



THE SELECT COMMITTEE ON
ENERGY INDEPENDENCE AND GLOBAL WARMING

"Negawatts: The Role of Efficiency Policies in Climate Legislation"
Opening Statement of Chairman Edward J. Markey
Select Committee on Energy Independence and Global Warming
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When we look into the energy and climate solutions toolbox, we usually focus on exciting new technologies like high-powered wind turbines, thin-film solar cells, or carbon capture and sequestration. Today's hearing, however, is about the less eye-catching but equally important solutions that improve energy efficiency: demand-side management, better building and appliance standards, lighting retrofits, and the host of other technologies and policies that enable us to use electricity more intelligently.

The Department of Energy projects that U.S. electricity demand will grow by 30 percent by 2030. There are two ways to meet this rising demand—megawatts and "*negawatts*." The first approach is the one we are familiar with—simply building more power plants. The second uses efficiency measures to do more with less. It is based on the reality that the cheapest and the cleanest power plant is the one we never have to build.

A recent study by McKinsey & Company concluded that in 2030, efficiency measures can cut U.S. global warming pollution by nearly 15 percent of current levels, at a profit. The 10 northeastern States participating in the "RGGI" cap-auction-and-trade system have found that by auctioning 100 percent of the pollution allowances and investing the proceeds in efficiency measures, they can achieve their climate goals at virtually no additional cost to consumers. Cap-auction-and-trade provides the resources to make efficiency policies work, while efficiency cuts pollution at the lowest possible cost. These solutions help us to work smarter, not harder.

Investing in efficiency is not just a cost-effective energy and climate solution. It will also pay major dividends in new jobs and economic growth. America's efficiency industry already produces close to a trillion dollars in annual revenues. One recent study found that aggressive investment in efficiency policies could result in the creation of 32 million new jobs and nearly \$4 trillion in revenues by 2030. By putting America in the vanguard of the efficiency revolution, we can create high-quality green jobs at home, while exporting high-quality green technology to the world.

Unfortunately, increasing America's energy efficiency is not as straightforward as it may seem. As we will hear from our witnesses, many efficiency improvements can already be achieved today at a profit, but are not being implemented because of market barriers. For this reason, simply putting a price on carbon is not enough. Focused policies must be used to reward efficiency and to eliminate perverse incentives, like those that couple utilities' profits with the amount of electricity they sell. Progressive states like California and New York, along with innovative companies like PG&E and Ameresco and organizations like the Regulatory Assistance Project, have taken the lead in tackling these challenges. We are grateful to have representatives of these government, business, and nonprofit leaders on our witness panel today. They can help show us the way forward.

As Congress considers cap-auction-and-trade legislation to combat global warming, it will be critical to include policies that support efficiency. We have already taken an important step by enacting new vehicle and appliance efficiency standards under the Energy Independence and Security Act, but there is much more we can and must do. If we are to cut global warming pollution as quickly and as deeply as the science says we must, it is imperative that climate legislation be designed to capture efficiency gains immediately. By making the potential of energy efficiency a reality, we can save the planet while simultaneously saving consumers money, spurring job growth, and meeting our nation's rising energy demand at the lowest possible cost.

NBA coach Pat Riley once said, "A particular shot or way of moving the ball can be a player's personal signature, but efficiency of performance is what wins the game for the team." If we are going to beat this energy, climate, and economic challenge, aggressively increasing America's energy efficiency must be at the center of our game plan.