June 4, 2019

The Honorable Michael Barrett
Chair, Telecommunications, Utilities,
Environment Committee

The Honorable Thomas Golden
Chair, Telecommunication, Utilities, and
and Environment Committee

The Honorable Marc Pacheco
Vice-Chair, Telecommunications, Utilities,
Environment Committee

The Honorable Carolyn Dykema
Chair, Telecommunication, Utilities, and
and Environment Committee

Dear Honorable Members of the Conference Committee,

On behalf of Northeast Energy Efficiency Partnerships (NEEP), I write to provide background and context on building energy rating and labeling policies that were heard in committee May 30th. NEEP is a regional energy efficiency organization working to advance energy efficiency and decarbonization in the Northeast and Mid-Atlantic US. We work collaboratively with a network of stakeholders that span state energy officials, efficiency program administrators, businesses and manufacturers, local organizations, and many others to advance the Northeast and Mid-Atlantic.

More than half of all of the energy consumed in Massachusetts is used to provide electricity, heating, and cooling for residential and commercial buildings.[1] Burning fossil fuels like oil and gas for energy pollutes our air, harms our health, and contributes to the devastating impacts of climate change. For the Commonwealth to meet its mandated carbon reduction goal of 80 percent by 2050[2], existing buildings need to retrofitted to be energy efficient and low carbon emitting while providing safe and healthy places to live and work. Various bills were recently heard in committee that would support the state in achieving this goal. This letter is intended to provide context and background to help the committee make informed decisions.

Passage of H.2919 and S.2011 would require building energy benchmarking and establish a building energy performance standard. Benchmarking a building's energy usage carries many benefits. Tracking energy usage is an essential first step toward reducing total energy consumption and associated costs by increasing information transparency. By understanding a building's energy usage, benchmarking provides building owners, managers and prospective buyers with the information they need to make informed decisions about building system optimization or efficiency investment. An EPA analysis of 35,000 buildings that were consistently benchmarked over a four-year period found that energy savings averaged 2.4 percent per year.[3] Benchmarking can be done for public buildings, commercial, and multifamily. Boston and Cambridge have successfully implemented benchmarking policies.[4]

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[1] https://www.eia.gov/state/data.php?sid=MA
[2] Global Warming Solutions Act of 2008, Available at: https://malegislature.gov/Laws/SessionLaws/Acts/2008/Chapter298
[3] United States Environmental Protection Agency's Energystar.gov. "Campaigns and Incentive Programs that Incorporate ENERGYSTAR." 4/28/15. Available at: http://www.energystar.gov/buildings/program-administrators/state-and-localgovernments/campaigns
[4] Cambridge Building Energy Use Disclosure Ordinance, Available at:
https://www.cambridgema.gov/CDD/zoninganddevelopment/sustainablebldgs/buildingenergydisclosureordinance.aspx

Disclosing energy use information for all buildings subject to benchmarking is an important component to benchmarking policies. H.2919 and S.2011 require public disclosure of the building identification, energy intensity, greenhouse gas emissions per square foot, and an Energy Star performance rating or similar energy performance score where available. This information will be made available on a state website. It also enables municipalities to adopt building energy disclosure requirements or continue to enforce building energy disclosure requirements that have already been adopted, such as Boston and Cambridge. Disclosure of a building's energy consumption information sends more accurate signals to market actors than if no such disclosure were available, creating a market-based mechanism for encouraging building energy efficiency. This spurs the creation of building construction and energy service jobs.

With benchmarking policies in place, building energy performance standards can be used in addition to provide a minimum standard for energy efficiency for existing building, ensuring the existing building become more efficient and reduce carbon emissions. This is an innovative approach to reducing energy consumption and GHG emissions in the built environment. By adopting a standard with clear compliance pathways, the policy holds building owners and managers accountable for helping achieve climate and carbon reduction goals. There are different ways to implement this type of policy. A performance target can be triggered when a building undergoes a major renovation, property sale, or lease. This approach uses an action that already triggers regulatory review. Performance standards can also be scaled in by building size with public buildings leading by example. New York City[5] and Washington D.C. have adopted building performance standards at the city level. Massachusetts has the opportunity to become the first state to adopt building performance standards at the state level with passage of H.2919 and S.2011.

District of Columbia enacted the Cleanenergy DC Omnibus Amendment Act Of 2018.[6] The Council established a first-of-its-kind building energy performance standard, which the Massachusetts bill is modeled after. Beginning January 1, 2021, all privately-owned buildings of 50,000 square feet and all District-owned buildings with 10,000 square feet will be required to comply with the standard. From there, in 2023, buildings of 25,000 square, and by 2026, buildings of 10,000 square will be required to comply. The intention of this standard is to help the District achieve its short- and long-term climate commitments, including reducing emissions 50 percent by 2032 and carbon neutrality by 2050. This is a best practice model for building energy performance standards.

Massachusetts also has the opportunity to be the first state to provide information about a home's energy efficiency performance to buyers and renters and the time of listing with passage of H.2887 and S.1983, or S1922. Buying a home is the largest investment most of us ever make, but home buyers typically receive little or no information about how much energy they will need to power the homes they see listed for sale (or for rent). This is despite the fact that energy is the highest cost of home maintenance – not to mention one of the most volatile. Home energy labels are an effective way to raise awareness of energy use and expenses. According to the Energy Information Administration (EIA) Residential Energy Consumption Survey, two million households in New England reported having energy insecurity in 2015, with 1.2 million reducing or forgoing food or medicine

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Boston Building Energy Use Disclosure Ordinance, Available at: https://www.boston.gov/departments/environment/building-energy-reporting-and-disclosure-ordinance

[5] New York City Climate Mobilization Act[5], which includes Int. 1253[5], which establishes greenhouse gas emissions limits for existing buildings with the goal of achieving a 40 percent overall reduction of emissions by 2030. The caps set limits for different types of buildings, such as apartment houses or office buildings.

[6] http://lims.dccouncil.us/Legislation/B22-0904

to pay energy costs.[7] Providing an accurate estimate of utility bills through a label can help buyers and renters understand monthly costs associated with a new home, and enable better informed decisions.

As with vehicle fuel-economy ratings and EnergyGuide labels for US appliances, home energy labels let buyers compare the energy efficiency and performance of various homes. Massachusetts Residential Conservation Services (RCS) guidelines[8] require Massachusetts Department of Energy Resources (DOER) to develop a scorecard to be completed at time of audit, before and after installation of program measures. This voluntary program will roll out with the Mass Save program where home energy scorecards will be provided when a home energy audit is conducted. This method provides transparency to homeowners when completing a home energy audit of the estimated annual energy cost and consumption before and after recommended energy efficiency upgrades. Mandatory programs, such as those established by H.2887 and S.1983, or S1922, require a home energy label or certification to be provided, often at time of listing, or time of rental. This allows home buyers to include this information in their decision-making process, and helps drive residential energy improvements, which will lower energy bills for homeowners and renters, improve home values, and reduce greenhouse gas emissions. Mandatory policy schemes have been largely implemented at the city level, but there is opportunity to adopt mandatory policies at the state level. The success of an energy labeling program depends on the uptake, and the most direct way to increase uptake is to through regulation.

Furthermore, real estate professionals already encounter energy efficiency and renewable energy features when buying and selling homes. By incorporating home energy labels, real estate professionals can better understand the efficiency of a home and compare the energy usage of one home to another home, use it as a buying and selling point, and encourage better use of green fields in the Multiple Listing Service. According to the National Association of Realtors Sustainability Report, 46 percent of REALTORS® do not use the green MLS data fields, while 69 percent recognize energy efficiency promotion in listings was very or somewhat valuable. [9] By introducing a mandatory policy scheme, the gap between acknowledging and implementing energy efficiency in the real estate transaction process can shrink. Attached to this letter is a table with the benefits and potential challenges of mandatory labeling programs to consider from the EMPRESS guidebook.[10]

Thank you for considering this context and background.

Sincerely,

Samantha Caputo
Senior Policy and Research Associate
Northeast Energy Efficiency Partnerships (NEEP)
scaputo@neep.org
781-860-9117 x102

[7] Table HC11.1 Household Energy Insecurity, 2015, Available at: https://www.eia.gov/consumption/residential/data/2015/hc/php/hc11.1.php
[8] Available at: https://www.mass.gov/files/documents/2018/09/24/RCS%20Guideline%20Final%209-24-18.pdf
[9] National Association of Realtors, Sustainability Report, 2019, Available at: https://www.nar.realtor/sites/default/files/documents/2019-Sustainability-Report-04-19-2019.pdf
[10] EMPRESS, NASEO, Available at: https://empress.naseo.org/mandatory-vs-voluntary-approaches

MANDATORY HOME LABELING PROGRAMS & POLICIES		
Stakeholder	**Benefits**	**Potential Challenges**
State & Local Government	Relatively low implementation costs for state governments.	Mandates may be perceived as intrusive or too forceful in the market.
	Can be passed at the local and/or state levels.	Transitioning from voluntary to mandatory disclosure programs can be challenging.
	Helps states and energy efficiency programs identify high energy users, and suggest ways to improve their energy use through efficiency and other measures.	
	Can help states meeting clean-energy goals.	
	Lessons learned from European Union mandatory disclosure policies that started in 2009 are available online.	
Utilities	Creates a new data resource for states and utilities in identifying efficiency needs and understanding housing market efficiency.	Utilities may need to disclose customer data if required by the mandate. This could necessitate changes in how utilities typically capture, store, and distribute such data, as well as raise privacy concerns.
Lenders	Helps lenders acquire accurate information on energy use when writing mortgages.	Perception of slowing down transaction processes.
	Reduces lenders' risk of borrower default if buyers' cash flow is not put at risk from unexpectedly high energy bills.	
Efficiency Programs	Encourages investments in energy efficiency by building owners.	Perception of command/control policymaking could reduce support for efficiency programs from otherwise allies.
	Offers utilities a ready residential market for energy efficiency, which	

	can enable the capture of low-cost energy efficiency in their portfolios.	
Consumer Market	Offers new, consistently reported high-value information for owners and purchasers, which can reduce energy cost insecurity	If mandatory disclosure policies vary from jurisdiction to jurisdiction, it might create confusion in the marketplace (provides an incentive for statewide program).
	Reduces information imbalance between homebuyers / renters and building owners.	Consumers subject to disclosure requirements may view them as burdensome or expensive.
	Reduces the landlord-tenant split incentive; can help rental market value efficiency appropriately.	
	Reduces the builder-buyer split incentive, by imposing a disincentive on builders to avoid construction practices that result in poor ratings.	
Real Estate Industry	Standardizes and clarifies market of efficiency information.	Perceived burden of providing more information that might be costly and time-consuming to acquire, report and interpret.
	Enables buyers and renters to make informed decisions	Transition process may add costs to regular operations, particularly in the short-term.
	Allows sellers who have already made efficiency improvements to recover a substantial portion of their investment through higher sales prices.	

Source: EMPRESS