

Energy efficiency can drive cost reductions in our public buildings in Texas and the rest of the country



By: Dr. Timothy D. Unruh, Executive Director of the National Association of Energy Service Companies ([NAESCO](#))

If current trends hold, Texas will endure [three to four times as many days over 100°](#) in 70 years— not insignificant considering that Dallas alone averages about [20 such days per year](#) at this time.¹ With extreme heat, sudden cold snaps, and variable weather touching every corner of the state— not to mention the need to improve air quality to prevent disease— it's clear that protecting Texans from the elements in public buildings will be critical. But with insufficient funding available to retrofit public buildings, how can we achieve this goal?

Energy savings performance contracts (ESPCs) are used in Texas and throughout the nation to help reduce the cost of building operations. Installing efficiency upgrades, from smart systems controls to improvements in lighting, heating, cooling, and energy use, reduces the cost of building operations. These cost reductions— or savings— in turn are used to fund the building improvements, redirecting the costs that would have been wasted by inefficient operation and maintenance and eliminating the need for new tax dollars.

But why focus on improving our public buildings? Protection from the elements is an established justification— however, buildings will always form the core of the service to the public. And with the recent pandemic, we learned that our use of public buildings will be key as needs have evolved.

Public buildings are just that: public. Schools, hospitals, libraries, courthouses, state universities, and other civic buildings are cornerstones of Texas communities— and Texans

¹<https://www.nbcdfw.com/weather/weather-connection/first-100-degree-days-of-the-year-likely-next-week/2687408/>

deserve facilities that make the best use of public resources while still providing safe and enjoyable environments.

Improving efficiency isn't about giving up things like comfort and safety. It's about working smarter to serve Texans' energy needs. And these projects go beyond the lighting upgrades that many imagine when they think of energy efficiency. Energy service companies (ESCOs), which handle project planning, development, and management for efficiency upgrades, create broad plans tailored to the building or facility. While that does still include replacing old lighting systems, it covers everything from heating and cooling, to window and door replacements, to water and irrigation, to cybersecurity and on-site generation. Comprehensive planning and improvements in technology mean that efficient buildings are simply better: they cost less, improve air quality, have better lighting, are more comfortable. Today's technology has improved the quality and affordability of these projects, making most building improvement projects cost effective.

It's understandable to be concerned about cost, after all. Texans already pay some of the highest property and sales taxes in the nation. Approving facilities upgrades and improvements can seem like a non-starter if getting the funds for those projects requires going in front of voters and asking them to pay even more. State laws capping the amount that counties and towns can increase at one time puts Texas communities in an even tighter bind.

Again, that's where ESPCs come in. ESCOs rely on financing tools that offer schools, community colleges, hospitals, towns, and counties a way to afford necessary upgrades without adding to taxpayer costs. The performance-based financing model that serves as the foundation of ESCO projects protects the state and local bottom line by using the savings created by the project to cover the costs of new equipment and installation. The utility savings generated by the upgrades are what pay for the project— if the project fails, the ESCO is responsible for the loss.

Signing an ESPC doesn't mean those savings will leave the community. Energy savings performance contracting requires boots on the ground in the form of skilled tradespeople and construction workers. Local contractors install energy efficiency, creating local jobs and ensuring that the benefit to the community goes beyond savings alone. ESCOs have already created over 10,000 high-paying jobs in Texas. As demand for these kinds of projects increases, thanks in part to bipartisan-supported federal grants for upgrades, we're likely to see even more Texans drawn to the industry.

For Texas markets, the combination of available federal grants and a financing model that pays for project development through energy savings and ESCO guarantees hits a sweet spot for legislators, local governments, and public facilities. ESCOs have already delivered over \$2 billion in performance contracting projects to Texas government facilities, including K-12 schools, universities, water districts, and military facilities.

Texans deserve great public buildings, and Texans deserve efficient public buildings. ESPCs offer a pathway to achieve this goal while avoiding additional taxpayer expenses— putting the risk of performance back on the private sector company and accomplishing this while creating local jobs.