REACH CODE NEWS BRIEF: NOVEMBER 2024

INCENTIVES AND REACH CODES



This issue focuses on the range of financial incentives at the regional, state and federal levels that can be leveraged to minimize the first costs of energy efficiency upgrades that may be required to comply with local reach codes. These can be particularly useful when layered or “stacked” to realize the benefits of multiple incentives simultaneously.

For instance, a household could ‘stack’ federal energy efficient home improvement tax credits along with appliance and/or utility rebates to reduce the initial cost of a new heat pump or induction cooktop. A nonresidential project might ‘stack’ the 179D tax deduction discussed below along with utility rebates to upgrade lighting or HVAC equipment.

For jurisdictions considering reach codes, particularly those with flex path approaches, educating local stakeholders about incentive programs and providing resources to locate relevant incentive opportunities can help build consensus for adopting the measure as well as help support successful implementation.

The articles below provide information about specific incentive opportunities (the Inflation Reduction Act and the 179D tax deduction) as well as resources for locating specific incentive information.

UPCOMING EVENTS

December 3, 4, 5: 3C-REN: Installing Heat Pump Water Heaters (HPWH) (with Ventura County Contractors Assn; Santa Barbara Contractors Assn; Santa Maria Valley Contractors Assn; SLO County Builders Exchange)

December 4: BayREN training: Nonresidential New Construction

December 4: New Buildings Institute webinar: Cold Climate Air Source Heat Pump Roundtable

December 5: California Energy Commission: Clean Energy Hall of Fame Awards

December 5: I-REN: Regional Energy and Climate Hub (REACH) Inland Empire Workshop. Morongo Casino Resort & Spa: Conference Center

December 11: California Energy Commission Business Meeting

December 11: USDOT Webinar Series: Parking Reform as a Climate Strategy

December 12: I-REN C&S Training: Navigating the Energy Code

December 12: BDC Presents: State of the Union: Post-Election Decarb Outlook

December 12: California Water Efficiency Partnership (CalWEP): [2024 CalWEP Winter Plenary.](#) Sacramento.



RESOURCES FOR IDENTIFYING INCENTIVES

Different national organizations have compiled repositories and other resources to help navigate this landscape. These include:

- US EPA's [ENERGY STAR Rebate Finder](#)
- RMI's [Incentive Stacking Resources for Clean Buildings](#)
- Rewiring America offers an [incentive calculator](#) that identifies potential opportunities based on household ownership, size and location

- DSIRE/North Carolina Clean Energy Technology Center's Database of State Incentives for Renewables & Efficiency®
- The Switch Is On's Incentive Finder

At the state level, focused incentive locator tools also exist. For instance, the California Air Resources Board supports the Drive Clean website, which offers a tool specifically for identifying vehicle-related incentives related to clean vehicles and charging. Regional CCAs may also offer incentive locators, such as the one provided by MCE. A good first step for identifying incentive resources at the state level is the California Climate Action website.

Collaborative efforts are underway to establish and maintain common, comprehensive databases. Recently, founding members Eli Technologies, the Building Decarbonization Coalition, Rewiring America, RMI (founded as Rocky Mountain Institute) and the North Carolina Clean Energy Technology Center have established Node Collective, the National Open Data for Electrification (NODE) Collective. This effort will bring together a broad coalition to establish a common, comprehensive database for tracking electrification incentives. As described in the Building Decarbonization Coalition's March 2024 blog post "How to Democratize Access to Electrification Incentive Data," "[t]he Collective will source, structure, and maintain this database, and it will also provide free and open access to everyone through an open data specification."

OVERVIEW OF FEDERAL INCENTIVES



INFLATION REDUCTION ACT

In August 2022, President Joseph R. Biden signed the Inflation Reduction Act, which provides nearly $400 billion to support clean energy and address climate change, including $8.8 billion for the Home Energy Rebates. These rebates — which include the Home Efficiency Rebates and Home Electrification and Appliance Rebates —will help households save money on select home improvement projects that can lower energy consumption and costs. DOE estimates these rebates will save households up to $1 billion annually on energy bills and support over 50,000 U.S. jobs. An overview of these programs is available here. The map below shows the status of the programs by state.

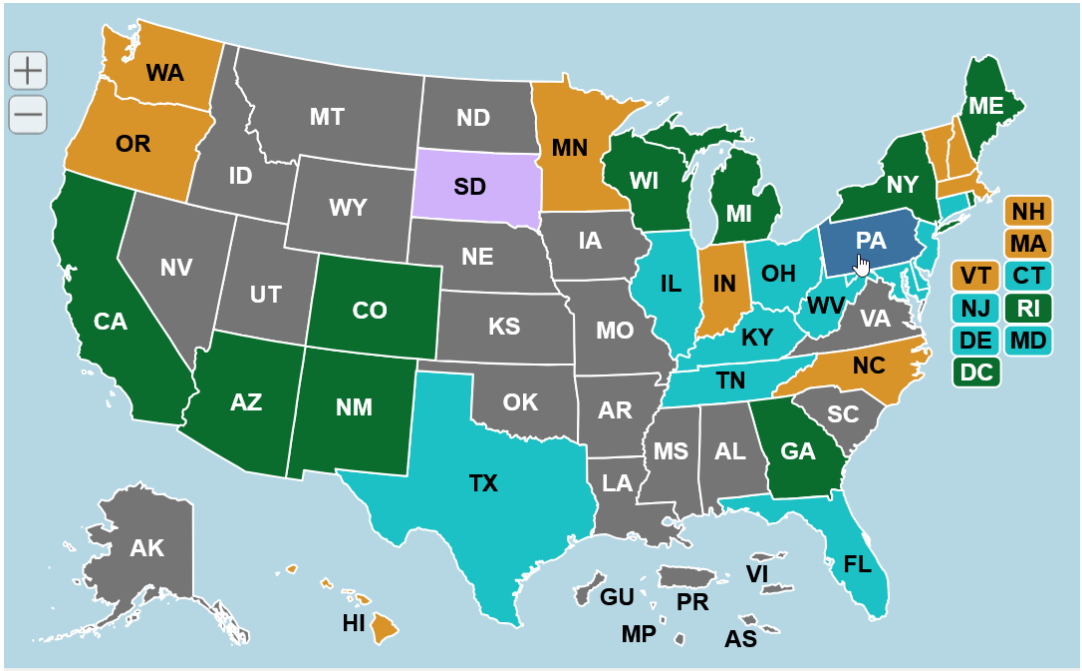
Some of 2022 CALGreen's most impactful provisions focus on electric vehicle (EV) infrastructure as a means of advancing the state's strategic goals of electrification as a primary driver towards decarbonization. These changes were also spurred by Executive Order N-79-20, which mandates 100% in-state sales of new zero-emission passenger vehicles (ZEV) by 2035.

California's program has been approved and launched, with funding levels more than $290 million dollars. The California Energy Commission (CEC) has launched three programs: the Home Electrification and Appliance Rebates (HEEHRA), Home Efficiency Rebates (HOMES), and Training for Residential Energy Contractors (CA-TREC). The Commission maintains a webpage devoted to Inflation Reduction Act Residential Energy Rebate Programs.

The CEC launched the multifamily portion of the HEEHRA Phase I program in early October. HEEHRA Phase I rebates for qualified single-family homes are available through the TECH Clean California initiative.

HOMES will provide incentives to help homeowners decarbonize and increase their homes' energy efficiency. The CEC applied to the DOE in August 2024 to fund two programs: the Equitable Building Decarbonization Direct Install and Pay for Performance. This application is currently under review by the DOE.

CA-TREC will provide grants to support workforce development for home electrification projects. This application is also currently under review by the DOE.



Last Updated on November 13, 2024



ENERGY EFFICIENT COMMERCIAL BUILDINGS TAX DEDUCTION (179D)

The Energy Efficient Commercial Buildings Tax Deduction (179D), first introduced under the Energy Policy Act of 2005, offers tax incentives for commercial building owners, lessees, and government building designers who implement energy-efficient systems. The tax deduction applies to improvements to interior lighting, HVAC systems, and the building envelope, with the goal of reducing a building's overall energy consumption.

Overview of 179D Tax Deduction

The Inflation Reduction Act of 2022 expanded the 179D tax deduction to include existing commercial buildings that reduce energy use intensity (EUI) by 25% to 50% from their pre-retrofit baseline, allowing them to qualify for the tax deduction. For the purposes of the deduction, a commercial building is defined as any building that can be modeled using ASHRAE 90.1 methodology which therefore includes residential buildings that are four or more stories. The

broadening of the scope of the deduction from a focus on new construction projects to existing buildings using an EUI reduction approach, expands access to the program as more buildings can claim deductions based on actual energy savings. As of 2023, 179D offers deduction amounts ranging from $0.50 to $5.00 per square foot for full energy reduction amounts (see table below for deduction levels) and includes new rules regarding labor. Under the IRA, the 179D deduction is available every three years for commercial buildings (four years for buildings owned by tax-exempt entities), provided the new construction work meets eligibility requirements. The expanded deduction values provided in the IRA expire at the end of 2032.

Who is Eligible

Beginning January 1, 2023, the deduction became available to owners of eligible commercial buildings and designers of energy-efficient equipment. To qualify, buildings must be in the U.S. and originally placed in service for at least five years before a qualified retrofit plan is established. The energy efficient upgrades must be part of a certified plan to reduce total annual energy and power costs by at least 25%, compared to a reference building that meets ASHRAE 90.1 standards. The Internal Revenue Service Notice 2006-52 provides detailed instructions for claiming the deduction.

Amount of Deductions for 2023 and Forward

The deduction for energy efficient equipment is the lesser of either the cost of the installed property or calculated according to the overall savings reductions. Since 2023, if local prevailing wages are paid and apprenticeship requirements are met, the maximum amount is five times the incentive for the energy savings alone.

$.50/sq ft	**25% energy reduction in the overall building** *Plus, an extra $0.02/sq ft for each percentage point above 25% energy reduction up to $1.00/sq ft*
$1.00/sq ft	**50% energy reduction in the overall building**
$2.50/sq ft	**25% energy reduction in the overall building** plus prevailing wage and apprenticeship hours *Plus, an extra $0.10 per square foot for each percentage point above 25 percent energy reduction up to $5.00*
$5.00/sq ft	**50% energy reduction in the overall building** plus prevailing wage and apprenticeship hours

This program is funded by California utility customers and administered by Pacific Gas and Electric Company, San Diego Gas & Electric Company (SDG&E®) and Southern California Edison Company under the auspices of the California Public Utilities Commission and in support of the California Energy Commission.

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