

Anthony E. Malkin
Remarks
Joint Economic Committee
27 July 2010

My name is Anthony E. Malkin, I am president of Malkin Holdings, and I run the Empire State Building. Seated behind me are Empire State Building Team leaders Paul Rode of Johnson Controls and Dana Schneider of Jones Lang LaSalle. Other team members in our work are the Clinton Climate Initiative and the Rocky Mountain Institute. I am a member of the Real Estate Roundtable and Duane Desiderio of RER is also present.

At ESB we created the first replicable, nonproprietary, open source, quantitative process to give transparent economic justification to energy efficiency retrofits in the existing built environment. Our work is guaranteed by the balance sheet of Johnson Controls to reduce our watt and BTU consumption by 38.4%. Our contract only guarantees 90% of our projected savings, so our actual savings will be in excess of 40%. Our payback period is three years.

It is estimated that in major American cities, 85-95% of all buildings which will be here in 2035 are here today. Building new and efficiently will not move the needle on energy consumption. Only addressing the existing built environment will make a difference.

Let's use New York City as an example. 80% of the energy consumed is consumed by buildings. 20% of the buildings consume 80% of that energy. Therefore 64% of all energy consumed in New York City is consumed by 20% of the buildings.

If the 20% of buildings in New York City which consume 64% of all energy deployed our program to the same effect, total energy consumption in New York City will be reduced by 25%. In the process, inner city jobs are created, skills are taught, and local economies are stimulated.

That is the equivalent of creating surplus power through alternative generation right in the middle of New York City, carbon free. But generating our savings is 3-5x/watt less expensive than alternative energy generation by wind, solar, or geothermal. Until the cost of a watt of alternative energy generation equals the cost of a watt of savings, we must focus on savings. You get the same carbon reduction with better economics and no infrastructure cost.

Creating this excess power allows for a number of options:

- shut down the sources of power;
- create carbon credits for trading; and/or
- reduce the size of investment in the smart grid for distribution of new sources of power

What can government do?

- Treat the reduction of the consumption of energy as the production of energy through alternative, low carbon output sources.
 - Allow for the sale of tax credits, accelerated depreciation, and expensing of capital expenditures to help fund and reduce the net cost of such work.
 - These financial incentives will encourage building owners to make investments which address broad, intelligent policy objectives.
- Focus on the big energy consumers first.
 - As an example, Empire State Bldg consumes the equivalent in one day of 40,000 single family homes.
 - The focus on the community model for creating residential energy saving has been misplaced.
 - Focus on big energy consumers with big systems to effect fast and rewarding change.
- Develop national standards for energy consumption reporting.
 - To understand energy consumption we must share consumption data.
 - Individual cities and states are approaching this issue independently.
 - We need one set of standards rather than conflicting standards.
- Change EnergyStar from a database of relative measurement to a reporting and rating program based on actual consumption data.
 - ESB has earned an EnergyStar rating of 90, with only half our work completed; that means we are more energy efficient than 90% of comparable buildings of any age.
 - But EnergyStar is only a relative rating system which does not provide a return on investment measurement or argument.
- Understand limitations.
 - We need a framework which recognizes realities and differences by building types, systems types, uses, and geographical locations.
 - Allow for life cycle analysis instead of wasteful edicts.
 - Significant savings are within tenant controlled spaces, and legislation can not merely impose on landlords, but must address users as well.
- Reward successes and encourage first movers.
 - The real estate industry is inherently competitive.
 - Owners and lenders who are early movers should be rewarded.
 - This will differentiate them and encourage others to catch-up.

We are the future; we are not motivated by “doing the right thing”, but by making money. I look forward to answering your questions and finding ways in which the Empire State Building can inform government policy with the practices we have developed. I encourage you to visit our website www.esbsustainability.com and our building to learn more.

Thank you very much.