

Statement for the Record

On behalf of the
National Association of Home Builders

Before the
House Energy and Commerce Committee
Subcommittee on Energy and Power

Hearing: "EPA's Proposed 111(d) Rule for Existing Power Plants, and H.R. __, Ratepayer Protection Act"

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Introduction

NAHB appreciates the opportunity to submit this statement to the House Energy and Commerce Committee in response to the record of the hearing titled, "EPA's Proposed 111(d) Rule for Existing Power Plants, and H.R. ___, Ratepayer Protection Act." NAHB wishes to express our serious concerns regarding the EPA's proposed rule to use section 111(d) of the Clean Air Act to regulate greenhouse gas (GHG) emissions for existing fossil fuel-fired power plants and its potential to impact home builders and home buyers. Chairman Whitfield has drafted legislation that will allow states to delay compliance with this proposed rule, until the courts decide on the legality of the rule, and further grants states the ability to "opt-out" of the rule if compliance will have a significant adverse effect on the state's residential, commercial or industrial rate-payers." NAHB supports this proposed legislation and urges the committee to take swift action.

Judicial Review

The EPA's proposed rule "Carbon Pollution Guidelines for Existing Power Plants: Emission Guidelines for Greenhouse Gas Emissions From Existing Stationary Sources: Electric Utility Generating Units" was intended to regulate GHG emissions from power plants. EPA's broad interpretation, however, provides additional "building blocks" to meet the emissions reductions: 1-heat rate improvement; 2-shift to natural gas power plants; 3-renewable and nuclear energy; and 4-end-use energy efficiency. There is much debate regarding whether or not the EPA has the authority to regulate beyond the "fence line" of building block 1. NAHB believes that building blocks 2-4 are not under the scope of §111(d) of the Clean Air Act. NAHB has filed written comments both as a member of a broad industry coalition and as an individual organization and has highlighted this issue. NAHB expects that the courts will have an opportunity to weigh in as well. By delaying compliance, states will not be forced to implement expensive new mandates that may be stricken at a later time.

Opt-Out and the Impact to the Home Building Industry

The opt-out provision is also a key component of this draft legislation, as the EPA's proposed rule will result in new energy efficiency requirements that will negatively impact housing affordability, without guaranteeing real emissions reductions. Beyond the difficulties of calculating and measuring compliance, new mandates do not take into account occupant behavior, the driving force behind energy use in a home, nor do they target existing buildings, which use the majority of energy in the built environment. Instead, in an attempt to comply with this rule, states will impose aggressive energy efficiency requirements on new homes that will drastically increase costs to home buyers.

The EPA has identified new energy codes, which determine the baseline energy efficiency requirements in a building, as a tool to comply with building block 4. If this rule went into effect tomorrow, mandating one code, the 2012 International Energy Conservation Code, would cost over \$3 billion nationwide this year alone. This is only one of the possible energy efficiency mandates that could be imposed under this rule. States must have the ability to determine the impact compliance will have on their economies and act accordingly.

Conclusion

This proposed rule, if implemented, will have a negative impact on the home building industry. Many states will have no choice but to adopt new energy codes and other energy efficiency mandates. These mandates will drive up the cost of a new home. For every \$1,000 increase in the price of a new home, 206,269 home buyers are priced out of the market. New construction will continue to stagnate and home buyers will be driven to purchase existing housing stock, which uses more energy and results in higher GHG emissions.

NAHB commends Chairman Whitfield's willingness to seek a legislative solution and urges the committee to advance legislation that provides states the ability to reduce GHG emissions, without negatively impacting the economy of the state.