

April 8, 2013

The Honorable Jim Gerlach  
2442 Rayburn House Office Building  
Washington, DC 20514

The Honorable Linda Sanchez  
2423 Rayburn House Office Building  
Washington, DC 20514

Dear Congressman Gerlach and Congresswoman Sanchez:

As the House sponsors of the “Mechanical Insulation Installation Incentive Act” (H.R. 184), we write to encourage your support for the inclusion of our bipartisan bill language in your recommendations on manufacturing tax policy as Co-Chairs of the Ways and Means Committee Manufacturing Work Group.

Our nation is blessed with abundant natural resources to help power our manufacturing sector, and we strongly believe that our tax code should be utilized to assist manufacturers benefit from affordable and reliable sources of domestic energy. Improvements in domestic energy production are already contributing to a renaissance in manufacturing, but it is imperative that we provide incentives for energy efficiency, and specifically for mechanical insulation, so that our increased domestic energy resources are utilized fully.

Specifically, mechanical insulation is a proven energy efficiency technology that improves our economic competitiveness by reducing energy costs for our manufacturing sector for both new construction and retrofit maintenance. One of the primary benefits of mechanical insulation to manufacturing is the significant reduction in life cycle costs for facilities through the control of condensation, mold and corrosion of manufacturing components. Mechanical insulation also creates immediate jobs for insulator suppliers, contractors and the skilled craft professionals who install the insulation.

Energy use in commercial buildings and manufacturing plants accounts for nearly half of all energy consumption in the U.S. at a cost of over \$200 billion per year, more than any other sector of the economy, according the U.S. Department of Energy. The industrial sector is similar in energy efficiency opportunities. At the residential level, insulation is well publicized for its efficiency benefits. However, the same cannot be said in the manufacturing and commercial sectors, which consume 2½ times more energy than homes. Commercial and industrial insulation—collectively known as mechanical insulation—can slash the energy demand for the manufacturing sector.

The Mechanical Insulation Installation Incentive Act creates the appropriate incentives to encourage manufacturers to go beyond the current minimum insulation requirements as defined by the American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE) in new construction, and existing retrofit and maintenance projects. By providing facility owners with an incentive to increase or accelerate the depreciation deduction for added insulation above the minimum ASHRAE standards, H.R. 184 would allow manufacturers to increase their maintenance deduction expense up to a maximum 30% of the energy saved.

By promoting incentives for mechanical insulation installation, Congress will both create jobs now and help manufacturers successfully compete in the global marketplace. Based on data from more than 700 industrial energy assessments, it is estimated that the implementation of a comprehensive mechanical insulation maintenance and upgrade program would generate \$4.8 billion in energy savings, and create and sustain 89,000 jobs annually.

Best of all, these jobs do not require additional research and development. Mechanical insulation opportunities can be easily identified, with potential energy savings and emissions reduction determined with proven DOE-utilized software technology, and in many applications, energy saving projects can be implemented in weeks.

For manufacturers, the savings are swift and sustainable; the return on investment from mechanical insulation is typically less than two years (and sometimes as little as six months).

The most cost-effective and cleanest energy source in America is the energy that is conserved. Mechanical insulation incentives represent an essential component for a comprehensive tax proposal for manufacturers.

Thank you for your leadership as Co-Chairs of the Ways and Means Committee Manufacturing Work Group, and we greatly appreciate your consideration of mechanical insulation incentives for inclusion in your manufacturing tax recommendations.

Sincerely,

Michael G. Grimm  
Member of Congress

Tim Bishop  
Member of Congress