

Written Testimony

of The Honorable John Engler, President and CEO
The National Association of Manufacturers

Submitted to the Subcommittee of Energy and Environment
of the Committee on Energy and Commerce

House of Representatives

Hearing on “HomeStar: Job Creation Through Home Energy Retrofits”

Hearing Date March 18, 2010

**Written Testimony Submitted by
The Honorable John Engler
President & CEO
National Association of Manufacturers
Washington, D.C.**

**Submitted to the
House Committee of Energy and Commerce
Subcommittee on Energy and Environment**

**Hearing on
“HomeStar: Job Creation Through Home Energy Retrofits”**

Wednesday, March 18, 2010

Chairman Markey, Ranking Member Upton and Members of the Subcommittee,

I am John Engler, President of the National Association of Manufacturers (NAM). I want to thank you for holding this hearing on the HomeStar proposal and for offering me the opportunity to testify before you today. The NAM and its member companies are committed to working with the Administration and Congress to make the HomeStar proposal as effective as possible and I am pleased to offer our support for this important program.

NAM is the nation’s largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. Our members play a critical role in the manufacturing, distribution and sale of energy-efficient products and services that can improve the efficiency of our homes and our buildings.

NAM firmly believes that an effective program to encourage energy-efficient home retrofits will both stimulate job creation by increasing the demand for energy efficient products and services and lead us down a path to a more energy-efficient economy.

Getting People Back to Work

The U.S. manufacturing sector was hit hard during the recent recession. Manufacturing employment has fallen by nearly 2.2 million since December 2007 to a level of just over 11.5 million. This decline has affected manufacturers more than any other sector of the economy and has accounted for roughly a quarter (26 percent) of the 8.4 million jobs lost to-date. While manufacturing production started to turn up in the second half of last year, the level of production currently remains 12 percent below pre-recessionary levels as of last month.

The deep decline in the housing market—which includes the home improvement sector—has had a significant impact on manufacturing. Nearly a quarter of the manufacturing jobs lost have been in industries closely connected to housing, such as furniture, wood and textile products and building materials. While output in several of these industries (textiles and wood products) has turned up in recent months, others (building materials and furniture) still have not.

Along with recoveries in other parts of the domestic economy as well as the global economy, a sustainable upturn in the housing sector will be a key ingredient for getting manufacturing back on track, expanding production and creating high-paying jobs. In fact, NAM estimates that if a healthy rebound in housing takes place over the next few years (2010-2013), it likely will create 128,000 manufacturing jobs in the industries connected to this sector.

As currently drafted, the HomeStar proposal would spur consumer demand for the purchase and installation of energy-efficient products and building materials by providing significant and immediate rebates for home energy-efficiency retrofits. In addition to promoting residential energy efficiency, the program will quickly create jobs in the manufacturing, distribution and sale of energy-efficient products.

Moreover, there is strong evidence that temporary, targeted incentive programs like HomeStar can generate jobs, investment and economic growth. For example, the clean energy manufacturing tax credit program included in the American Recovery and Reinvestment Act enacted last year has drawn tremendous interest from the private sector. Section 48C provides a 30 percent tax credit for investments in facilities that manufacture clean energy technologies including wind, solar, batteries, advanced transportation and advanced energy transmission. The initial tax credit program, which was capped at \$2.3 billion, will spur critical investment in new manufacturing facilities and has the potential to generate some 58,000 jobs. The program already is oversubscribed—it has drawn applications for more than \$8 billion in tax credits. The NAM supports efforts to provide an additional \$5 billion to expand the current program.

Promoting Energy Efficiency

NAM members recognize the need to promote energy efficiency across the U.S. economy. Manufacturers account for a third of our nation's energy use and the NAM believes that cost-effective energy efficiency and conservation measures are key to reducing energy cost inputs, stretching available energy supplies and reducing greenhouse gas emissions. The manufacturing sector has taken the lead in making energy efficiency a priority. In fact, improvements in energy efficiency in the manufacturing sector have helped the country to become 46 percent more efficient in energy use per unit of GDP, and reduced energy intensity of the U.S. economy by 1.9 percent.

Manufacturers are committed to producing more energy-efficient consumer products including insulation, windows, doors, skylights, and heating and cooling systems that reduce the U.S. demand for energy as well as reduce greenhouse gas emissions. With more than half of the 86 million single family homes throughout the United States constructed before modern codes even existed, the vast majority of homes in the United States are not well insulated, have outdated heating and cooling systems, have inefficient windows and doors and are in dire need of upgrades.ⁱ

In addition, utility bills are the second highest cost of home ownership today bested only by the mortgage itself. According to the Department of Energy, a typical household spends \$2,200 annually on energy bills.ⁱⁱ With home heating costs on the increase and utility bills on the rise, the need for action is now.

If consumers installed more energy-efficient products, they could save up to 30 percent on their energy bills.ⁱⁱⁱ Moreover, we would immediately begin to reduce the demand for energy in this nation. In fact, one study showed that the United States could save more than \$600 billion in energy costs by 2020 if we spend more on making our homes and our buildings more energy-efficient.^{iv}

Mr. Chairman, while the benefits of energy-efficiency retrofits are clear both to consumers and our country, it is also clear that consumers are not always choosing to make their homes more energy efficient. According to a recent report of the Harvard's Joint Center on Housing Studies, only 14 percent of remodeling projects are geared toward energy-efficiency. With this in mind, we believe a program to motivate consumers is needed. HomeStar, if done right, can help us provide the motivation, build demand and thus get people back to work in the manufacturing, distribution, sale and installation of energy-efficient products.

Making HomeStar Work

The immediate impact of the HomeStar program will be in the Silver Star category, which provides targeted incentives for consumer-installed energy-efficient products and has the potential to have the most immediate and most significant impact on jobs. The key to making this program work is to make sure that it is reliable, easy to

understand and quickly deployed. We also would like to see the program expanded to include other products designed to promote residential energy-efficiency.

As you work to advance the proposal, we look forward to working with you to make sure that the program itself and the product specifications are easily understandable for businesses and for consumers. We also look forward to working with you to make sure that the rebate program is administered in such a way as to ensure that the rebates are processed quickly and in a reliable fashion.

Conclusion

Mr. Chairman, the country faces significant challenges in terms of job creation and energy use. NAM believes that the HomeStar program provides a unique opportunity for the public and private sectors to work together to address two major policy objectives: stimulating job creation and making American homes more energy-efficient. America's manufacturers look forward to working with you as the HomeStar legislation moves forward and we are pleased to provide our support for making this an effective program.

Thank you, Mr. Chairman

ⁱ Joint Center for House Studies of Harvard University "The remodeling market in transition"
<http://www.jchs.harvard.edu/publications/remodeling/remodeling2007/r07-1.pdf>

ⁱⁱ http://www.energystar.gov/index.cfm?fuseaction=find_a_product.showProductGroup&pgw_code=TH

ⁱⁱⁱ Alliance to Save Energy <http://ase.org/content/news/detail/6360>

^{iv} <http://www.energysecurityanddiversity.com/11966/55798938/energy-efficiency-could-save-us-600-billion>