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March 14, 2022

EGLE Staff and the Council on Climate Solutions
Michigan Department of Environment, Great Lakes, and Energy
525 West Allegan Street
Lansing, MI 48909-7973

RE: Midwest Energy Efficiency Alliance (MEEA) Comments on Draft MI Healthy Climate Plan

The Midwest Energy Efficiency Alliance (MEEA) greatly appreciates this opportunity to comment on the draft MI Healthy Climate Plan. MEEA is a collaborative network, promoting energy efficiency to optimize energy generation, reduce consumption, create jobs and decrease carbon emissions in all Midwest communities. Our organization seeks an achievable pathway for all people and communities in the Midwest to receive the economic, environmental and societal benefits of energy efficiency and the larger clean energy economy.

MEEA recognizes and appreciates Governor Whitmer's continued efforts to reduce Michigan's carbon footprint. Executive Directive 2019-12 encouraged Michigan to pursue solutions to reach a 26-28% reduction in greenhouse gas emissions by 2025 from 2005 levels. This goal was bolstered by Executive Directive 2020-10, which will push Michigan to reach economy-wide carbon neutrality by 2050. Additionally, the Governor has joined the US Climate Alliance, restructured the Department of Environment, Great Lakes, and Energy and created the Council on Climate Solutions.

MEEA has been following the work of the Council on Climate Solutions and MEEA staff served on two council workgroups: Policy Director Nick Dreher on the Energy Intensive Industries workgroup and Building Policy Manager Nicole Westfall on the Buildings and Housing workgroup. We commend the efforts of the Whitmer administration to decarbonize the state's economy. However, some sectors of Michigan's economy are not yet on track to reach mid-century decarbonization. It is critical that the Plan consists of clear policies that are both strong and achievable. With that in mind, MEEA respectfully submits these comments that we hope are considered in drafting the final MI Healthy Climate Plan.

Building Energy Codes

MEEA is encouraged to see building energy codes highlighted in this Plan. Energy codes are one of the most cost-effective energy policies that can be implemented. Strong energy codes establish minimum standards that not only result in the construction of more energy efficient buildings, but also buildings that are more resilient, healthier and have lower operating costs, saving owners and operators money on utility bills and reducing health care costs for occupants. The most cost-effective time to implement the energy efficiency features included in the energy code is during the initial construction of the building. While there may be small incremental costs associated with updating any building code, the energy code is the only building code that reduces operating costs and improves owner cash flow. These benefits continue far beyond the payback period – they last for the lifetime of the building, which can be from 50 to 100+ years.

The MI Healthy Climate Plan establishes a goal for Michigan of adopting the 2021 International Energy Conservation Code (IECC) without weakening amendments and with additional provisions to support electric vehicle charging. It also considers the incorporation of additional



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climate mitigating solutions such as energy storage, renewable energy and building decarbonization. The adoption of the 2021 IECC is a critical step to reducing energy waste in Michigan. However, in order to reach the climate and carbon reduction goals established by the Whitmer administration, the state must continue to consistently update building efficiency policies to reduce energy consumption of the built environment. Committing to regularly updating Michigan's building energy codes without weakening amendments will ensure that Michigan is on a path to lowering the impact buildings have on statewide energy use. The State should also consider incorporating additional metrics into the review process for new codes, including life cycle costs and greenhouse gas/carbon reduction potential, to ensure that the myriad of benefits that stem from strong building energy codes are considered. Additionally, establishing energy reduction targets for the state's energy codes would provide builders with a clearly understood path for the code, allowing them to better plan their business investments. Establishing these targets would also put Michigan on track to achieve net zero construction.

Stretch Codes

While the MI Healthy Climate Plan emphasizes the importance of updating the current statewide building code, it does not provide alternatives for jurisdictions looking to do more. Currently jurisdictions are not able to adopt building energy code provisions other than those in the statewide energy code. This requirement prevents more progressive jurisdictions from taking greater steps towards reducing energy waste in buildings. By creating and regularly updating a statewide stretch code for Michigan and setting energy targets for the code to meet, Michigan can provide an option for more progressive jurisdictions to require stronger energy efficient construction ahead of the statewide energy code that is consistent across the state. This would also allow builders to see the next step for the Michigan construction industry, and better prepare the workforce for the future code updates.

Policies that Address Existing Buildings

The adoption of strong energy codes is an essential step to improving the future of Michigan's building stock, however existing buildings in the state are also a significant contributor to the state's energy consumption. The MI Healthy Climate Plan highlights the importance of reducing energy waste in existing buildings, but it does not identify mechanisms to do so. MEEA recommends the state commit to passing a statewide mandatory benchmarking policy and building performance standard. These policies would establish the baseline of energy use in buildings across Michigan and set energy reduction targets, allowing a smooth, achievable, incremental, and cost-effective glidepath to reducing energy waste in the built environment. In order to pass and most effectively implement these policies, the state has an opportunity to lead by example and begin benchmarking and setting energy reduction targets for all state-owned and operated facilities.

Compliance Support

The Plan establishes several strong goals for buildings in the state. However, in order for Michigan to realize the full benefits of these policies, support must be provided to stakeholders in the state so they can fully comply with the policies. Designating funding to provide training and compliance resources on the new policies and provisions to builders, code officials, building operators and other stakeholders is critical to ensuring that provisions in the new codes and policies are being met, and planned benefits achieved.



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Energy Waste Reduction Standard

MEEA commends the Council's inclusion of energy waste reduction in the Plan. Energy waste reduction (EWR) investments can meaningfully contribute to the 2030 and 2050 carbon reduction goals while providing numerous health and economic co-benefits. As the lowest cost resource, EWR is a proven policy that Michigan can leverage to delay or prevent the construction of more expensive energy generation. There are clear environmental benefits to energy efficiency as Michigan is still overwhelmingly reliant on fossil-based generation. But even as the state transitions to more renewable energy generation, efficiency can be critical in right-sizing the system and reducing peak demand when those renewable resources aren't as plentiful. Efficiency will be even more critical as Michigan begins to electrify its building stock. Residents will only see the environmental, economic and health benefits of electrification if the building envelope is strong.

The Plan proposes to raise the energy waste reduction standard to 2% for electric utilities and 1% for natural gas utilities, which would make Michigan's standard amongst the highest in the Midwest. MEEA recommends that the Council look at utility incentives as an additional way to drive energy savings. Michigan's incentive system has been incredibly successful in pushing utilities to reach deeper savings, as it's the primary reason the state's utilities have continued to surpass their statutorily required levels of energy savings (with some utilities already reaching 2%). Raising the energy savings per incentive tier could motivate utilities to reach deeper energy savings without having to codify the standard for all utilities.

Municipal and Cooperative Utilities and EWR

MEEA recommends that the Council consider ways for the state's municipal and cooperative utilities to once again participate in the energy waste reduction framework. The state's standard for munis and coops expired at the end of 2021. While Michigan's investor-owned utilities serve most of the state's population, there are large pockets of the state that are served by consumer-owned utilities. Including these utilities in the energy waste reduction framework is not only essential in meeting carbon reduction goals, but it is also a more equitable policy that ensures all Michiganders have the option to participate in programs that reduce their utility bills and emissions in their communities.

Minnesota passed the Energy Conservation and Optimization (ECO) Act in 2021 which modernized the state's energy efficiency framework and expanded the kinds of programs that consumer-owned utilities can count toward their energy savings goals. The Council could look at the ECO Act as an example of how to balance the desire for energy savings with the understanding that Michigan's consumer-owned utilities face unique challenges.

Weatherization and Low-Income EWR

MEEA appreciates the Council's acknowledgement of the need for increased weatherization— it is an under-utilized tool in Michigan. Though budgets and workforce capacity will continue to present challenges, ramping up the state's weatherization program is essential to improving Michigan's housing stock and reducing energy burden. Currently, Michigan spends about \$6 million of its allocated federal LIHEAP funds, which equates to about 3%. Federal law allows states to use up to 15% of their LIHEAP allocation on weatherization. While increasing the LIHEAP



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weatherization percentage is one avenue, MEEA recommends that the Council also continue to consider ways to increase the number of homes that are weatherized each year. Understanding and mitigating the barriers to weatherization, notably the health and safety issues that disqualify up to 60% of homes for weatherization services, is critical to making progress on the state's backlog.

Additionally, there are ways the Council can boost energy efficiency programs for low-income households. Minnesota and Wisconsin are currently studying how performance-based incentives could be utilized to increase low-income energy efficiency programming. As mentioned, Michigan already has a robust framework and incentive program that has driven deeper energy savings. Michigan can study how to leverage this structure to increase low-income energy efficiency programming. As evident by recent integrated resource plans and EWR filings, Michigan utilities are committed to energy waste reduction. It is imperative that those EWR funds go to the state's most vulnerable households. Installing regulatory mechanisms to encourage this will reap much needed environmental, economic and equity benefits.

Illinois passed its Climate and Equitable Jobs Act (CEJA) in 2021. CEJA dramatically increases the amount of money utilities must spend on low-income energy efficiency. These increased budgets are important, but perhaps more notably CEJA requires that 80% of electric utilities' low-income budgets be dedicated to whole-building weatherization. These dollars will permanently lower bills for residents, helping reduce the reliance on short-term emergency assistance. Michigan can look to CEJA to encourage utilities to not only spend more on low-income efficiency but spend those budgets in ways that meaningfully and permanently improve housing stock.

Thank you for the opportunity to comment on the MI Healthy Climate Plan. MEEA understands that creating a climate plan is a challenging undertaking. We look forward to engaging with EGLE and the Council on Climate Solutions to ensure that the policies of this Plan are implemented. You can reach out to our Building Policy Manager, Nicole Westfall (nwestfall@mwalliance.org), or our Policy Manager, Maddie Wazowicz (mwazowicz@mwalliance.org), if you have any questions for us on these matters.

Sincerely,

Stacey Paradis, Executive Director
Midwest Energy Efficiency Alliance