



June 16, 2009

The Honorable Henry A. Waxman, Chairman  
Committee on Energy & Commerce  
U.S. House of Representatives

The Honorable Joe Barton, Ranking Member  
Committee on Energy & Commerce  
U.S. House of Representatives

Dear Chairman Waxman and Ranking Member Barton,

The staff of the National Commission on Energy Policy (NCEP) has been exploring new financing approaches to more quickly and effectively deploy clean energy technologies. We recently hosted a series of discussions on a new financing mechanism for energy efficiency and small renewable energy projects tied to commercial and residential real estate property—referred to as Property Assessed Clean Energy (PACE) finance. The PACE model has been successfully employed at the municipal level here in the United States and holds great promise for being scaled nationally. Though the American Clean Energy and Security Act (HR 2454) in the House establishes a Clean Energy Development Administration (CEDA), it is currently not drafted in a way that will allow a clean energy retrofits financing program to flourish. However, only minor modifications to the current House CEDA proposal, such as the provisions in Senate Bill 949 that allow for indirect support for aggregation of smaller projects, partnership with private sector lending, and dedicated funding for a revolving loan fund, are needed to enable widespread PACE financing. It is critical that PACE and other innovative efficiency financing mechanisms receive legislative support for our nation to accelerate its movement towards energy independence and to create long term job growth.

PACE bonding mechanisms offer many advantages over traditional loans for financing energy efficiency retrofits. In particular, PACE financing helps real estate owners avoid the often substantial upfront costs of efficiency retrofits by tying the investment to the property, not the original investor, thereby overcoming some of the most intractable market barriers to energy efficiency such as the landlord-tenant problem (for detailed information on PACE finance see <http://www.pacenow.org/>).

The following organizations endorse the statements in this letter and are eager to help ensure legislative support such that PACE programs can flourish in the very near term.

**Endorsers (see last page for municipal supporters):**

Alliance to Save Energy  
Apollo Alliance  
California Energy Commission  
Climate Communities  
Johnson Controls Inc.  
Jones Lang LaSalle Inc.  
National Association of Real Estate Investment Trusts (NAREIT)



Natural Resources Defense Council (NRDC)  
Polyiso Insulation Manufacturers Association (PIMA)  
Real Estate Roundtable  
Serrafix Corp - Doug Foy, President  
Solar Electric Industries Association (SEIA)  
Stewards for Affordable Housing for the Future (SAHF)

### **Key Information and Insights from the NCEP Convened PACE Financing Group:**

**Importance of energy efficiency:** In the near term, energy efficiency is the lowest cost, fastest, and most certain way to save energy, reduce greenhouse gas emissions, and lower consumers' energy bills. America's building stock represents nearly 40% of our nation's energy needs and accounts for roughly one-third of our greenhouse gas emissions. Well-proven methods for major efficiency gains in both commercial buildings and residential real estate exist today but have difficulty taking hold due to a number of well-documented market challenges. America's potential to be the global leader in energy efficiency can be tapped with proper federal support of financing programs and, importantly, with minimal cost to the U.S. taxpayer.

**Tapping the potential of low-cost clean energy retrofits:** Widespread availability of efficiency-related financing for our nation's 100 million homes and 5 million commercial buildings is critical to capturing the clear economic and environmental benefits for our nation. Many opportunities for improving energy efficiency remain untapped due a lack of attractive financing options, a condition currently exacerbated by weak financial markets. In a recent survey by Johnson Controls, Inc. of more than 1,400 real estate and facilities managers, limited capital availability was cited as the most common barrier to capturing potential energy savings.<sup>1</sup> The federal government need not pay for a PACE financing program for our nation's buildings directly but instead can pursue the low cost approach of providing indirect government support to attract private investment capital to this sector. Specifically, federal government support in the form of loan or bond guarantees can act as a major catalyst to help ensure that the private sector, states and municipalities develop a variety of sound methods to finance these initiatives. This support should be available only for retrofit programs and portfolios that achieve strong efficiency or small-scale renewable gains and meet responsible lending criteria.

**States and municipalities will help lead the way:** States and municipalities across the country have begun to implement creative solutions to finance energy efficiency retrofits and small scale renewable energy projects. These solutions have the potential to be scaled nationally with proper federal support. Property assessed clean energy bonds are an excellent example of a model that could be widely replicated with government support. This model enables property owners to finance efficiency and renewable energy projects through a voluntary tax assessment on their property tax bill. The ability to implement PACE programs exists in Florida and Hawaii, enabling legislation for PACE programs has recently passed in California (AB 811), Colorado (HB 08-1350), Maryland (HB 1567), New Mexico (HB 572), Texas (HB 1391), Vermont (H 446), and Virginia (SB 1212), and is pending in Arizona (HB 2330), Nevada (SB 398), and Oregon (HB 2181). PACE is a promising model, but it is not

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<sup>1</sup> Source: Johnson Controls 2009 Energy Efficiency Indicator Report Executive Summary – May 6, 2009



the only approach to financing clean energy retrofits. Other models include on-utility bill financing and lending based on efficiency savings. All of these models need federal support to be applied at scale.

**Key Attributes of PACE Financing:** High potential for success at low cost – if some market challenges can be overcome.

- Property bond instruments - such as PACE - can be a simple fix to some of the most vexing efficiency investment barriers by expanding credit availability for retrofits that private property owners might otherwise find prohibitively expensive.
- Federal support, in the form of bond guarantees for such private sector-led financing programs, is critical to accelerating material energy efficiency retrofits of our nation’s commercial and residential buildings and the deployment of small scale renewable energy systems, and can be implemented at a low cost.
- Very low risk to public as these debt obligations are generally a fraction of the value of the property and in most cases “super senior” meaning they are the first to be repaid in the event of property foreclosure.

**Enabling legislation needed:** Federal support for PACE financing, through mechanisms such as bond guarantees, would provide our nation with a low cost method to help ensure that the energy efficiency financing market attracts long term capital so that it can mature into a robust and affordable market, capable of financing much of our nation’s energy efficiency and renewable energy needs. Though the American Clean Energy and Security Act (HR 2454) in the House establishes a Clean Energy Development Administration (CEDA), it is currently not drafted in a way that will allow a clean energy retrofits financing program for energy efficiency to flourish. However, only minor modifications to the current CEDA proposal are needed to enable widespread PACE financing. **It is critical that PACE financing receive legislative support if it is to succeed. The group listed above is eager to help in any way possible to ensure that PACE and other innovative financing mechanisms become vital programs supporting our nation’s energy system in the years ahead.**

I hope you find this information useful and thank you for considering this potentially vital tool for accelerating the penetration of energy efficiency and clean retrofits into our nation’s economy.

Sincerely,

A handwritten signature in black ink that reads "Jason Grumet". The signature is written in a cursive, flowing style.

Jason Grumet  
Executive Director, National Commission on Energy Policy  
President, Bipartisan Policy Center

**Municipal Endorsers to Date:**

Association of Bay Area Governments (ABAG) - Henry Gardner, Executive Director  
City of Annapolis - Mayor Ellen Moyer  
City of Berkeley, CA  
County of Boulder, CO  
County of Montgomery, MD – Roger Berliner  
County of Sonoma, CA  
State of Maryland Delegates: Rudolph David, Sue Hecht, Sonny Minnick



cc: Members of the Energy and Commerce Committee

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