

## Clean Energy Policies that Work for Small Businesses

Small Business Majority's scientific research shows that small business owners believe clean energy policies will help the US economy and they want their businesses to be part of this transformation. They are also more likely to support legislation that includes incentives to reduce up-front costs for energy efficiency improvements. Our research shows that reducing energy costs is the number one cost-cutting measure adopted by small business owners during the recession. Yet they can and need to do more, and that requires help from the federal government. As such, federal policies are needed to drive a new clean energy economy and to assist small businesses in reducing utility bills and saving money.

In the absence of a comprehensive clean energy bill, there are various ways to address the issue, such as including appropriate clean energy components in transportation and biofuel legislation. There's also significant activity on the role of the Environmental Protection Agency. While we will remain engaged on these issues moving forward, there is existing legislation already introduced in Congress or implemented in states around the country that holds great promise in encouraging energy efficiency and cost savings that will boost small business owners' ability to compete in this economy.

**The Bottom Line: The following policies all save small businesses money, and will have a positive financial impact on small firms and the economy. They should be adopted as soon as possible.**

### Home Star Energy Retrofit Act of 2010

Home Star would create more than half a million new jobs over the next two years by offering consumers direct incentives for improving the energy efficiency of their homes. This plan would leverage a combination of public and private investments to create a strong market for home performance retrofits, and stimulate immediate nationwide job creation in construction and manufacturing.

According to the Small Business Administration, nearly 99% of all construction firms in the United States are comprised of small businesses. This legislation will boost demand for the goods and services they provide, as many of them are redefining their skills to become home performance energy experts. For example, companies employing fewer than 20 people account for nearly 90% of firms installing energy-efficient lighting and HVAC equipment, 88% of roofing insulation firms, 82% of window manufacturing and installation businesses and 85% of overall insulation firms. Home Star is a short-term program to create jobs at these types of small businesses, save energy and lower families' energy bills.

Home Star includes two tracks to provide long and short-term benefits:

- The Silver Star program will provide up-front rebates for the installation of specific energy-saving technologies, including insulation, duct sealing, windows and doors, air sealing and water heaters. Homeowners will be able to receive up to \$3,000 in rebates under Silver Star.
- The Gold Star program rewards homeowners who conduct a comprehensive energy audit and implement a host of measures to reduce energy use throughout the home. Consumers

will receive \$3,000, or half the cost, for measures that reduce energy use by 20%, and can receive up to \$8,000 when additional energy savings are achieved.

Home Star also creates an innovative financing program to ensure that energy efficiency investments continue after the program's conclusion. It is expected to allow 3 million families to retrofit their homes to be more energy efficient, and save consumers \$9.2 billion on their energy bills over the next 10 years. Many small businesses are providing the retrofit consulting, construction and installation services needed for Home Star, and are likely beneficiaries of the new business created through this legislation.

### **Building Star Energy Efficiency Act of 2010**

This legislation establishes the Building Star Energy Efficiency Rebate Program of 2010 within the Department of Energy (DOE). It directs the Secretary of Energy to issue rebates to building owners to offset a portion of the cost of purchasing and installing equipment and materials, as well as enhancing the energy efficiency of existing commercial buildings. This would include rebates on goods like insulation, water heaters, air conditioners and lighting.

The bill, S. 3079, also directs the Secretary of Energy to create a Building Star Energy Efficiency Loan Program to make grants to states that make energy efficiency and renewable energy improvements to existing buildings.

As with Home Star, small business owners are the likely partners for many of these activities in the commercial sector. It is also vital to ensure that small businesses that lease or own their own buildings get the necessary incentives that will bring their offices into compliance, and make them more energy efficient and increase their property values.

### **Clean Energy for Homes and Buildings Act of 2009**

This bill would provide federal support to local, state or private building retrofit financing programs. As a new program in the Department of Energy, it would provide direct and indirect financing (loans, loan guarantees, loan-loss reserves, etc) to those providing financing to building owners.

S. 1574 would provide financial assistance to eligible applicants to promote the installation of energy efficiency measures in buildings in the private sector. This legislation helps local entities that already have experience in providing financial assistance and are more likely to get the assistance to small business owners quicker.

### **Federal Loans for On-Bill Financing**

We know from research that without innovative financing or incentives, small businesses can't afford and won't take the necessary steps to adopt efficiency standards. By boosting programs like Connecticut's successful Connecticut Energy Efficient Fund (CEEF), the treasury can provide loans to utilities in states to fund similar on-bill financing (OBF) programs that, in essence, allow customers to finance energy efficiency measures through their energy bills at little to no interest. When consumers use these measures and begin saving money on utility bills, the loan is repaid through monthly payments. This convenient access to capital is intended to provide an incentive to business owners to purchase and install efficiency tools like new lighting, occupancy sensors, refrigeration controls and HVAC upgrades—reducing their energy bills over the long haul.

These kinds of financing programs are essential in helping to develop the home performance contracting industry, which will help create a half-million jobs in the depressed contracting industry over the next 2 years.

We support the creation of legislation mimicking what other states have done—such as the Property Assessed Clean Energy (PACE) bond program—providing federal funding and authorizing the federal government to consider strategies to assist states and utilities to expand and promote on-bill financing. These could include:

- Planning grants for states and municipalities to set up OBF plans.
- Revolving loan fund that would front utilities the capital for their loan funds that would be repaid over time.
- Direction to DOE (or other federal agencies) to provide technical assistance and guidance to states, municipalities and utilities to establish OBF programs.

### **Strengthen ENERGY STAR**

ENERGY STAR holds great promise, but most small business owners aren't aware of its potential or of the program itself. We support expanding EPA's efforts to publicize the program, in particular, to the small business community. We recommend increasing public awareness of the program, extension of existing tax incentives for the purchase of ENERGY STAR products, and expanding additional incentives to allow small businesses to utilize a larger array of ENERGY STAR products and services. This will incentivize small businesses' use of energy efficient appliances and building systems. This will also free up dollars otherwise spent on utility bills for other business purposes, including expansion and the hiring of new employees.

### **Targeted Capital Gains Tax Cuts**

Money managers, venture capitalists and other investors are ready and able to invest in clean energy firms that provide energy-efficiency equipment, installation and maintenance services. Investors have already proven their willingness to support clean energy firms. In California alone, venture capital investments in the industrial/energy industry totaled \$1.4 billion in the first two quarters of 2010. However, in the absence of federal legislation putting a price on carbon, investors lack the strong market signal needed to open the floodgates of investment in the clean energy sector. Legislation providing a tax cut or freeze on capital gains from clean energy investments is one way to incentivize investors to contribute toward America's clean energy future. It will also provide small business owners with potential new sources of capital, since banks and other financial institutions still put strong limits on small business lending.