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Success Stories in Energy Efficiency

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A McKinsey report on energy efficiency in the United States, released today (see [related post](#)), cites \$1.2 trillion in potential savings by 2020 if the country first invests \$520 billion in efficiency improvements like better insulation for buildings.

The big question is, what policies can help us to get there? The report cites several “success stories.” Potentially, some could serve as models for other programs or policies.

McKinsey’s list (see p. 18 of the report) highlights:

— **Appliance standards:** Federal energy-efficiency requirements for refrigerators, [lights](#) and other appliances have saved Americans an estimated \$50 billion from 1987 through 2000, at a cost of \$15 billion.

— **The state of California:** California’s per-capita electricity usage has remained virtually stable over the past 30 years even as the nation’s per-capita consumption has grown. There are [many causes](#), but partial credit goes to the state’s aggressive efficiency efforts, including setting state-level appliance standards and strict building codes.

— **EnergyStar:** This [federal program](#) offers its label to the most efficient appliances in certain categories — thus helping consumers to know whether, say, the washing machine they want to buy is an energy-saver or an energy hog. However, as the McKinsey report notes, “many appliances and devices remain unaddressed.”

— **Efficiency Vermont:** This “[energy-efficiency utility](#),” the first of its kind in the nation when it was created in 2000, provides Vermont homes and businesses with special incentives to stay efficient — helping Vermont to become the [only state in which gains in energy efficiency are offsetting projected increases in electricity consumption](#). Efficiency Vermont’s operations are financed by a surcharge on consumers’ bills.

Small-scale programs, structured properly, can help too. In an interview Philip Farese, a McKinsey consultant, cited a program called [Long Island Green Homes](#) as an example of an innovative financing scheme that helps homeowners to afford efficiency improvements. The town of Babylon has tapped a solid waste fund to pay the up-front costs of energy-efficiency measures, and homeowners pay back the cost of the improvements incrementally — at the same time that they are seeing lower utility bills.

Another example, not cited explicitly by McKinsey, might be a **rapidly spreading model** that allows homeowners to pay for solar panels or energy-efficiency improvements gradually, through higher property taxes, after their locality shoulders the initial costs.

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