

Making Home Energy Labelling a Success in Your Community

Phase 1: Home Energy Labelling Requirement at Point of Sale:

Pilot Program Design

Phase 1 summary

Through research and three stakeholder workshops we investigated how local government could accelerate the energy labelling of new and existing homes, ensure disclosure of that information at time of sale, and use the data to improve the design of retrofit programs. Here are the key findings of that study; for more details, see full report at www.pembina.org/pub/2400 and the fact sheet at www.pembina.org/pub/2389.

Benefits of home energy labelling

1. **Reward energy efficiency:** increases the value and saleability of energy efficient houses.
2. **Catalyze upgrades:** suggests renovations with best energy returns and provide access to grants, green mortgages and/or financing programs.
3. **Improve health and comfort:** diagnoses heating system and envelope problems to improve comfort, indoor air quality, and reduce risk of mold.
4. **Create jobs:** stimulates local employment in the home energy sector and increases household spending power by reducing energy bills
5. **Improve program delivery:** provides data to help local governments support homeowners in upgrading their homes.
6. **Point of entry:** provides a way to reach the thousands of homeowners who have not, to date, engaged in home efficiency improvements. This supports retrofit projects in the existing residential housing stock — the hardest sector to reach for energy upgrades.

Barriers to broad adoption of home energy labelling

- **Slow uptake:** Participation in the EnerGuide for Homes program has been voluntary since its creation in 1998; 15 years later, fewer than 10 per cent of Canadian homes have an EnerGuide rating.
- **Limits of incentive programs:** Most energy assessments in B.C. are conducted in order to participate in provincial or federal retrofits incentives programs; these programs reach only a small portion of homeowners and have an uncertain future.
- **“First on the dance floor” syndrome:** Two pilot programs in B.C. incentivized voluntary disclosure of the EnerGuide rating on MLS, but had very limited uptake; in the absence of comparator homes, realtors and homeowners may view posting the rating as a risk to home value.

The barriers to voluntary labelling programs are self-perpetuating: unfamiliarity with the rating system and shortage of comparator homes are both cause and effect of low program uptake and insufficient home labelling in the market. Making home energy labelling a requirement for the sale of a home is one possible way to break this cycle of ineffectiveness.

Key challenges of mandatory labelling at point of sale

Workshop participants raised some challenges with the implementation of mandatory labelling programs. Most of these difficulties can be alleviated by good program design; the challenges and approaches to mitigate them are summarized in the table below.

Challenge	Proposed solution
Energy advisor capacity: energy advisors in regions might not be able to meet increased demand in timely manner	Forecast increase in demand based on historical sale data and give sufficient warning to service organizations for them to recruit and train advisors to capture this new market.
Risk to realtors that homeowners might choose to do a private sale rather than hire a realtor to avoid having to do the energy assessment	Ensure homesellers are aware that the requirement stands for both private and realty sales, and ensure monitoring of private sales. Consider subsidizing part of the cost of the assessment; vouchers could be distributed by realtors to their customers.
Risk of creating delays in sale process, particularly in 'hot' real estate market	Allow for sale to be completed even if energy assessment is still pending. Requirement would be considered as met as long as assessment is done before new owners take possession.
Enforcement: how can municipalities, who are not involved in sales process, ensure the requirement has been met?	Existing homes: Municipalities can verify compliance by comparing the list of sold properties (provided by B.C. Assessment to update tax account) to the list of homes having completed an assessment that month.
	New homes: proof of assessment required for getting construction or occupancy permit.
Do local governments have jurisdiction to mandate labelling?	It is unclear at this point whether the Municipal Act grants local government power to mandate labelling. Clarification with the province needed.

It should be noted that most of these challenges are specific to the mandatory labelling of *existing* homes. A labelling requirement for *new construction*, while still requiring some development, was generally perceived as much more straightforward.

We thus suggest a phased approach, implementing first a pilot program for labelling of new construction. As the EnerGuide rating for homes becomes more familiar to homebuyers, realtors, and others and as energy assessments become more integrated with real estate transactions, municipalities or the province could extend the requirement to include existing homes.

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