

UNLOCKING ENERGY EFFICIENCY WITH COLLABORATIVE PARTNERSHIPS AND FEDERAL INCENTIVES

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Public buildings are the heartbeat of our communities, housing essential services that keep the community safe, secure, and operational while providing access to resources that foster community engagement. Unfortunately, many of these buildings are inefficient due to aging infrastructure, putting critical facilities at risk. Whether it's a city hall, a K-12 school, or a state agency office, upgrading public buildings with energy-efficient measures protects them from vulnerabilities such as extreme heat, deteriorating air quality, and fluctuating utility costs.

So, why aren't more public buildings being upgraded to become energy efficient?

Too often, procuring capital infrastructure projects to implement energy efficiency measures gets deprioritized due to the challenges that public entities face: budget limitations, the time and complexities of getting stakeholder approval, and the financial risk the building owner assumes. However, these challenges can be overcome with the right partner and strategic utilization of available federal incentives.

THE PARTNER

When creating the scope for energy efficiency projects, it is advantageous to seek a partner with a vested interest in the project who will work in collaboration with you. Energy efficiency can be driven by a variety of measures, and innovative ideas from experts in the field can identify areas that may have been missed. Energy Service Companies (ESCOs) specialize in designing, constructing, and implementing solutions to enhance building infrastructure and create energy-efficient buildings. ESCOs collaborate closely with their clients to identify all potential opportunities and jointly develop the project scope, leveraging both their expertise and the client's specific needs.

ESCOs are long-term partners, with contracts ranging from 15–20 years. Most of their work is public buildings, so they understand the complexities of getting a project started and ultimately across

the finish line. ESCOs typically operate under a performance-based contract called an Energy Savings Performance Contract (ESPC). The ESPC can be financed utilizing cost-effective financing and repaid through the energy savings of the project, which is financially guaranteed by the ESCO. The financial and operational risk that the building owner typically bears is shifted to the ESCO because if the savings do not materialize the ESCO pays the difference.

This partnership and contracting vehicle opens the door for larger, more impactful projects, which are typically self-funded and carry little risk to the building owner.

THE FEDERAL INCENTIVES

Public buildings are well-positioned to receive grants or tax incentives from the federal government. We have seen waves of funding opportunities being distributed from the Bipartisan Infrastructure Law (BIL) and Inflation Reduction Act (IRA) to encourage building retrofits to reduce greenhouse gas emissions and become more energy efficient.

While federal dollars are impactful, the funding allotted may still not be enough to fully fund a comprehensive infrastructure project. This is where the value comes from forming a partnership with an ESCO; federal dollars can be leveraged when combined with an ESPC. In an ESPC, the cost of making energy-efficient improvements is typically covered by the future savings these improvements generate. Federal dollars—whether through direct funding, grants, or tax incentives—can supplement the financing of these projects. This can enable larger, more comprehensive energy upgrades or ensure that upfront costs are minimized, making these projects more accessible and financially viable. Essentially, the combination of federal dollars with ESPCs can help stretch each dollar further.

ESCOs can also provide guidance on what funding, grant, or tax incentives the project qualifies for. They have a consistent pulse on opportunities coming from the federal government.

Here are a few opportunities available to public buildings:

Investment Tax Credit (ITC), IRA

The ITC is primarily used for solar energy projects, but it can also apply to other renewable energy systems like wind, geothermal, and fuel cells. It allows eligible entities to deduct a significant percentage of the cost of installing these systems from their federal tax liability. Because public sector organizations do not file federal taxes, in the past, they were unable to directly benefit from Investment Tax Credits. Recent changes to the ITC allow public sector clients to receive a “direct-pay” option that allows them to recoup tax incentives by filing a tax form and receiving a return from the Internal Revenue Service.

Energy Efficient Commercial Buildings Deduction (Section 179D), IRA

The Energy Efficient Commercial Buildings Deduction (Section 179D) applies to energy-efficient improvements made to commercial buildings, including schools. It allows for a tax deduction for the full cost of installing energy-efficient systems to a building’s envelope, HVAC (heating, ventilation, and air conditioning) systems, and lighting systems. The IRA has expanded and extended this incentive, making it more accessible and increasing the maximum deduction amounts, thus encouraging more widespread adoption of energy efficiency measures in commercial spaces.

Energy Efficiency and Conservation Block Grant (EECBG) Program, BIL

The Energy Efficiency and Conservation Block Grant (EECBG) Program aims to assist state and local governments in advancing their energy efficiency initiatives. The program provides funding to help these governments implement strategies to reduce energy use, cut carbon emissions, and improve overall energy efficiency in their communities.

Renew America’s Schools Grant, BIL

The Renew America’s Schools Grant provides funding for a wide range of energy efficiency projects, including upgrading HVAC systems, lighting retrofits, insulation improvements, and the installation of energy management systems for schools. By covering a substantial portion of project costs, the grant enables schools to implement comprehensive energy-saving measures that might otherwise be financially out of reach.

Energy Efficiency Revolving Loan Fund Capitalization Grant, BIL

The Energy Efficiency Revolving Loan Fund Capitalization Grant is designed to attract and leverage private capital for more extensive energy efficiency projects. These projects aim to significantly reduce greenhouse gas emissions and enhance energy savings. The grants help establish or bolster revolving loan funds, which provide ongoing financial support for energy efficiency upgrades as loans are repaid and reissued for new projects.

A PROVEN SOLUTION

Collaborating with ESCOs and utilizing ESPCs is a proven way to procure capital infrastructure projects. Effectively utilizing a performance-based contract business model, ESCOs have implemented more than \$70 billion in comprehensive energy efficiency retrofit projects over the last three decades.

Act today! To overcome any challenges you are facing upgrading your facilities, turn to an ESCO. They can provide guidance and support as you embark on creating energy-efficient buildings. A list of vetted and accredited Energy Service Companies can be found on NAESCO’s website: naesco.org/accredited-companies. ❁



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Dr. Timothy D. Unruh is the Executive Director of the National Association of Energy Service Companies (NAESCO). In this role, he manages the representation of its members, Energy Service Companies.

Prior to this role, Dr. Unruh was the Deputy Assistant Secretary of Renewable Power at the Energy Efficiency and Renewable Energy (EERE) Office of the US Department of Energy (DOE). As the Deputy Assistant Secretary, Dr. Unruh managed the nation’s renewable power research, while also providing oversight to the Grid Modernization Initiative.

Also, while at the DOE EERE, Dr. Unruh directed the Federal Energy Management Program (FEMP). As FEMP Director, Dr. Unruh oversaw the implementation of policy and actions that resulted in energy efficiency implementation, renewable energy adoption, and reductions in energy and water use in Federal government operations.

Dr. Unruh has a doctorate, a master’s degree, and a bachelor’s degree in electrical engineering from Wichita State University in Wichita, Kansas.



The National Association of Energy Service Companies (NAESCO) is the leading advocacy and accreditation organization for Energy Service Companies (ESCOs) and is dedicated to modernizing America’s building infrastructure. Uniting the energy service industry, NAESCO promotes favorable government policies, sponsors a rigorous accreditation program, provides training and education, and champions the interests of ESCOs across the nation.