with Senator Lugar to create a national Clean Energy for Homes and Buildings program that would support these innovative state, local, and private programs with loan guarantees and other credit support, enabling them to leverage more private capital and offer more affordable financing to building owners. This legislation could be modified to offer federal support for financing energy efficiency retrofits as part of a short-term job creation bill, by directing loan guarantees or other federal support to programs already set up to offer financing or, in areas where no such programs have been created, by having community banks or others with financing capability partner with local companies or programs that can provide the energy efficiency services.

One lesson from the Portland experience is that maximizing the job creation potential and energy savings of weatherization requires policies that encourage a comprehensive approach. An energy efficiency retrofits program should make sure that building owners have a basic energy review done to help guide their choices. It should also make sure that entities administering the program offer information and guidance to homeowners on what combinations of measures make the most sense. For example, it may often be a savings multiplier to seal ductwork at the same time a new furnace is installed. My concern is that without such support, property owners may opt for quicker and cheaper strategies that have less impact on jobs or energy efficiency and are poorer investments.

I thank you again for shining the spotlight on this important opportunity to create jobs, reduce families' budget strains, and make America more energy-efficient. I look forward to working with you to craft an effective program that will meet these goals.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey A. Merkley". The signature is written in a cursive style with a horizontal line underneath the name.

Jeff Merkley
U.S. Senator