# ReEnergize MICHIGAN!

***Clean Michigan Energy, Good Michigan Jobs***

*Detailed policy document*

## Current Landscape

Michigan is currently at a crossroads to secure our economic and energy future. Bold, immediate leadership is required to bring new industries to Michigan—including clean, alternative energy sources like advanced batteries, wind and solar power—before other states position themselves as leaders and draw investment in these emerging industries. By acting now, we can make Michigan a leader and make *clean* energy the *profitable* kind of energy.

During the 2007-2008 legislative session, a package of bills was passed that begin to put Michigan on a path to a cleaner energy future. However, Michigan's incentives for clean energy investments are not as strong as our Midwestern neighbors. Michigan has the resources to lead the nation in clean energy innovations that have the power to transform our economy. But we must put stronger policies in place to encourage far greater investments. In addition, current law does not do enough to address the need for rapid investment in energy efficiency, which has proven to be a simple, cost-effective policy that spurs immediate job creation, reduces energy consumption, and saves business and residents money.

The *ReEnergize Michigan!* Campaign champions progressive legislation to make Michigan a leader in the jobs of the future by investing in clean, alternative energy industries, like advanced batteries, wind and solar power. The campaign is also addressing the need to protect Michigan consumers from home foreclosures due to energy bill non-payment and shut-offs, as well as increasing investment in low-income home weatherization projects.

The public is hungry for bold policies that provide incentives for immediate job growth with an eye towards sustainability. Recent data compiled by Greenberg, Quinlan, Rosner Research shows that over **92%** of Michigan citizens **strongly support** offering incentives to draw companies to Michigan that will invest in new technologies and industries. Increasing investment in clean, alternative energy and energy efficiency demonstrates to the public that Michigan's legislature is willing to do what it takes to change the direction of our state's economy.

## Campaign

The *ReEnergize Michigan!* Campaign brings together a diverse coalition of labor, environmental and faith-based organizations; businesses; consumer protection and anti-poverty groups and others around issues that will help the legislature and executive branch enact immediate, bold policies that will spur job creation and position Michigan as a leader in new industries, such as advanced batteries, wind and solar power.

The campaign will involve layered communications, including e-alerts, meetings with lawmakers, earned media events and town halls/public forums in targeted communities.

# Create Powerful Incentives for clean, alternative energy production and manufacturing

Michigan must create and expand tax incentives for clean, alternative energy production and manufacturing, with the goal of luring clean energy industries to the state and creating thousands of good skilled jobs.

## Problem/Opportunity

Hard economic times mean Michigan must maximize its competitiveness for renewable energy industry investments. Our state has not made the most of available tax scenarios that would create a magnet for new investments.

## Solutions

- Work with state officials to create the best-possible suite of tax incentives for maximizing Michigan's competitiveness. These tax incentives should promote technologies that have the potential to bring jobs to our state.
    - Property tax exemptions for renewable energy installations, such as wind and solar power equipment
    - Income tax credits for renewable energy installations
    - Business tax credits for renewable installations

# Create Clean Energy Entrepreneurs through a Feed-in-Tariff and stronger Net Metering programs

Michigan can promote a clean, alternative energy economy with groundbreaking programs that help residential customers and businesses become alternative energy entrepreneurs. Utilities must pay a fair price, including a return on investment, for electricity generated and put onto the grid.

## Problem/Opportunity

Michigan's new energy laws contain a provision called Net Metering, which requires utilities to pay certain customers for energy they produce and put back onto the electric grid. For example, a farmer who installs a wind turbine on his or her property can pay a connection fee to the utility and sell any excess energy created by the wind turbine back to the utility. Net Metering allows electric meters to run both forward and backward, so that producers get a credit for the power they generate. However, Michigan's Net Metering provisions do not require the utilities to pay small energy generators a return on their investment. So, only those individuals or companies who are able to spend their own money to install a renewable energy system, and don't mind not getting a return on their investment, will do so. There is limited incentive built into this system.

## Solution

- Programs such as Feed-In-Tariffs (FIT) pay renewable energy developers for the power they produce and put onto the grid, as well as a return on their investment. Large-scale investment in renewable power outside of utility-owned sources will diversify our electric supply and spur increased investment in renewable energy component manufacturing. FIT policies in Europe have been extremely successful, and they are now world leaders in renewable energy technology and installation. Michigan must craft its own FIT that gives the Michigan Public Service Commission (PSC) the authority to offer premium prices to renewable energy investors, maximizing our state's potential for solar, wind and wave power.

    - Enact a Feed-in Tariff – which allows the PSC to set long-term contract rates with providers
    - Community-based energy development tariffs – which allow communities to invest in renewable energy facilities
    - Net metering expansion – especially focused on schools – which makes it easier and more profitable for schools to install renewable energy facilities.

# Encourage immediate investment in clean, alternative energy by strengthening Michigan's Renewable Portfolio Standard

With one of the strongest and cleanest Renewable Portfolio Standards (RPS) in the nation, our state will become a magnet for the development of advanced batteries, wind and solar power. Michigan must send a signal to the rest of the world that our state will spearhead the new energy economy while doing our part to reduce the impacts of global warming.

## Problem/Opportunity

As part of the RPS in the 2008 energy bills passed by the legislature, Michigan utilities must begin to invest in clean, alternative energy. The state's new RPS requires that at least 10% of the electricity sold by utilities must come from renewable sources by 2015. However, Michigan's standard is weak compared to neighboring states like Minnesota and Wisconsin. Subtracting alternative energy sources that already exist in Michigan, and dirty power sources allowed under the current RPS, Michigan's effective renewable energy standard is about 4%, which sends the wrong message to renewable energy industries. For our state to be a leader, we must have a standard that clearly shows our commitment to clean, alternative energy.

In addition, current law defines many non-renewable and polluting energy sources as renewable, including coal fired power plants, trash incineration and waste "gasification." Under Michigan's RPS, utilities that invest in these dirty and wasteful options can obtain valuable Renewable Energy Credits (RECs), the currency of clean energy, which should only be available for truly clean and renewable energy resources. Finally, Michigan's RPS contains ineffective enforcement mechanisms and allows the Public Service Commission (PSC) to grant discretionary extensions of utility RPS plans, and the possibility of lowered standards, without significant penalty.

## Solution

- Michigan must raise the RPS to at least 30% by 2025 to create the needed incentives for clean, alternative energy industries, like advanced batteries, wind and solar power, to locate in Michigan. The legislation will eliminate non-renewable energy sources from the RPS, eliminate loopholes and delays, and put meaningful enforcement mechanisms in place, including fines for non-compliance.
    - Increase RPS to 30% by 2025
    - Clean up the definition of what is considered "renewable"

# Maximize investments in Energy Efficiency to save ratepayers money and create thousands of skilled jobs

Energy efficiency is the cheapest energy resource available. Investments in energy efficiency, especially home weatherization and upgrades in lighting and heating systems, will create thousands of good jobs in all corners of the state that can't be outsourced. Michigan must maximize investments in energy efficiency programs due to its proven effectiveness at capturing baseload power at the lowest possible cost. Energy Efficiency programs result in lower energy costs for all ratepayers. Weatherization programs help slash utility bills for low-income residents while raising the value of those homes, and making people warm and secure in winter.

## Problem/Opportunity

In 2008, the Michigan Legislature required that the state's utilities invest in energy efficiency programs that would help residents and businesses reduce electricity demand by 1% each year. However, the 2008 legislation significantly limits what the utilities can spend on energy efficiency. As such, the state's current energy optimization policies fail to maximize investments in the cheapest, fastest and most job-creating new energy source – making existing homes and businesses more energy efficient. Given the State of Michigan's economy, there is a desperate need to reduce utility bills for low-income families by weatherizing homes. With the additional infusion of federal stimulus dollars dedicated to energy efficiency and weatherization, Michigan's energy efficiency standard should be increased.

Michigan is also not receiving its full allocation of weatherization money from the federal government because the state limits spending on weatherization to 10% of its Low Income Home Energy Assistance Program (LIHEAP). Also, there are no uniform standards or certification requirements for energy efficiency auditors.

## Solution

- Michigan must continue to promote innovations in energy efficiency by increasing the energy savings requirements from energy efficiency to at least 2% annually.
- Eliminate the spending cap on energy efficiency programs.
- Michigan must raise the cap on weatherization spending within the LIHEAP fund, so as to obtain its full allocation of weatherization funds from the federal government.
- Incentives must be built in for landlords, so that low-income renters also see the benefits of increased energy efficiency.
- Certification programs for energy efficiency auditors must be established so that best-practices are used consistently and reliably.
- The State of Michigan should upgrade lighting systems in state buildings, using high efficiency bulbs to save taxpayers money.
- Provide tax deductions for the purchase of energy efficient appliances.
- Increasing appliance efficiency standards

# Create incentives for second-generation biofuels and advanced battery production with a Low Carbon Fuel Standard

In order to reduce Michigan's emissions of greenhouse gasses (GHGs) , to make our state more energy independent, and to create markets for Michigan-made auto fuels and vehicle power sources, Michigan must enact a Low Carbon Fuel Standard (LCFS) of 10% by 2020. A LCFS will pave the way for Michigan to become a leader in the advanced battery storage industry and sustainable biofuels. Environmental safeguards and sustainability standards for biofuel production must ensure protection of air and water quality, biodiversity, wildlife habitat, soil fertility and forest health.

## Problem/Opportunity

Increasing dependence on dirty, non-renewable and unsustainable transportation fuels is negatively impacting Michigan's environment and economy. Relying on mainly on petroleum inflicts ecological harm from global warming, air pollution and other pollutants, and as a result, is harming human health. Michigan also suffers economically, as our state is forced to export a great deal of our wealth to import these dirty fuels. Unfortunately, even worse fuels than our current petroleum-heavy mix, as well as untested technologies, are gaining momentum in our state.

Michigan has invested heavily in providing incentives to develop advanced battery and biofuel industries in the state which can help reduce our greenhouse gas emissions and create jobs. However, we have done nothing to create markets for these new fuels and power sources.

## Solution

- Enact a Low Carbon Fuel Standard (LCFS) of 10% by 2020. A LCFS would require fuel providers to reduce the average carbon intensity of all fuels by 10 percent by 2020. The LCFS must include an evaluation of GHG emissions from each proposed fuel type based upon a life-cycle analysis. Every aspect of a particular fuel source must be calculated into the analysis with a "seed to tailpipe" analysis that includes: the crop being utilized as fuel; the kind of land it's planted on; chemical fertilizers and pesticides applied; harvesting techniques; processing; refining; transportation; and emissions after the fuel is burned. The analysis must also take into consideration the direct and indirect land use impacts of a chosen fuel type.
- A LCFS must be accompanied by Sustainability Criteria that ensure the long term viability of renewable biofuels and the protection of soil and forest health, the biodiversity they support, and their capacity to store carbon for generations.
- Eliminate subsidies for biofuels that fail to meet lifecycle analysis and sustainability standards described above.

# Make Michigan a Leader in Building "Green"

Michigan should improve building codes so that new construction is as efficient as possible. The state should also provide incentives and education to transform Michigan's construction industry so that buildings become part of the solution to energy conservation and efficiency, as well as energy production.

## Problem/Opportunity

Michigan's residential building code was improved as a result of a court decision in 2008. However, the code is still not as strong as it needs to be to accommodate new construction technologies and new products that can help homeowners save money on their utility bills.

While building code inspectors generally do a good job of enforcing construction and mechanical codes, they sometimes give short shrift to building efficiency codes. Both code enforcement officials and builders need education on the benefits and cost savings of building more energy efficiency homes.

The state lacks incentives for homeowners to seek out builders who will design and construct the most energy efficient homes possible.

## Solutions

- Michigan's energy code must correspond with the publication of the most recent edition of the International Energy Conservation Code (IECC). This process ensures that Michigan's code reflects the most recent changes in construction technology, products and design that offer increased energy efficiency and cost savings for the homeowner from the very first month of ownership.
- Allow local communities the option to have stronger building codes than the State.
- Any financial test used to determine the cost-effectiveness of efficiency improvements in building design must analyze the costs and benefits of energy efficiency upgrades over a standard 30 year mortgage.
- Provide incentives for increasing efficiencies in buildings and appliances.
- Provide incentives to homeowners who hire builders that design their buildings to exceed the 2009 IECC efficiency standards.
- Provide incentives and training to help builders begin to incorporate energy generating features, such as solar rooftops, into the structures they build.
- Establish certification standards for energy auditors.

# Protecting Michigan Residents

## Problem/Opportunity

In response to a recent freezing death of a Michigan resident, the Legislature has crafted a package of consumer shut-off protections. But, they are not strong enough. The proposals that are being discussed by the legislature are not creating greater protections, they are only forcing municipal utilities to comply with the regulations that apply to Public Service Commission regulated utilities. The PSC shut-off protections apply only during the winter, or if a person has a documented life-threatening condition. Because of climate change, our state will see a much higher number of 90-100 degree days. During such times, it is not safe for some vulnerable populations, like seniors and children, to be without at least some amount of electricity or gas. Also, Michigan has not fully taken advantage of home weatherization programs, even though that is the best way to reduce residential utility bills.

## Solution

- **Prohibit home foreclosures due to energy bill non-payment:**
  The foreclosure crisis is hitting Michigan harder than other parts of the country. Michigan must protect homeowners from foreclosures resulting from non-payment of electricity and gas bills.

- **Prohibit complete electricity shut-offs for vulnerable populations:**
  Michigan must not let vulnerable citizens, including seniors, people with disabilities, and low- or no-income householders, to be exposed to dangerous weather conditions by complete energy shut-off for bill non-payment.

- **Fully invest in low-income home weatherization projects:**
  Michigan must maximize weatherization of low-income homes to help families slash utility bills and stay comfortable in their homes. Michigan must take full advantage of weatherization funds made available to states by the Federal Government.