



Top Ten States for CO₂ Emission Reductions:

- | | |
|-----------------|----------------------|
| 1. Texas | 6. Kentucky |
| 2. Ohio | 7. Michigan |
| 3. Illinois | 8. California |
| 4. Indiana | 9. Georgia |
| 5. Pennsylvania | 10. Alabama |

California's Carbon Dioxide Pollution could be Dramatically Reduced with Industrial Energy Efficiency and Combined Heat and Power

California Savings

The industrial sector—including manufacturing, mining, construction and agriculture—consumes nearly one-quarter of electricity generated in California, the state's second largest energy use (Figure 1). This energy consumption coupled with growing demand creates significant savings and emission reduction opportunities.

By increasing industrial energy efficiency (IEE), including combined heat and power (CHP) and waste heat to power (WHP), California can:

- **Reduce annual carbon dioxide (CO₂) emissions by 6.2-million tons** in 2030;
- **Achieve over 100 percent of California's emission reductions** called for under the U.S. Environmental Protection Agency's (EPA) Clean Power Plan (CPP);
- **Save 35.0-million megawatt-hours** of electricity in 2030;
- **Make industrial companies more competitive** by cutting their energy bills; and
- **Save businesses customers \$35.3 billion** in cumulative cost savings (2016-2030) from avoided electricity purchases.

An [Alliance for Industrial Efficiency](#) analysis (using the American Council for an Energy-Efficient Economy's [SUPR 2](#)¹ calculator) estimates savings in a scenario where each state:

1. The industrial sector ramps up to an annual 1.5% energy savings target by 2030; and
2. The commercial and industrial sectors install a portion of the technical potential for new CHP and WHP.

Figure 1. Share of total energy consumed by end-use sector in California, (2014)²

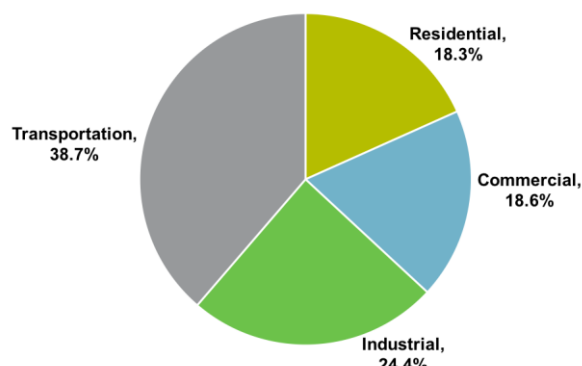


Table 1. Savings in California from IEE, CHP, and WHP

	Annual CO ₂ savings (short tons)	Annual energy savings (MWh)	Cumulative utility bill savings through 2030 (million 2011\$)
IEE	3,865,406	12,053,601	\$13,612
CHP/WHP	2,338,000	22,970,000	\$21,697
Total	6,203,406	35,023,601	\$35,310

California ranks **7th** in the U.S. for potential CO₂ reductions from IEE and CHP/WHP. An annual reduction of 6.2 short tons of annual CO₂ emissions is equivalent to emissions from nearly 2 coal-fired power plants or 594,259 homes' energy use for one year.



¹ ACEEE, Jan. 19, 2016, "State and Utility Pollution Reduction Calculator Version 2 (SUPR 2)" (<http://aceee.org/research-report/e1601>).

² U.S. Energy Information Administration, "California Profile Overview" (<http://www.eia.gov/state/?sid=CA#tabs-2>).



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Clean Power Plan

The Clean Power Plan (CPP) establishes customized targets for states to reduce the carbon pollution produced from power plants that reflect each state's energy mix. In February 2016, the Supreme Court stayed implementation of the CPP pending judicial review. Despite the stay, some states are choosing to continue to work to cut CO₂ emissions from power plants and explore pathways to compliance. California is currently continuing planning.

The CPP requires California to reduce its annual CO₂ emissions by about 1.3 million short tons by 2030. Our analysis shows that industrial energy efficiency and CHP/WHP would result in an annual reduction of 6,203,406 short tons of CO₂ by 2030 – well over 100 percent of needed reductions across the state (Figure 2). Thus, IEE and CHP/WHP can play a central role in helping California achieve its compliance targets.²

Market Value of Savings

Under the CPP final rule, industrial hosts can generate revenue by selling credits (emission reduction credits or allowances). As Table 2 shows, the size of the allowance market is huge. Note that the table shows the market value of savings in a single year; investments would generate a value stream that lasts for many years.

Figure 2. California CPP target achievable through IEE and CHP/WHP

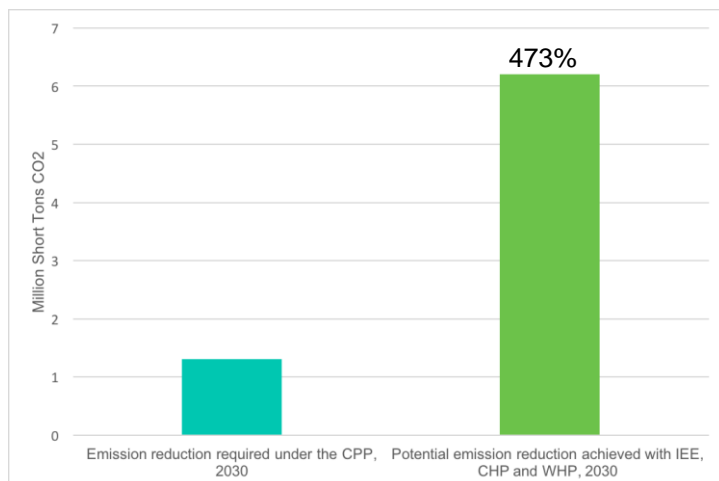


Table 2. Estimated allowance market value if IEE and CHP/WHP savings are realized (2030)

Price per unit of trading	Size of Allowance Market (\$ million)
\$10	\$280.19
\$20	\$560.38

Note: We apply the price per trading unit to combined annual energy savings in 2030. 1 MWh = 0.8 short tons of CO₂.

To view the complete “State Ranking of Potential Carbon Dioxide Emission Reductions through Industrial Energy Efficiency” report, visit:

<http://alliance4industrialefficiency.org/resources/state-industrial-efficiency-ranking/>

² There is a wide range of IEE activities available to manufacturers. For examples, visit the Alliance for Industrial Efficiency's industrial energy efficiency program case study series at <http://alliance4industrialefficiency.org/resources/casestudies/>.