



## Introduction to Commercial Building Energy Rating and Disclosure Policies

**F**OR BETTER OR WORSE, THE BUILDINGS OF TOMORROW ARE MOSTLY HERE. According to the U.S. Department of Energy, more than 40 percent of U.S. commercial buildings are more than 30 years old.<sup>1</sup> In New York City, where commercial buildings account for 80 percent of greenhouse gas emissions and \$15 billion each year in energy costs, 85 percent of buildings standing today will still be in use in 2030.<sup>2</sup> Our ability to make meaningful reductions in building energy consumption depends on unlocking efficiencies in existing buildings. Rating and disclosing building energy performance is the first step to harness those opportunities.

### AN “MPG” RATING FOR BUILDINGS

In the auto industry, consumer demand for fuel efficiency has sparked fierce competition among automakers to build vehicles that cost less at the pump. Thanks to transparent miles-per-gallon data, consumers are able to assess fuel efficiency and select vehicles with lower fuel costs.

But in the commercial real estate industry, the “fuel efficiency” of most buildings is unknown. Real estate investors and lenders who spend hundreds of billions of dollars each year buying and financing commercial buildings often don’t know whether a building is fuel-efficient or a gas-guzzler, so to speak. Small businesses can’t compare the energy efficiency and

potential energy costs of buildings when they lease space. This information gap limits the market forces that should be driving investment in building efficiency, resulting in little demand for energy-efficient buildings and little competition among building owners to improve efficiency.

Rating and disclosing building energy performance can help overcome these barriers. Like MPG ratings, transparent energy ratings enable the market to assess building energy performance and identify buildings where energy costs are lower, creating more demand for efficient buildings.

For more information, see [www.imt.org/rating](http://www.imt.org/rating) or contact:

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**Leveraging the Market:** Transparent energy ratings can help drive investment in energy efficiency by enabling tenants, investors and lenders to compare building energy performance, creating demand for efficient buildings that have lower utility bills and/or operating costs.

## OPENING DOORS FOR GREATER GAINS IN ENERGY EFFICIENCY

Rating and disclosure policies create the necessary conditions for increased investment in building energy efficiency. Because they leverage the existing power of the market, these policies are inexpensive for state and local governments to implement and often have broad support from industry stakeholders. The benefits of rating and disclosure policies include:

- <sup>1</sup> Commercial Buildings Energy Consumption Survey 2003, Building Characteristics Tables for All Buildings, Table A1.  
[http://www.eia.doe.gov/em eu/cbeecs/cbeecs2003/detail\\_e\\_d\\_tables\\_2003/2003set1/2003pdf/a1.pdf](http://www.eia.doe.gov/em eu/cbeecs/cbeecs2003/detail_e_d_tables_2003/2003set1/2003pdf/a1.pdf)
- <sup>2</sup> New York City PlaNYC report
- <sup>3</sup> See [www.imt.org/rating-federal](http://www.imt.org/rating-federal) for more information
- <sup>4</sup> ENERGY STAR Snapshot Spring 2010

■ **Empowering tenants to save money on utility bills** by helping them identify efficient and inefficient buildings. Tenants can also set minimum leasing standards based on transparent ratings, which can lead to rapid market transformation.

■ **Learning what works and what doesn't work.** State and local governments and utilities can analyze ratings to identify building efficiency trends and create more effective building energy policies and incentives.

■ **Ensuring building owners are measuring energy usage.** You can't manage what you don't measure, and the efficiency of most buildings has never been measured. Doing so will help owners identify opportunities to lower utility bills and set energy efficiency goals, as well as increase demand for energy audits and the services of facilities professionals who proactively manage building energy.

■ **Sending the message that we must focus on reducing energy consumption in existing buildings,** which comprise roughly 98% of the total building stock in any given year.

■ **Increasing accountability for building energy usage.** Energy transparency will hold the designers, engineers and operators of buildings more accountable for energy consumption, particularly in buildings that don't perform well.



### WHERE ARE RATING POLICIES IN THE UNITED STATES?

Two states – California and Washington – and four major cities – New York, Austin, Seattle and Washington, DC – have enacted commercial building energy rating and disclosure policies. The policies will affect hundreds of millions of commercial square feet, and each one contains unique approaches to implementation.

For example, buildings in the state of California must have ratings at the time they are sold, leased or financed for disclosure to transaction counterparties. But in

New York City buildings require annual ratings that are posted on a public web site. Please see [www.imt.org/rating](http://www.imt.org/rating) for detailed briefs on each policy.

Other states and cities appear ready to follow these pioneering jurisdictions. Additionally, the U.S. Department of Energy recently launched the National Building Rating Program (NBRP), a joint effort with the U.S. EPA to develop a standard building energy label and rating methodology for homes and commercial buildings.<sup>3</sup>

### Rating With ENERGY STAR

Most U.S. rating policies leverage the EPA's [ENERGY STAR](http://www.energystar.gov) program. ENERGY STAR generates an energy performance rating from "1" to "100" based on a building's actual energy consumption as compared to similar buildings nationwide. It is free for building owners to use and can facilitate the automatic uploading of meter data each month from utilities.

By far, ENERGY STAR is the nation's most popular energy measurement tool for commercial buildings. More than 110,000 buildings totaling 15 billion square feet have been voluntarily benchmarked in the past decade – although that still accounts for just a fraction of the total commercial market.<sup>4</sup>