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Green building and energy-efficiency incentives

Some 43 states now offer incentives of various kinds. by Jerry Yudelson

NAED's Education & Research Foundation's Channel Advantage Partnership (CAP) commissioned and funded a series of columns researching opportunities in green building and energy conservation markets. This article is the third in a 12-part series that will include specific technologies in the renewable energy and energy-efficiency field, new developments in lighting and onsite power generation, and how daylighting and other building control systems are gaining ground.

What's going to make customers invest more money for green building technologies and energy-efficiency MRO upgrades? To paraphrase movie sports agent Jerry Maguire, "Show them the money." There's no magic here: If there are more pots of money easily available, then people are likely to spend more on efficiency.

In addition to the federal tax deduction for energy conservation investments and the current federal tax credits for solar photovoltaic systems, some 43 states now offer incentives of various kinds. In other words, there's something for everyone. Take a look at the wide variety of incentives for which customers and their projects can qualify, including:

- Income tax incentives, both residential and commercial (some large states, such as Texas, Florida, Nevada, and Washington, don't have income taxes)
- Sales tax abatement (worth 3% to 9%, depending on state)
- Property tax reductions (Nevada currently offers the most generous, nearly 35% for 10 years for LEED Silver or better buildings)
- Tax exemptions for solar, biomass, geothermal, and efficiency systems
- Investment tax credits for renewable energy production (electrical systems)

Larger forces are at play as well. The recent dramatic rise in prices for gasoline and fuel oil made consumers and businesses alike focus on the price of energy for the first time since the oil price shocks of the 1970s. In fact, many of the same political dynamics are involved. The economic slowdown is also hurting companies' profits, resulting in a greater focus on operating efficiencies, which, in turn, is fueling an interest in energy conservation investments. Consequently, there is a greater willingness to borrow money and engage in shared savings programs with large companies such as Johnson Controls, Siemens, and General Electric's GE Real Estate, which will put up financing for such investments.

And, to top it off, former President Bill Clinton's foundation created the Clinton Climate Initiative (CCI), focus-

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ing on reducing the carbon dioxide emissions of 17 of the world's largest cities. As part of the CCI, the former President announced in May of 2007 the creation of a global energy-efficiency building retrofit program, bringing together eight of the world's largest energy-service companies and five of the world's largest banks. The program will provide both cities and private building owners with access to the funds required to retrofit existing buildings with energy-efficiency products.

In November 2007, the CCI announced it would help retrofit the Sears Tower and the Merchandise Mart, both in Chicago, as examples of the country's tallest and largest buildings, respectively. In that same month, in partnership with the USGBC, the CCI announced a Green Schools Program with the aim of dramatically reducing the cost of operations at K-12 schools nationwide through energy conservation retrofits.

Details of participation in the CCI and USGBC initiatives are still being worked out, but subsequent columns will provide specific direction as to how to get involved. The advice at this time is to stay close to customers in the MRO business—large institutions such as local government agencies, school districts, and universities, that are likely to get involved in such programs and make sure that distributors' products and ancillary services are part of the retrofit programs.

Meanwhile, 2007 federal energy legislation produced lamp efficiency standards for incandescent bulbs, requiring them to use about 20% to 30% less energy by 2012 to 2014, thus phasing out the standard 100W incandescent bulb.

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What does all of this mean for electrical distributors?

First, know what's going on, particularly in the world of lighting products and building electrical efficiency products (timers, controls, motors, etc.), that might be covered by various efficiency programs. Second, figure out how to integrate these changes and opportunities into a business strategy. For example, find a good salesperson who understands how to sell efficiency products into the MRO market, at schools, colleges, corporate campuses, hospitals, and local governments.

Third, form partnerships with local financing sources that will work with the company to find good investment opportunities in energy-efficiency retrofits requiring both the company's products and its deep product knowledge. There's nothing magical about funding such partnerships; energy-efficiency investments can easily return 10% to 20% per year in savings—enough to provide a return to a partnership and still give some of the savings back to the building owner, corporate entity or public/nonprofit institution providing the retrofit opportunity.

In June, the Building Owners and Managers Association (BOMA) International issued its standard green lease to show building owners how to write such programs into tenant leases, thereby ensuring that such activity would pick up. The BOMA Energy Performance Contract Model provides a market mechanism that every building—regardless of age, location, and type—can use to significantly improve efficiency and sustainability in public and private buildings worldwide.

Change equals opportunity; fortune favors the prepared mind. A smart business owner will use these incentives and market developments to seize the initiative and take part in a more energy-conscious future. Does that sound like a good way to respond to the recessionary pressures on business? ■

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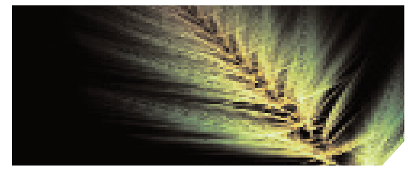

▶Schaedler Yesco expands
Harrisburg, Pennsylvania-headquarterd Schaedler Yesco Distribution recently opened a Pocono Mountains branch in Cresco, Pa. It's the fifth location at which the company is doing business in a site shared with at least one other distributor. At this 7,500-square-foot facility, where the electrical distributor has $200,000-plus in inventory, the co-tenant is APR Supply (which sells plumbing and HVAC products).

▶UES relocates a branch
United Electric Supply (UES), Wilmington, Del., has relocated to Salisbury, Md., moving into a larger and improved facility. The 15,000-square-foot building includes a 6,000-square-feet self-selection counter and incorporates the best design features from previously opened branches, according to the company.

▶Galvan grows bigger
Galvan Industries is celebrating 50 years in business by expanding and nearly doubling its facility in Harrisburg, N.C. From the company release: "After years devoted only to custom galvanizing, Galvan grew a relationship with a local electrical products distributor into a complete electric products division."

▶Western Extralite gets okay
The Salina, Kan., Planning Commission voted to approve a zoning change that will allow Kansas City-based Western Extralite to open a location that includes outdoor storage of large items, such as conduit. The distributor reported that it will use the 27,000-square-foot location for warehouse space and storage. The new location will also house a retail storefront.