SESSION TITLE:

Sticker Shock: Can building labeling programs transform the market?

SPEAKER SUMMARIES:

David B. Goldstein, Ph.D., Energy Program Director, Natural Resources Defense Council

- The question may be better framed, "can markets be transformed without labels?" Energy use in buildings represents a significant cost in both residential and commercial properties; a label itself does not save energy, but it provides infrastructure for other programs if standardized and connected with finance and appraisal elements.

Paul Hamilton, Vice President Government Affairs, Schneider Electric

- Energy in buildings represents 40% of total US energy consumption and 70% of the electricity; while there has been progress, the building stock is a long way from being overall high-performance. Labels remain controversial, with benefits and pitfalls; the best labels cover new and existing buildings and are easy to understand, complete, and implementive.

Inchul Hwang, Senior Energy Specialist, Green Architecture Center, Korea Energy Management Corporation

- As Korea builds on its decade of experience with public building labeling, adding new grades and types to include private projects, a shift in the market is expected. There is still a need to provide complementary measures to ensure the market sufficiently develops.

Carol Eicher, Group Business Vice President, Dow Buildings & Construction, Dow

- As a company that specializes in building and material science, labels can help demonstrate their products' position in the value chain. However, there can be confusion over data and impact within the industry, so label information should be relevant to key actors like lenders and consumers.

SESSION WRAP-UP

Panelists framed the overall discussion around a few major themes in their opening statements, which were revisited and refined throughout the course of the discussion. The most prevalent areas of discussion that emerged were:

Usefulness and limitations of label information

Building performance labeling is a useful component of an energy management strategy because it allows meaningful comparisons within and among classes of buildings. Information contained in building labels can provide additional insight into how and where energy is used, and has been shown to drive market behavior, with efficient properties commanding higher rates for both rental and sale. However, labels do not provide information on the operating costs or savings of efficiency at the measure or project level. There can be a high first cost to develop the label, without a clear return on investment or permanence of the efficient condition. Furthermore, if a label's purpose is to benchmark against comparable properties, there needs to be a sufficiently robust reference database.

Standardization and consistency of data and reporting

The usefulness of information contained on building labels is directly correlated to the consistency of its methods and metrics. These approaches should consider both the asset and operational attributes of the building. Asset ratings are based on the fundamental properties of the building construction and heating/cooling system selection, as with the ASHRAE Building Energy Quotient rating; asset ratings do not address the occupant activity. By contrast, operational ratings are based on measured energy consumption and other use parameters in a building.

Integrate complementary policies and programs

Panelists and audience members each stressed that consistent, credible rating programs are useful to address market failures arising from information asymmetries, but the information needs to carry over to other fields. Citing a study showing that owners of energy-efficient home were less likely to default on their mortgages, there was consensus that labels' greatest benefit will come when efficiency becomes a standard consideration for lenders and appraisers.

Building labeling programs are improved when coupled with complementary programs, such as a general public awareness campaign on the label's metrics and relevance. Panelists also mentioned leveraging more focused initiatives such as an occupant-facing building information system and special financial incentive programs for building owners or managers. These programs must also consider the roles that different actors take, and who is bearing the costs and benefits of this program.

Consider stakeholders' roles in developing and interpreting the information

Beyond sensitivity to related policies and programs, a good labeling program must consider how different actors can use the information, and where costs and benefits accrue. This disparity in costs and benefits is particularly applicable when considering mandatory labeling programs; regulated parties may have bear costs to convey the information, but the information alone is not action-forcing. While a household has limited opportunities to see, interpret, and use building labels to drive decision-making, larger organizations such as commercial real estate companies—and more importantly, lenders and appraisers—have greater resources to take information and turn it into action.

ACTION ITEMS & TAKEAWAYS

- Audience members noted that significant impact only came for other labeling programs when adoption became standardized and mandatory. Panelists were more circumspect on the political and administrative viability of universal adoption of building labeling at this point.