

Talking points/backgrounder:

Mandatory home energy labelling

13 May 2010

Summary

- *We are calling on the Ontario government to implement energy labelling of new and existing homes as soon as possible.*
- *Energy labelling is a consumer right and a powerful tool to help achieve the government's home energy efficiency goals (benefits include: consumer information, bill savings, environment, green jobs/business opportunities).*
- *Labelling was included in 2009's ground-breaking Green Energy and Economy Act, but implementation has been delayed while attention has been focused on renewable energy.*
- *Now, with the wind-down of federal ecoENERGY incentives, the government needs to begin implementation of mandatory labelling as soon as possible, while we still have in place a province-wide infrastructure of professional energy auditors. The EnerGuide Rating System should be used.*
- *Ontario is a recognized leader in green energy. Ontario homes should be as green as the energy they consume!*

Talking points

1. Ontario has **committed** to mandatory energy labelling in the Green Energy and Economy Act, **passed by the Legislature** 14 May 2009. Labelling needs to be **implemented** through Cabinet regulations. The government spent the last year focused on renewable energy - it's time now to catch up with home energy efficiency.
2. The time to **implement is now**, while we still have in place a province-wide infrastructure of **professional auditors** and service organizations. If we don't do mandatory labelling now, we'll lose these experts - and retrofit capacity - because of the wind-down in federal incentives. **Use it or lose it!**
3. For the Ontario government, mandatory labelling is a way to move forward on home energy efficiency **with minimal cost to taxpayers or energy ratepayers**. (Existing provincial incentives need to remain in place at least long enough to **bridge to mandatory labelling**.)

4. Benefits of labelling include

- → **disclosure to buyers:** right to know (biggest energy-using purchase), and professional advice on further upgrades
- → **market transformation:** home buyers will make energy efficient choices, an incentive for sellers to invest in upgrades of inefficient homes before putting them on the market
- → **increased home value/sellability, bill savings (20-30%), emissions reductions** (including greenhouse gases)
- → **cornerstone of home energy efficiency policy, a gateway for participation in other programs**, including incentives, financing, green mortgages, recognition, etc.
- → **tool to track Ontario's progress toward eco-efficient housing**

5. There is **strong support** for mandatory labelling. A poll conducted a year ago showed the majority of Ontarians are in favour. The home retrofit industry (contractors, manufacturers) are on board, along with conservation experts, environmental organizations, key municipalities and others. (See attached list).

6. **Realtor** associations have been critical of mandatory labelling. However, mandatory labelling will be positive for home buyers (right to know energy costs and make efficient purchases), sellers (increase the value of efficient homes), housing stock (upgrade efficiency, improve value) and society as a whole (environment, jobs, business opportunities).

7. Labelling is **ready to go**.

- **ratings tool** - Over a million ratings Canada-wide to date using the EnerGuide Rating System. ERS is internationally recognized; and Natural Resources Canada is committed to upgrades and Ontario-specific customization (electricity).
- **auditing capacity** - there is a province-wide infrastructure of trained, experienced energy assessors - and if labelling is phased, further capacity can be developed quickly
- **moderate cost** in context of home sale and huge benefits

8. We applaud **green energy leadership** by McGuinty government - home labelling is the next step so Ontario homes are as green as the energy they consume.

Backgrounder

... additional material in support of the talking points above

Government going slow on implementation

- Mandatory labelling is included in Green Energy and Economy Act, passed 14 May 2009.¹ The good news is that the government is already committed and legislation is in place. But labelling is not yet implemented, which requires a regulation made by Cabinet.
- The government is consulting on *how* to implement mandatory labelling, which is good - but we are very concerned about the slow pace, and the indication of 'no particular timeline' for getting the regulation in place.
- Home energy efficiency has been put on the back burner over the past year while renewables have taken centre stage. Yet it is widely recognized that energy efficiency should top the list based on value and impact. We don't want Ontario to be a province of solar sieves - leaky uninsulated houses with expensive solar panels on their roofs. Let's get on with the efficiency provisions in the Act, starting with labelling.

Urgency of labelling

- as a result of the federal ecoENERGY incentive program, matched by the Ontario OHESP incentives, there has been a tremendous demand for home energy audits and retrofits. Ontario now has close to 1000 auditors. However, the federal government has announced an end to new participants in the program, which ends March 2011. Ontario has announced that it will continue to accept new participants, but no time frame has been announced for continuation of OHESP. If it is shut down March 2011, then Ontario's energy industry will begin to tail off rapidly over the coming months.
- For this reason, we can't afford further delay in the implementation of home energy labelling provisions in the Green Energy Act.

Role of incentives

- The issue of incentives needs to be carefully addressed. Although incentives are expensive, they are effective and make sense - they save a lot more than they cost. Incentives are good.
- However, we know that Ontario is under pressure to reduce spending given the huge Ontario deficit. Ontario's OHESP incentives are slated to end March 2011.

¹ see excerpt, at the bottom of this backgrounder

- main points:
 - mandatory labelling is a market transformation tool that doesn't rely on new government/ratepayer expenditures
 - we need Ontario incentives in place at least until mandatory labelling, or we will lose the industry
 - Ontario should consider a new generation of 'smart' incentives designed to get maximum results for minimum expenditures.

Increased sellability/home value

- According to a TD Canada Trust poll, "76% of Ontarians would be willing to pay more for a house or condo that includes environmentally friendly features," primarily to save on energy bills, but also for health and environmental reasons.²
- A U.S. survey indicated that energy-efficiency features such as insulation and windows ranked number two in new home buyer "must-haves."³
- An Australian study found that a "statistically significant" relationship exists between the energy efficiency rating of a house and its sale price, and suggests that increase market value generally exceed retrofit costs.⁴ The study found a \$11,000 Australian increase in sale price per star improvement on a six-star scale.⁵
- "Atlanta collected green building data in its MLS throughout 2009. During that year, green homes sold 3.6 percent closer to the original list price and 31 days (23 percent) faster on average than all other homes."⁶

Benefits

- **HOME SELLERS:**
 - improve sellability and price premium for an efficient home (see above)
 - access to professional advice to improve energy performance and ratings of homes before listing
- **HOME BUYERS:**
 - independent third-party information about the 'second price tag' (energy costs) before making a major purchase
 - professional third-party advice about further upgrades
 - reduced energy bills (our experience: 22-30% bill reductions)
 - access to green mortgages and other incentives

² [TD Canada Trust Green Home Poll](#), 2010.

³ Survey by AVID Ratings Co. December 2009

⁴ "Energy Efficient Rating and House Price in the ACT," Australian Bureau of Statistics, 2007

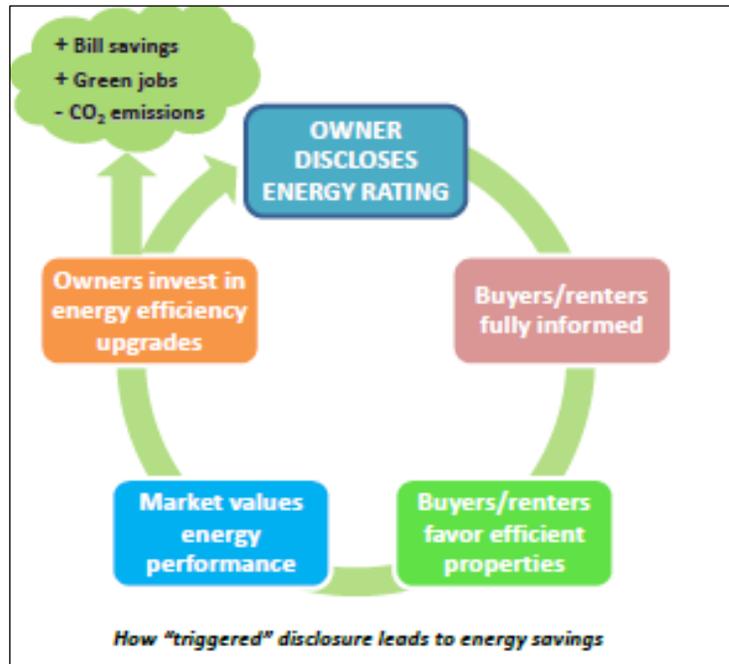
⁵ *Valuing Building Energy Efficiency Through Disclosure and Upgrade Policies: A Roadmap for the Northeast U.S.*, Dunsky Energy Consulting, p. 22

⁶ <http://www.housingfinance.com/news/ahf/051210-ahf-Valuing-Green-Design-and-Construction.htm>

- improved selection as inefficient homes are upgraded

- **REALTORS:**

- help in securing an efficient home for home buyers
- assistance with sellability, price for energy efficient homes (see above)
- access to professional advice to upgrade efficiency of pre-market homes
- general increase in value of existing housing stock



- **CONTRACTORS / SUPPLIERS:**

- sustained market demand for energy efficiency retrofits
- insulation from the usual "boom and bust" cycles of government/utility programming

- **NEW HOME BUILDERS/DEVELOPERS:**

- ratings showcase superior efficiency of new homes

- **ENERGY AUDITORS:**

- sustainable business

- **UTILITIES:**

- universal platform for utility efficiency programs
- 'gateway' for program participation

- **SOCIETY:**

- minimal cost to tax payers, ratepayers
- cost-effective strategy to reduce greenhouse gas emissions - efficiency is the leading 'no regrets' strategy because it saves more than it costs
- lower utility bills, decreased energy dependence

- **JOB/GREEN ECONOMY**

- jobs, green business opportunities associated with energy efficiency retrofits, audits, manufacturing
- for example, under ecoENERGY in Ontario there has been direct retrofit spending of more than \$1 Billion, and more than 20,000 job/years; in

addition, there have been spin-off multiplier effects for local jobs and economy due to \$700/year/house bill savings

Strong support

- Ontarians support mandatory home energy efficiency labelling by a margin of two to one and expect it to be common across North America soon.⁷
- See Appendix for list of supporters. Supporters include: energy experts, home retrofit industry, home builders, environmental organizations ...
- Some realtors have embraced home energy labelling: Calgary Real Estate Board plans a summer 2010 pilot using ERS. "There's a sense from the consumer and realtors that there's value to a green home."⁸ Victoria (BC) Real Estate Board is partnering in pilot project to include EnerGuide ratings in the listings of houses for sale.
- Although Ontario Conservatives have criticized mandatory labelling, in the 2007 election they supported them: "Requiring home energy audits before every sale of a house so that the market will reward homes which are energy efficient. This will be a signal to homeowners that they will get a return on energy investments in their homes." (p.48) A 2008 private members bill had all-party support in the Ontario Legislature.

The way of the future:

The International Energy Agency/G8 recommends mandatory energy labelling (certification) of buildings.⁹

More than 30 countries have implemented mandatory home energy labelling schemes including:

- **Germany.** Since January 2009, all residential buildings are required to have an Energy Certificate when being sold or leased.
- **Denmark.** Since January 1997, owners of existing residential homes must obtain an energy label certificate at the time of sale.
- **United Kingdom.** Building owners must produce an Energy Performance Certificate (EPC) at the time a house is sold or rented. Approximately 4 million

Mandatory labelling is the now the law of the land throughout the European Union. Population: 500 million.

⁷ Survey conducted 20-22 April 2009 by Oraclepoll Research for CEEA and NAIMA.

⁸ Diane Scott, President CREB, January 2010

⁹ *Progress with implementing energy efficiency policies in the G8*, G8/IEA, pg. 72. "2.4 Building Certification: a) Governments should take actions to make building energy efficiency more visible and to provide information on major energy saving opportunities. This should include: i) Mandatory energy certification schemes that ensure that buyers and renters of buildings get information on the energy efficiency of buildings and major opportunities for energy savings"

EPCs for existing dwellings and 0.3 million EPCs for newly constructed dwellings having been lodged on the EPC Register since August 2007.¹⁰ The UK government is working to maximize benefits from energy labelling in support of the goal of universal home energy upgrades.

- **Australia.** Since 1999, the Australian Capital Territory has required mandatory energy disclosure for all existing homes at the time of sale. It is anticipated that mandatory disclosure will also be introduced into Victoria after May 2011 for the residential sector.

Reasonable cost

- Cost for pre-retrofit energy audits in Ontario range from \$300 to \$375, a fraction of the average sale price of \$349,405¹¹. By comparison:
 - home inspections range from \$275 to \$400
 - legal fees run \$750-\$1,000
 - real estate fees at 5% would cost \$17,470

Use the EnerGuide Rating System

- more than a million ratings nationally, used extensively for provincial, utility programs
- federal government committed to hosting, upgrading
- delivery infrastructure in place and ready to go (~1,000 CEAs in Ontario)
- additional energy advisors can be trained quickly
- no development, ongoing costs for Ontario
- necessary to preserve current energy-efficiency industry
- Ontario leadership will help generate action in other provinces, continued vitality of ERS

¹⁰ *Warm Homes, Greener Homes: A Strategy for Household Energy Management*

¹¹ Source: The Canadian Real Estate Association.

APPENDIX: Green Energy and Economy Act

EXERPT FROM THE ACT AS PASSED

Mandatory home efficiency disclosure

3. (1) *A person making an offer to purchase an interest in real property has the right to receive from the person offering to sell the property such information, reports or ratings as are prescribed,*

(a) relating to energy consumption and efficiency with respect to a prescribed residence on the property or a class of prescribed residences on the property; and

(b) in such circumstances and at such times as are prescribed and in such manner as is prescribed.

Provision before accepting offer

(2) The person offering to sell the property shall, in accordance with subsection (1), provide the information, reports or ratings to the person making the offer to purchase before accepting that person's offer.

Waiver

(3) Subsections (1) and (2) do not apply where the person making the offer waives, in writing, the provision and receipt of the information, reports or ratings.

Agent

(4) A person acting as an agent on behalf of the person offering to sell shall inform that person promptly of any request for the information, reports or ratings.

Same

(5) Subsection (4) applies only to agents acting for or in anticipation of receiving valuable consideration with respect to the offer to sell.

Make available

(6) In this section, the obligation to provide information, reports or ratings is satisfied where the person offering to sell makes the information, reports or ratings reasonably available to the person making the offer to purchase.

Two issues with GEEA provisions

- **Time of disclosure.** The Act provides for disclosure at time of sale rather than time of listing, which is not ideal from the point of view of market transformation. However, most home sellers will likely get an audit early in anticipation of the likelihood that they will need to provide it. And as home energy performance becomes an increasingly important factor in selling a home, they will make improvements and get an updated rating prior to listing. Sellers with good ratings will advertise them. Ultimately, ratings will be voluntarily listed included in listings. Let's implement the GEA provisions now, using regulatory powers to ensure the best outcome for retrofits.
- **Waiver.** As a result of lobbying by realtor representatives, the Green Energy and Economy Act includes the option of a waiver of disclosure by the purchaser.¹² There are rumours that realtors want to include the waiver as a routine provision in the offer to purchase. However, government representatives have made it clear that the waiver was not meant to be used routinely, but for extraordinary circumstances, e.g. the house will be demolished by the new owner. The regulation should ensure that waivers are the exception rather than the rule.

¹² Subsections (1) and (2) do not apply where the person making the offer waives, in writing, the provision and receipt of the information, reports or ratings.