

Energy

Responsible economic growth depends on the efficient use of energy and other resources. Real estate policy should promote energy efficiency not only to achieve better building performance, but to spur innovation, create construction jobs that cannot be exported, and enhance the country's energy security through a more resilient building stock.

Guiding a Review of EPA's ENERGY STAR Scoring Models

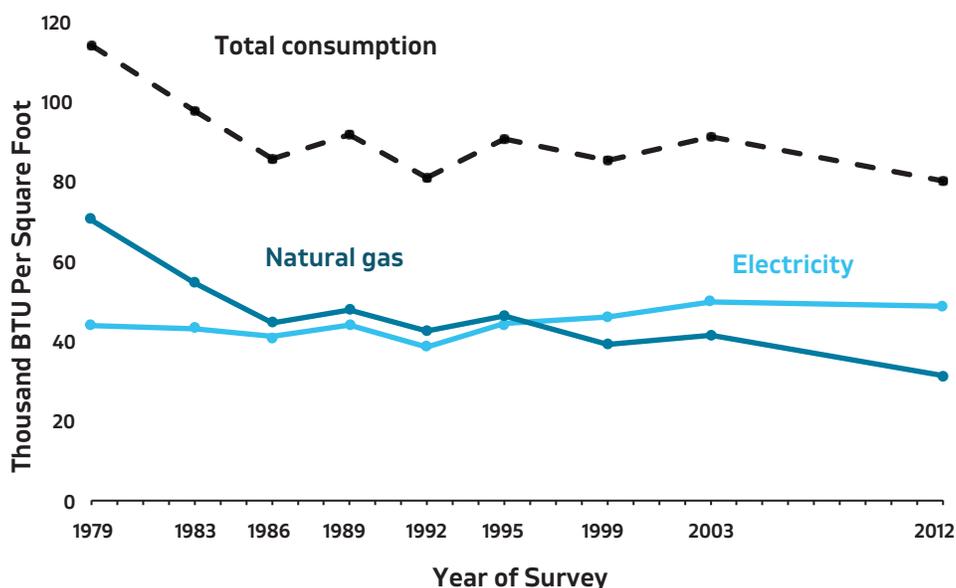
ENERGY STAR is the U.S. Environmental Protection Agency's brand to recognize building energy efficiency. A high ENERGY STAR score signals a well-managed asset with a reduced carbon footprint. Pensions, sovereign wealth funds, and other institutional investors commonly rely on—and place value in—EPA's label. Business tenants also prefer EPA-certified buildings for their lower utility expenses and to better attract a Millennial workforce.

Nearly 35,000 properties representing more than 5 billion square feet of commercial space have earned EPA's ENERGY STAR. EPA estimates that 44 billion square feet of floor space—about half of U.S. commercial real estate—use "Portfolio Manager," ENERGY STAR's online tool to measure energy, water, and waste consumption.

The pervasive reach of ENERGY STAR compels a rating system that is transparent, fair, and accurate. Last August, the EPA updated the data and equations it uses for ENERGY STAR ratings. The re-vamped scoring models produced inconsistent outcomes based on variables beyond the control of a building owner who wants to invest in enhanced energy efficiency. For example, both the size of an existing building, as well as its geographic location affect the EPA's ratings.

As a result of these limitations in the EPA's revised methodology, the agency has temporarily suspended new ENERGY STAR certifications and is reconsidering

Commercial Building Energy Use Has Decreased Since the Late 1970s Oil Crisis



Source: *EI A Commercial Buildings Energy Consumption Survey*

its scoring methods. The Roundtable will encourage adjustments to ENERGY STAR methods so that properties are scored fairly regardless of size, fuel mix, or the number of days that heating is necessary for occupants' comfort.

Improving Critical National Data on Building Energy Efficiency

The U.S. Energy Information Administration – the Energy Department’s data-gathering arm – periodically conducts the only nationwide survey that collects energy data from commercial buildings. Known as CBECS, the Commercial Building Energy Consumption Survey provides the critical data EPA uses to generate ENERGY STAR scores.

CBECS reports an important trend in U.S. commercial real estate: growth in building size is outpacing absolute numbers of buildings. Although there are relatively few very large buildings in the U.S., they account for more than one-third of total commercial building floorspace.

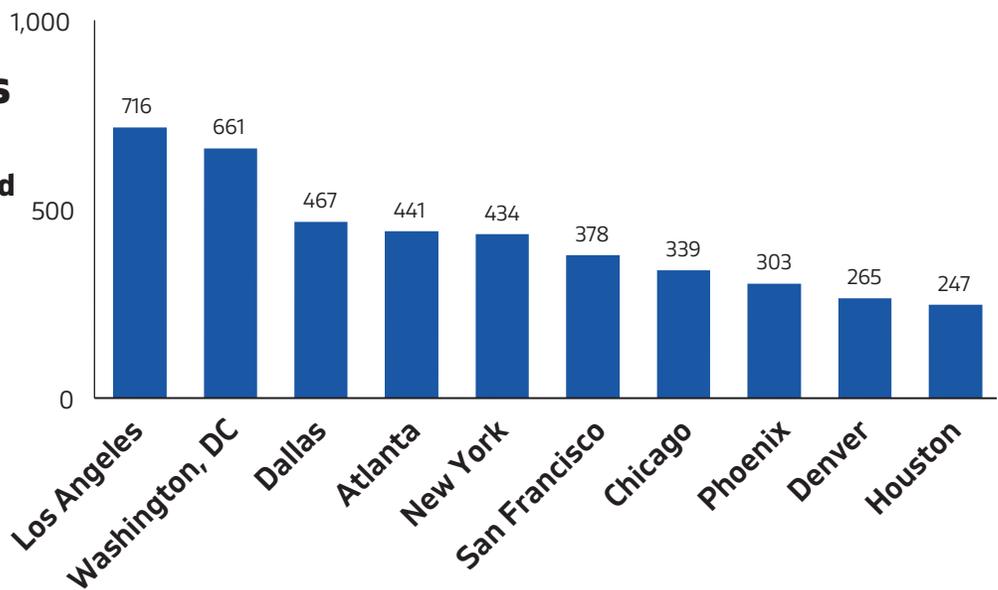
Despite the increasing prevalence of large buildings that dominate major gateway markets, virtually no buildings



Roundtable Chair Debra A. Cafaro (Chairman and CEO, Ventas, Inc.) and Sen. Debbie Stabenow (D-MI), who is a member of the Senate Energy and Natural Resources Committee.

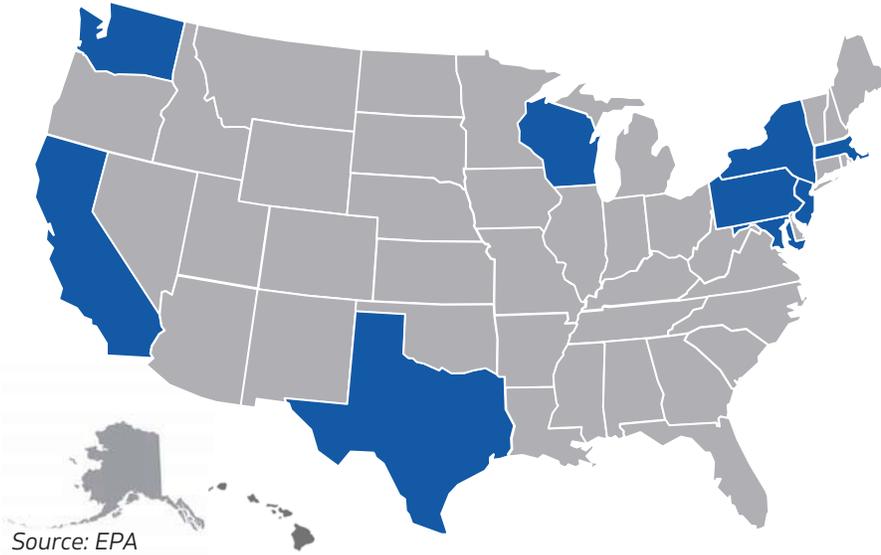
500,000 square feet or larger were included in the last CBECS effort from 2012. Going forward, the EIA must plug this conspicuous gap in its data collection. When the federal government asks U.S. building owners to complete the next CBECS survey in 2019, it must reach many more buildings at least 500,000 square feet in size and obtain their actual energy consumption data.

2018 ENERGY STAR Top Cities Cities With The Most ENERGY STAR-Certified Buildings



Source: EPA

Top States For Green Power Usage



	# of GPP Partner	Total GP Usage (kWh)
CA	203	11.2 B
WA	51	5.8 B
NY	107	3.6 B
TX	429	3.6 B
DC	66	3.5 B
WI	62	2 B
NJ	30	2 B
PA	64	2 B
MA	48	1.3 B
MD	75	1 B

Source: EPA

Supporting the “ENERGY STAR for Tenants” Program

The EPA announced the inaugural recipients of its ENERGY STAR for Tenants award last June. The program, originally envisioned by The Roundtable’s Sustainability

Policy Advisory Committee, is the first-ever federal label for high-performance leased spaces.

This new award motivates commercial tenants and landlords to demonstrate their commitment to energy efficiency in leased commercial building space. Tenant engagement and recognition programs such as these should be prioritized by EPA and other government agencies. They are as important in reducing building energy use and minimizing carbon output as more traditional whole-building recognition programs.



Sen. Rob Portman (R-OH) is a long-time sponsor of building energy efficiency legislation, including “Tenant Star.”

Seeking a Meaningful Tax Incentive for High Efficiency Building Improvements

Since 2005, the federal tax code has included the section 179D deduction intended to encourage private sector “retrofits” that lower energy consumption and reduce buildings’ carbon footprints. But the requirements to qualify for 179D have proven too complicated for existing building renovation projects.

Congress should take a fresh look to incentivize building energy efficiency through the tax code. Provisions in the Tax Cut and Jobs Act that passed in 2017 are designed to stimulate building investments by allowing immediate expensing of the costs of certain capital improvements. However, these “cost recovery” rules were not drafted with the goal of energy efficiency in mind. In many cases, the new expensing rules have the unintended impact of raising the after-tax cost of investing in certain kinds of HVAC, windows, lighting and other high performance improvements.

Such building investments should be encouraged – not penalized – for the benefits they can bring to spur job growth, enhance energy independence, and reduce carbon emissions. The Roundtable encourages lawmakers to consider appropriate depreciation periods for energy efficient systems and equipment in light of the TCJA’s new framework to expense building improvements.

Smart Sectors

The Roundtable is pleased to continue its partnership with EPA through its “Smart Sectors” program, which the agency launched in 2017 to achieve positive environmental

outcomes that help grow the economy and create jobs.

Through Smart Sectors, The Roundtable will continue to advocate for responsible environmental regulation on matters such as renovation and repair of commercial buildings to address potential lead-based paint hazards, and the stormwater runoff and wetlands permitting programs under the federal Clean Water Act.



Sen. Amy Klobuchar (D-MN) serves on the Senate Democratic Steering and Outreach Committee. This Committee brings together senators, businesses, community leaders, policy experts and intergovernmental organizations to help develop policies to strengthen the economy.