Buildings

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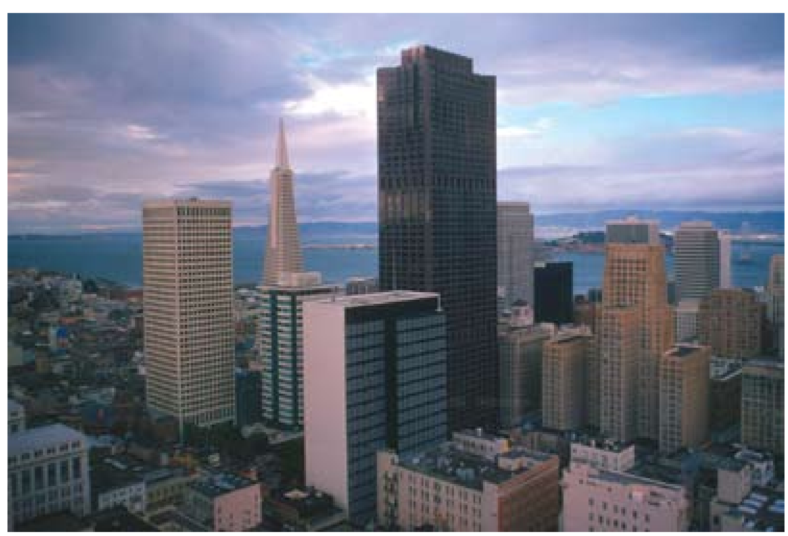
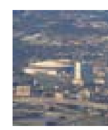
KEY FINDINGS

- The buildings sector of North America was responsible for annual carbon dioxide emissions of 671 million tons of carbon in 2003, which is 37% of total North American carbon dioxide emissions and 10% of global emissions. United States buildings alone are responsible for more carbon dioxide emissions than total carbon dioxide emissions of any other country in the world, except China.
- Carbon dioxide emissions from energy use in buildings in the United States and Canada increased by 30% from 1990 to 2003, an annual growth rate of 2.1% per year.
- Carbon dioxide emissions from buildings have grown with energy consumption, which in turn is increasing with population and income. Rising incomes have led to larger residential buildings and increased household appliance ownership.
- These trends are likely to continue in the future, with increased energy efficiency of building materials and equipment and slowing population growth, especially in Mexico, only partially offsetting the general growth in population and income.
- Options for reducing the carbon dioxide emissions of new and existing buildings include increasing the efficiency of equipment and implementing insulation and passive design measures to provide thermal comfort and lighting with reduced energy. Current best practices can reduce emissions from buildings by at least 60% for offices and 70% for homes. Technology options could be supported by a portfolio of policy options that take advantage of cooperative activities, avoid unduly burdening certain sectors, and are cost effective.
- Because reducing carbon dioxide emissions from buildings is currently secondary to reducing building costs, continued improvement of energy efficiency in buildings and reduced carbon dioxide emissions from the building sector will require a better understanding of the total societal cost of carbon dioxide emissions as an externality of building costs, including the costs of mitigation compared to the costs of continued emissions.





9.1 BACKGROUND

In 2003, buildings were responsible for 615 million metric tons of carbon (Mt C)[1] emitted in the United States (DOE/EIA, 2005), 40 Mt C in Canada (Natural Resources Canada, 2005a), and 17 Mt C in Mexico (SENER México, 2005), for a total of 671 Mt C in North America[2 †]. According to the International Energy Agency, total energy-related emissions in North America in this year were 1815 Mt C (IEA, 2005). Therefore, buildings were responsible for 37% of energy-related emissions in North America. North American buildings accounted for 10% of global energy emissions, which totaled 6814 Mt C. United States' buildings alone are responsible for more carbon dioxide (CO_2) emissions than total CO_2 emissions of any other country in the world, except China (Kinzey *et al.*, 2002). Significant carbon emissions are due to energy consumption during the operation of the buildings; other emissions, not well quantified, may occur from water use in and around the buildings and from land-use impacts related to buildings. Buildings are responsible for 72% of United States electricity consumption and 54% of natural gas consumption (DOE/EERE, 2005)[3]. The discussions in this chapter include an accounting of CO_2 emissions from electricity consumed in the buildings sector; however, this represents a potential double counting of the CO_2 emissions from fossil fuels that are used to generate that electricity (see Chapter 6, this report). This chapter provides a description of how energy, including electrical energy, is used within the buildings sector. Following the discussion of such end uses of energy, this chapter then describes the opportunities and potential for reducing energy consumption within the sector.

North American buildings accounted for 10% of global energy emissions, 2003.

Many options are available for reducing the carbon impacts of new and existing buildings, including increasing equipment efficiency and implementing alternative design, construction, and operational measures to provide thermal comfort and lighting with reduced energy. Current best practices can reduce carbon emissions for buildings by at least 60% for offices[4] and up to 70% for homes[5]. Residential and commercial buildings in the United States and Canada occupy 27 billion m^2 (2.7 million hectares)[†] of floor space, providing a large area available for siting non-carbon-emitting on-site energy supplies (*e.g.*, photovoltaic panels on roofs)[6]. With the most cutting-edge technology, at the least, emissions can be dramatically reduced, and at best, buildings can produce electricity without carbon emissions by means of on-site renewable electricity generation.

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9.2 CARBON FLUXES

Carbon fluxes from energy emissions in buildings are well understood, since primary energy inputs from the source of production are tracked, their emissions rates are known, and the total end user consumption data are gathered and reported by energy utilities, typically monthly. The quantity of energy consumed by each particular end use is slightly less well known because attribution requires detailed data on use patterns in a wide variety of contexts. The governments of North America have invested in detailed energy consumption surveys, which allow researchers to identify opportunities for reducing energy use.

The largest contribution to carbon emissions from buildings is through the operation of energy-using equipment. The energy consumed in the average home accounts for 2.9 metric tons[7] of carbon per year in the United States, 1.7 metric tons[8] per year in Canada, and 0.6 metric tons[9] in Mexico (DOE/EIA, 2005; Natural Resources Canada, 2005b; SENER México, 2004)[†]. Energy consumption in a 500 m^2 commercial, government, or public-use building in the United States produces 1.9 metric tons of carbon (DOE/EIA, 2005)[10 †]. Energy consumption includes electricity as

[1] Carbon dioxide emissions only.
[2†] A dagger symbol indicates that the magnitude and/or range of uncertainty for the given numerical value(s) is not provided in the references cited.
[3] See Tables 1.1.6 and 1.1.7 in DOE/EERE (2005).
[4] Leadership in Energy and Environment Design (LEED) Gold Certification (USGBC, 2005).
[5] U.S. DOE Building America Program (DOE/EERE, 2006).
[6] A recent study estimates a potential of 711 GW generation capacity from rooftop installation of photovoltaic systems (Chaudhari *et al.*, 2004).
[7] United States' residential sector emissions of 334 Mt C divided by 114 million households in 2004; the numerical value given for "tons of carbon" is for carbon dioxide emissions only.
[8] Canada residential sector emissions of 20.6 Mt C divided by 12.2 million households in 2003.
[9] Mexico residential sector emissions of 13.2 Mt C divided by 23.8 million households in 2004.
[10] United States' commercial sector emissions per m^2 in 2003 times 500 m^2.

well as the direct combustion of fossil fuels (natural gas, bottled gas, and petroleum distillates) and the burning of wood. Because most electricity in North America is produced from fossil fuels, each kilowatt-hour consumed in a building contributed about 180 g of carbon to the atmosphere in 2003 (DOE/EIA, 2005)[11]. The equivalent amount of energy from natural gas or other fuels contributed about 52 g of carbon (DOE/EIA, 2005)[12]. Renewable energy accounted for 9% of electricity production in 2003, down from 12% in 1990. Renewable site energy use in buildings also decreased in that time, from 4% to 2%, mostly due to decreasing use of wood as a household fuel (DOE/EERE, 2005)[13].

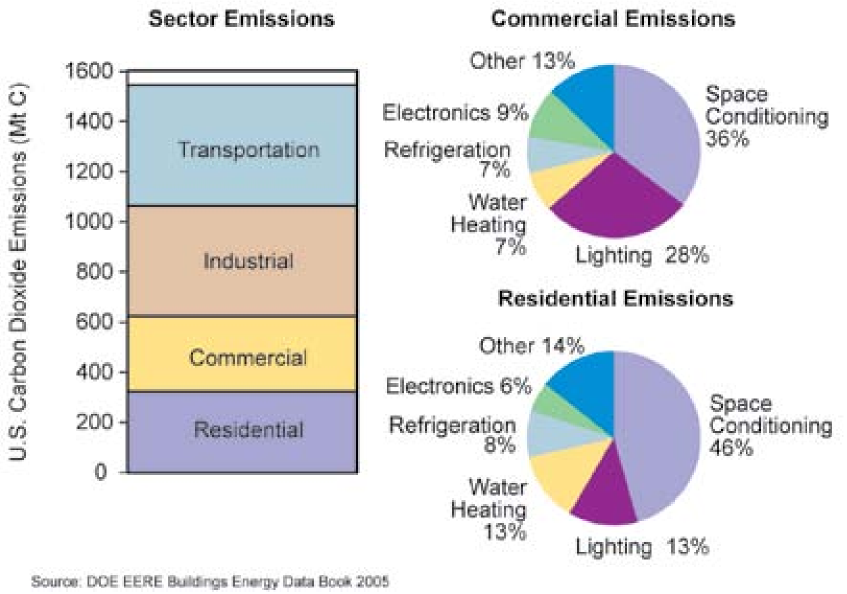


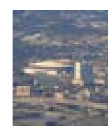
Figure 9.1 United States' carbon emissions by sector and (for commercial and residential buildings) by end use.

Buildings-sector CO_2 emissions and the relative contribution of each end use are shown in Figure 9.1. In the United States, five end uses account for 87% of primary energy consumption in buildings: space conditioning (including space heating, cooling, and ventilation), 40.9%; lighting, 19.8%; water heating, 10.5%; refrigeration, 7.9%; and electronics (including televisions, computers, and office equipment), 7.7% (DOE/EERE, 2005)[14 †]. Space heating and cooling are the largest single uses for residences, commercial, and public-sector buildings, accounting for 46% and 35% of primary energy, respectively, in the United States (DOE/EERE, 2005)[15]. Water heating is the second-highest energy consumer in the United States and Canada in terms of site energy, while lighting is the second-highest source of CO_2 emissions, due to the higher emissions per unit of electricity compared to natural gas.

Heating and cooling loads are highly climate dependent; colder regions use heating during much of the year (primarily with natural gas), while warm regions seldom use heating. The majority of United States households own an air conditioner; and although air-conditioner ownership has been historically low in Mexico[16], sales of this equipment are now growing significantly, 14% per year over the past 10 years[17]. Space-conditioning energy end use depends significantly on building construction (*e.g.*, insulation, air infiltration) and operation (thermostat settings). Water heating is a major consumer of energy in the United States and Canada, where storage-tank systems are common.

Aside from heating and cooling, lighting, and water heating, energy is consumed by a variety of appliances, mostly electrical. Most homes in the United States and Canada own all of the major appliances, including refrigerators, freezers, clothes washers, clothes dryers, dishwashers, and at least one color television. The remainder of household energy consumption comes from small appliances (blenders and microwaves, for example) and increasingly from electronic devices such as entertainment equipment and personal computers. In Mexico, 96.6% of households used electricity in 2005, and recent years have shown a marked growth in appliance ownership: ownership rates in 2000 were 85.9% for televisions, 68.5% for refrigerators, 52% for washing machines, and only 9.3% for computers. By the end of 2005 ownership rates had grown to 91% for televisions, 79% for refrigerators, 62.7% for washing machines, and 19.6% for computers (INEGI, 2005).

Many end uses—such as water heating and space heating, cooling, and ventilation—occur in most commercial sector buildings. Factors such as climate and building construction influence the carbon emissions by these buildings. In addition, commercial buildings contain specialized equipment, such as large-scale refrigeration units in supermarkets, cooking equipment in food preparation businesses, and computers, printers, and copiers in office buildings. Office equipment is the largest component of electricity use



11 United States' emissions from electricity divided by delivered energy.
12 United States'emissions from natural gas and other fuels divided by delivered energy.
13 See Table 1.1.2 and Summary Table 2 in DOE/EERE (2005).
14 Does not include the adjustment EIA uses to relieve differences between data sources.
15 Table 1.2.3 and Table 1.3.3 in DOE/EERE (2005); available at http://buildingsdatabook.eere.energy.gov (2003 data).
16 Air conditioners have typically been used only in the northern and coastal areas of Mexico.
17 Air conditioner sales 1995–2004 from Asociacion Nacional de Fabricantes de Aparatos Domesticos, A.C. (ANFAD).

aside from cooling and lighting. Due to heat from internal loads, many commercial buildings use air-conditioning year round in most climates in North America.

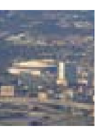
Table 9.1 Carbon dioxide emissions from energy consumed in buildings.

	2003 Carbon Dioxide Emissions (Mt C)			
	Electricity	Natural Gas	Other Fuels	All Fuels
United States	**445.8**	**122.1**	**46.5**	**614.5**
Residential	229.2	75.6	29.3	334.1
Commercial	216.6	46.5	17.2	280.4
Canada	**17.7**	**15.8**	**6.1**	**39.5**
Residential	9.4	8.7	2.5	20.6
Commercial	8.2	7.1	3.5	18.9
Mexico	**10.7**	**0.5**	**5.6**	**16.9**
Residential	7.3	0.4	5.5	13.2
Commercial [a]	3.5	0.1	0.1	3.7

[a] Mexican commercial building emissions include electricity statistics provided by the National Energy Balance (SENER, 2004). Recent investigations suggest that these may be significantly underestimated, since the methodology used categorizes most large commercial and public sector buildings in the category "medium industry" (Odón de Buen Rodríguez, President, Energía Technología y Educación SC, Puente de Xoco, Mexico, personal communication to James McMahon, Lawrence Berkeley National Laboratory, Berkeley, California, November 23, 2006).

Residential and commercial buildings in the United States are responsible for 37% of CO_2 emissions from energy nationally and 34% of emissions from energy in North America as a whole. Total emissions from buildings in the United States are ten times as high as in the other two countries combined, due to a large population compared to Canada, and high *per capita* consumption compared to Mexico. On a *per capita* basis, building energy consumption in the United States (65 Gigajoules [GJ] per person per year) is comparable with that of Canada (75 GJ per person per year).[†] This is about seven to eight times higher than in Mexico, where 9 GJ is consumed per person per year[18 †].

In general, contributions from the residential sector are roughly equal to that of the commercial sector, except in Mexico, where the commercial sector contributes less. Electricity contributes more emissions than all other fuels combined in the United States and Mexico (2.6 and 1.8 times as much, respectively). In Canada, natural gas is on par with electricity (0.85 times as many emissions) due to high heating loads resulting from the cold climate. Fuel oil represents most of Canada's "other fuels" for the commercial sector. Firewood (*leña*) remains an important fuel for many Mexican households for heating, water heating, and cooking. Table 9.1 summarizes CO_2 emissions by country, sector, and fuel type.



Emissions from energy use in buildings in the United States and Canada increased 30% from 1990 to 2003.

The energy consumed during building operation is the most important input to the carbon cycle from buildings; but it is not the only one. The construction, renovation, and demolition of buildings also generate a significant flux of wood and other materials. Construction of a typical 204 m^2 (2200 ft^2) house requires about 20 metric tons of wood and creates 2 to 7 metric tons of construction waste (DOE/EERE, 2005)[19 †]. Building lifetimes are many decades and, especially for commercial buildings, may include several cycles of remodeling and renovation. In the United States as a whole, water supplied to residential and commercial customers accounts for about 6% of total national fresh water consumption. This water consumption also impacts the carbon cycle because water supply, treatment, and waste disposal require energy.

9.3 TRENDS AND DRIVERS

Several factors influence trends in carbon emissions in the buildings sector. Some driver variables tend to increase emissions, while others decrease emissions. Emissions from energy use in buildings in the United States and Canada increased 30% from 1990 to 2003 (DOE/EERE, 2005; Natural Resources Canada, 2005a)[20], corresponding to an annual growth rate of 2.1%.

Carbon emissions from buildings have grown with energy consumption, which in turn is increasing with population and income. Demographic shifts therefore have a direct influence on residential energy consumption. Rising incomes have led to larger residential buildings and the amount of living area *per capita* is increasing in all three countries in North America. On one hand, total population growth is slowing, especially in Mexico, as families are having fewer children than in the past. Annual population growth during the 1990s was 1.1% in the United States, 1.0% in Canada,

[18] Total building energy in 1999 (Source: IEA) divided by population (Source: UN Department of Economic and Social Affairs) United States, 18296 million GJ divided 282 million; Canada 2280 million GJ divided by 30.5 million; Mexico 855 million GJ divided by 97.4 million.

[19] Construction data from Table 2.1.7 in DOE/EERE (2005); wood content estimated from lumber content. Construction waste from Table 3.4.1 in DOE/EERE (2005).

[20] Data from Table 3.1.1 in DOE/EERE (2005).

Table 9.2 Principal drivers of buildings emissions trends.

Driver	United States		Canada		Mexico	
	Total 2000	Growth Rate 1990-2000	Total 2000	Growth Rate 1990-2000	Total 2000	Growth Rate 1990-2000
Population (millions)	288	1.1%	31.0	1.0%	100	1.7%
Household Size (persons per household)	2.5	-0.6%	2.6	-0.9%	5.3	-0.1%
Per capita GDP (thousand $US 1995)	31.7	2.0%	23.0	1.8%	3.8	1.8%
Residential Floor space (billion m^2)	15.7	2.4%	1.5	2.4%	0.85	N/A
Commercial Floor space (million m^2)	6.4	0.6%	0.5	1.6%	N/A	N/A
Building Energy Emissions per GDP (g C/$US)	70	-0.5%	59	-0.9%	N/A	N/A

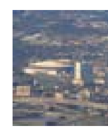
Source: Population - United Nations Department of Economic and Social Affairs (UNDESA); Household Size - United Nations Development Programme (UNDP); gross domestic product (GDP) - World Bank
Source: Floor space - EIA-EERE (2005), U.S. residential floor space estimated from 2001 Residential Energy Consumption Survey (DOE-EIA), Natural Resources Canada (2005a). Mexican residential floor space estimated from Table 1.8 in CONAFOVI (2001)
Source: Emissions - EIA-EERE (2005), Natural Resources Canada (2005b)

and 1.7% in Mexico. In the period from 1970 to 1990, it was 1.0%, 1.2%, and 2.5%, respectively[21] †. By 2005, annual population growth in Mexico declined to 1% (INEGI, 2005). On the other hand, a shift from large, extended-family households to nuclear-family and single-occupant households means an increase in the number of households per unit population[22], each with its own heating and cooling systems and appliances.

The consumption of energy on a *per capita* basis or per unit economic activity (gross domestic product [GDP]) is also not constant but depends on several underlying factors. Economic development is a primary driver of overall *per capita* energy consumption and influences the mix of fuels used[23]. *Per capita* energy consumption generally grows with economic development, since wealthier people live in larger dwellings and use more energy[24]. Recently, computers, printers, and other office equipment have become commonplace in nearly all businesses and in most homes. These end uses now constitute 7% of primary household energy consumption. Because of these growing electricity uses, the ratio of electricity to total household primary energy has increased. This is significant to emissions because of the large emissions associated with the combustion of fossil fuels in power plants. Electricity can be generated from renewable sources such as solar or wind, but their full potential has yet to be realized.

In the United States, the major drivers of energy consumption growth are growth in commercial floor space and an increase in the size of the average home. The size of an average United States single-family home has grown from 160 m^2 (1720 ft^2) for a house built in 1980 to 216 m^2 (2330 ft^2) in 2003†. In the same time, commercial floor space *per capita* has increased from 20 to 22.6 m^2 (215 to 240 ft^2) (DOE/EERE, 2005)[25] †. Certain end uses once considered luxuries have now become commonplace. Only 56% of United States' homes in 1978 used mechanical space-cooling equipment (DOE/EIA, 2005). By 2001, ownership grew to 83% driven by near total saturation in warmer climates and a demographic shift in new construction to these regions. Table 9.2 shows emissions trends as well as the underlying drivers.

In the United States, the major drivers of energy consumption growth are growth in commercial floor space and an increase in the size of the average home.



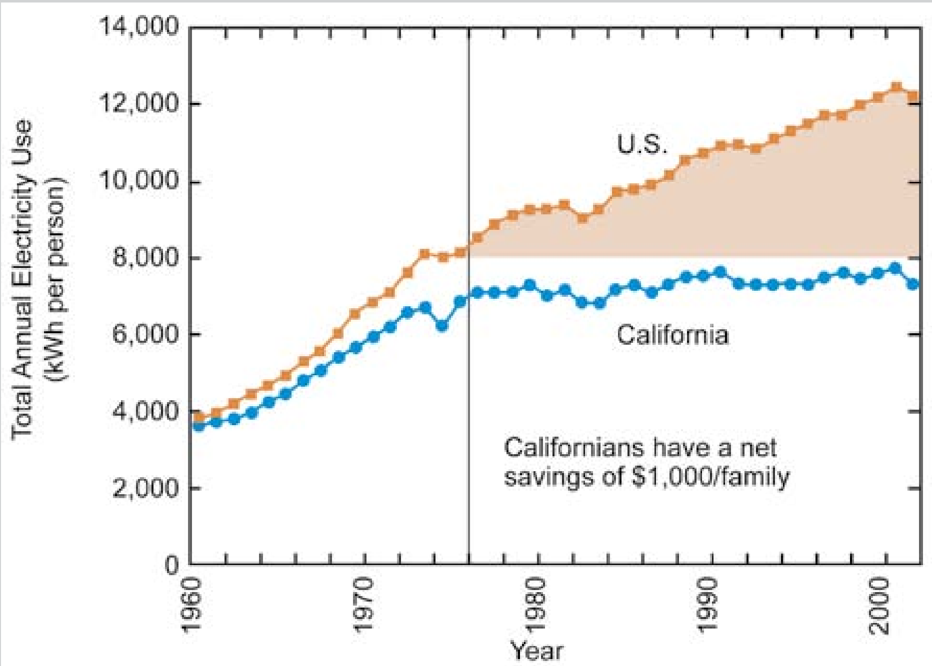
Although the general trend has been toward growth in *per capita* emissions, emissions per unit of GDP have decreased in past decades due to improvements in efficiency. Efficiency performance of most types of equipment has generally increased, as has the thermal insulation of buildings, due to influences such as technology improvements and voluntary and mandatory efficiency standards and building codes. The energy crisis of the 1970s was followed by

[21] *Source:* U.N. Department of Economic and Social Affairs.
[22] See household size statistics in Table 9.2.
[23] For example, whether biomass, natural gas, or electricity is used for space heating and cooking.
[24] See Table 4.2.6 in DOE/EERE (2005).

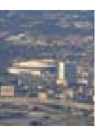
[25] See Tables 2.1.6 and 2.2.1 in DOE/EERE (2005). Residential data are from 1981.

BOX 9.1: Electricity Consumption in the United States and in California

Since the mid-1970s, the state of California has pursued an aggressive set of efficiency regulations and utility programs. As a result, *per capita* electricity consumption has stabilized in that state, while it continues to grow in the United States as a whole.



Source: California Energy Commission— Available at http://www.energy.ca.gov/2005publications/CEC-999-2005-007/CEC-999-2005-007.PDF, Slide 5



a sharp decline in economic energy intensity. Increases in efficiency were driven both by market-related technology improvements and incentives and by the establishment of federal and state/provincial government policies designed to encourage or require energy efficiency.

9.4 OPTIONS FOR MANAGEMENT

A variety of alternatives exists for reducing emissions from the buildings sector. Technology- and market-driven improvements in efficiency are expected to continue for most equipment, but this will probably not be sufficient to curtail emissions growth adequately without government intervention. The government has many different ways in which it can manage emissions that have been proven effective in influencing the flow of products from manufacturers to users (Interlaboratory Working Group, 2000). That flow may involve six steps: advancing technologies; product development and manufacturing; supply, distribution, and wholesale purchasing; retail purchasing; system design and installation; and operation and maintenance (Wiel and McMahon, 2005). Options for specific products or packages include government investment in research and development, information and education programs, energy pricing and metering, incentives and financing, establishment of voluntary guidelines, procurement programs, energy audits and retrofits, and mandatory regulation. The most effective approaches will likely include more than one of these options in a policy portfolio that takes advantage of synergies, avoids unduly burdening certain sectors, and is cost effective. Major participants include not only federal agencies, but also state and local governments, energy and water utilities, private research and development firms, equipment manufacturers and importers, energy services companies (ESCOs), nonprofit organizations, and building owners and occupants. An ESCO is a company that offers to reduce a client's utility costs, often with the cost savings being split with the client through an energy performance contract or a shared savings agreement.

- **Technology adoption supported by research and development:** Government has the opportunity to encourage development and adoption of energy-efficient technologies through investment in research and development, which can advance technologies and bring down prices, therefore enabling a larger market. Successful programs have contributed to the development of high-efficiency lighting, heating, cooling, and refrigeration. Research and development has also had an impact on the improvement of insulation, ducting, and windows. Finally, government support of research and development has been critical in the reduction of costs associated with development of renewable energy.
- **Voluntary Programs:** By now, there are a wide range of efficiency technologies and best practices available and if the most cost-effective among them were widely utilized, carbon emissions would be reduced. Voluntary measures can be effective in overcoming some market barriers. Government has been active with programs to educate consumers with endorsement labels or ratings (such as the U.S. Environmental Protection Agency's [EPA's] and U.S. Department of Energy's [DOE's] En-

ergy Star Appliances and Homes) and public-private partnerships (such as DOE's "Building America Program"). Government is not the only player, however. Energy utilities can offer rebates for efficient appliances and ESCOs can facilitate best practices at the firm level. Finally, nongovernmental organizations and professional societies (such as the U.S. Green Building Council and the American Institute of Architects) can play a role in establishing benchmarks and ratings.

- **Regulations:** Governments can dramatically impact energy consumption through well-considered regulations that address market failures with cost-effective measures. Regulations facilitate best practices in two ways: they eliminate the lowest-performing equipment from the market, and they boost the market share of high-efficiency technologies. Widely used examples are mandatory energy efficiency standards for appliances, equipment, and lighting, mandatory labeling programs, and building codes. Most equipment standards are instituted at a national level, whereas most states have their own set of prescriptive building codes (and sometimes energy performance standards for equipment) to guarantee a minimum standard for energy-saving design in homes and businesses.

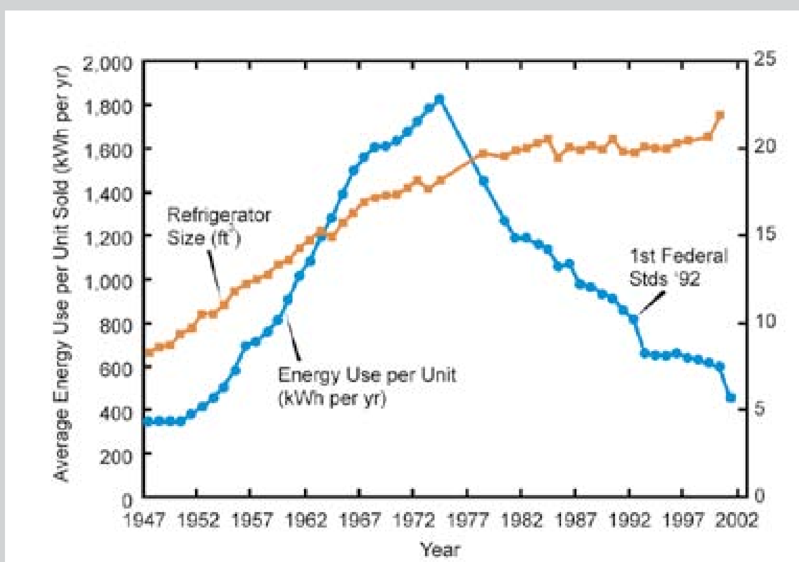
Although large strides in efficiency improvement have been made over the past three decades, significant improvements are still possible. They will involve continued improvement in equipment technology and will increasingly take a whole-building approach that integrates the design of the building and the energy consumption of the equipment inside it. The improvements may also involve alternative ways to provide energy services, such as cogeneration of heat and electricity and thermal energy storage units (Public Technology Inc. and U.S. Green Building Council, 1996).

Whole-building certification standards evaluate a package of efficiency and design options. An example is the Leadership in Energy and Environmental Design (LEED) certification system developed by the U.S. Green Building Council, a non-profit organization. In existence for five years, the LEED program has certified 36 million m^2 (390 million ft^2) of commercial and public-sector buildings and has recently implemented a certification system for homes. The LEED program includes a graduated rating system (Certified, Silver, Gold, or Platinum) for environmentally friendly design, of which energy efficiency is a key component (USGBC, 2005).

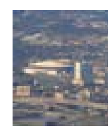
On the government side, the EPA's Energy Star Homes program awards certification to new homes that are independently verified to be at least 30% more energy-efficient than homes built to the 1993 national Model Energy Code, or 15% more efficient than state energy code, whichever is more rigorous. Likewise, the DOE's Building America program partners with homebuilders, providing research and development toward goals to decrease primary energy consumption by 30% for participating projects by 2007, and by 50% by 2015.

BOX 9.2: Impact of Efficiency Improvements

Between 1974 and 2001, the energy consumption of the average refrigerator sold in the United States dropped by 74%, a change driven by market forces and regulations. From 1987 to 2005, the U.S. Congress and DOE promulgated labels or minimum efficiency standards for over 40 residential and commercial product types. Canada and Mexico also have many product labels and efficiency standards, and a program is under way to harmonize standards throughout North America in connection with the North American Free Trade Agreement (NAFTA).

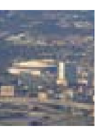


Source: California Energy Commission—Available at http://www.energy.ca.gov/2005publications/CEC-999-2005-007/CEC-999-2005-007.PDF, Slide 7



9.5 RESEARCH AND DEVELOPMENT NEEDS

Research, development, demonstration, and deployment of technologies and programs to improve energy efficiency in buildings and to produce energy with fewer carbon emissions have involved significant effort over the last 30 years. These efforts have contributed options toward carbon management. Technologies and markets continue to evolve, representing new crops of "low-hanging fruit" available for harvesting. However, in most buildings-related decisions in North America, reducing carbon emissions remains a secondary objective to other goals, such as reducing first costs (DeCanio, 1993 and 1994). The questions for which answers could significantly change the discussion about options for carbon management include the following:



- What is the total societal cost of environmental externalities[26], including carbon emissions? Energy resources in North America have been abundant and affordable, but external costs have not been completely accounted for. Most economic decisions are weighted toward the short term and do not consider the complete costs. Total societal costs of carbon emissions are unknown and because it is a global issue, difficult to allocate. Practical difficulties notwithstanding, this is a key issue, answers to which could influence priorities for research and development as well as policies such as energy pricing, carbon taxes, or credits.
- What cost-effective reduced-carbon-emitting equipment and building systems—including energy demand (efficient equipment) and supply (renewable energy)—are available in the short, medium, and long term? Policymakers must have sufficient information to be confident that particular new technology types or programs will be effective and affordable. For consumers to consider a set of options seriously, the technologies must be manifested as products that are widely available and competitive in the marketplace. Therefore, economic and market analyses are necessary before attractive options for managing carbon can be proposed.
- How do the costs of mitigation compare to the costs of continued emissions? The answers to the previous two questions can be compared in order to develop a supply curve of conserved carbon comprising a series of least-cost options, whether changes to energy demand or to supply, for managing carbon emissions. The supply curve of conserved carbon will need to be updated at regular intervals to account for changes in technologies, production practices, and market acceptance of competing solutions.

[26] External costs are the costs borne by society beyond those included in the market prices of goods. For example, carbon emissions may cause environmental damage not reflected in the market transactions associated with the buying and selling of energy (Rabl and Spadaro, 2007).