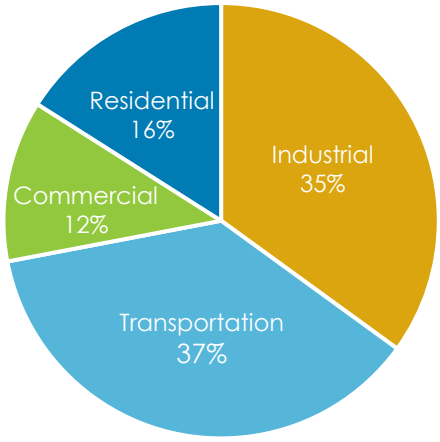
Industrial Energy Efficiency

An Opportunity for Competitiveness, Productivity and Decarbonization in the Midwest

Industrial customers account for over **30%** of the nation's total energy use. The industrial sector employs many energy-intensive processes. Policies and programs focusing on industrial energy efficiency therefore have considerable potential for energy savings. Industrial energy efficiency programs are some of the most cost-effective utility offerings due to the constant and high energy usage by industrial customers.

In the Midwest, industrial customers account for nearly **35%** of the total energy usage in the region, as it is home to a large percentage of the nation's manufacturing and industrial facilities. According to the Energy Information Administration (EIA), four Midwest states rank in the top 10 consumers of total energy in the industrial sector, and five more rank in the top 25, as shown below. A revitalization of the Midwest's industrial sector is needed for the region to achieve its decarbonization goals. Industrial energy efficiency opportunities in the Midwest are considerable, and they are key to advancing the region along on the path toward decarbonization.

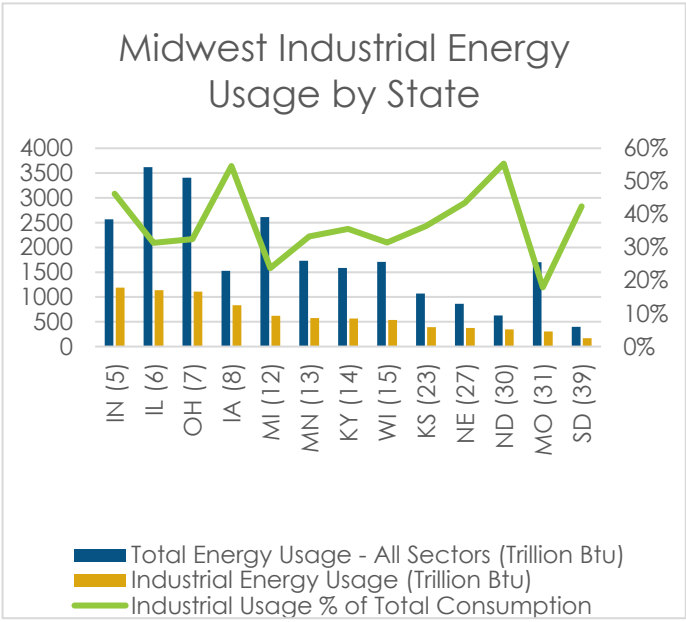


Total U.S. Energy Consumption by Sector
Energy Information Administration, 2021

Low Cost-No Cost Industrial Energy Efficiency Opportunities

Strategic Energy Management (SEM) is a holistic approach to reducing energy consumption through the implementation of business best practices. SEM involves creating an energy team, identifying energy savings opportunities, setting performance goals, tracking progress and reporting results.

The U.S. Department of Energy's ISO 50001 Ready program is a self-guided approach for facilities to establish an energy management system and self-attest to the structure of ISO 50001, a voluntary global standard for energy management systems in industrial, commercial and institutional facilities. The Department of Energy provides an online guide, the 50001 Ready Navigator, with 25 straightforward tasks to guide facilities through the process.



Industrial Energy Consumption in the Midwest 2020 Rank
Energy Information Administration, 2021

Industrial Energy Efficiency Program Benefits

Reduced energy usage and environmental impact

Less capital spent on utility charges, overhead costs and production downtime

Additional capital to invest into facility and process improvements

Increased safety for workers

Decreased equipment maintenance

Enhanced company image

Advancing Environmental Justice

Barriers to Industrial Energy Efficiency

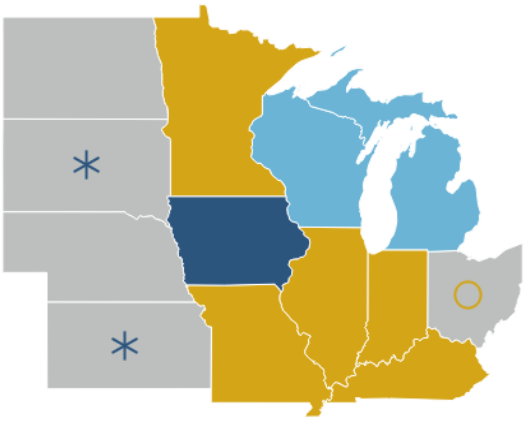
- Lack of in-house technical expertise
- Lack of awareness of available federal, state and utility incentives
- Risk of production disruptions
- Higher priorities for capital investment
- Regulatory policies such as opt-out and self-direct

Don't Opt-Out of a Good Thing

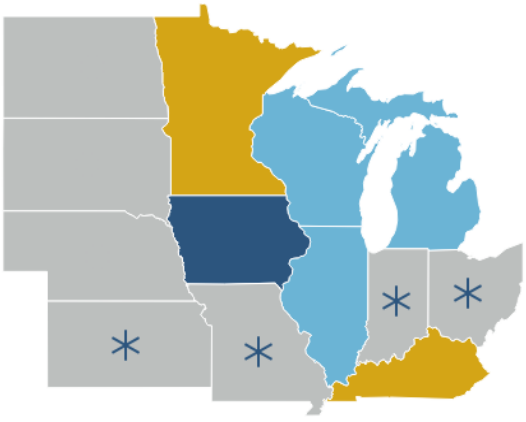
Utility program offerings in the commercial and industrial sectors tend to be the most cost-effective portion of a utility's energy efficiency portfolio, garnering significant benefits per $1 of cost. Despite this, several Midwestern states have adopted policies that allow industrial and other large energy users to "opt-out" of paying into utility efficiency programs with the understanding that they are pursuing energy efficiency improvements on their own. However, this rarely occurs and the potential for capturing energy savings from the industrial sector is lost.

Self-direct is an alternative policy approach that allows large energy users the ability to design their own energy efficiency programs if they provide evidence of actual energy efficiency savings or spending on energy improvements equivalent to what they would be paying to the utility.

Industrial Electric EE Policies



Industrial Gas EE Policies



Participate
Opt Out
* Participate if plan is approved
Self Direct
No Required EE
○ Opt out if plan is approved

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