



Achieving scale in the US: A view from the construction and real estate sectors

A report from the Economist Intelligence Unit (EIU),
commissioned by the GBPN, in collaboration with IMT

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Energy efficiency is not only smart, it's good business: the retrofit sector alone could provide \$1trn in energy savings in the US over the next decade. Our October 2012 briefing paper *Energy efficiency and energy savings—a view from the building sector*, produced by the Economist Intelligence Unit (EIU) and commissioned by the Global Buildings Performance Network (GBPN), revealed that 40% of survey respondents from the US buildings sector accept no business responsibility for carbon emissions. This was more than double an average of 17% of respondents in Europe, China and India who shared the same view. That doesn't mean, however, that US business leaders won't invest in green initiatives should the terms prove favorable. Good, consistent legislation and innovative financing are needed to entice them.

In the US, buildings account for 41% of primary energy consumption, more than the transport (29%) or the industrial (30%) sectors, according to the US Department of Energy. Many existing buildings are energy inefficient, and new ones do not always comply with the latest building codes that seek to promote efficiency. Moreover, efforts in the US—both legislative and corporate—tend to focus on new buildings when retrofitting would bring the most the potential gains in efficiency.

Goals set at the federal and state levels, such as “Better Buildings” (federal) or New York State’s “Build Smart” initiatives, aim to increase energy efficiency by 20% by 2020. Regulation, however, varies from state to state; accordingly, company compliance can be problematic. Other impediments to investment come from within the private sector itself. The most important of these are misperceptions about the true costs of and benefits of energy efficiency.

Key findings from the report include:

- Energy efficiency regulation in the US is patchy, confusing and inconsistent. Building codes and other policies often differ between states—and sometimes within them. This leads to a suboptimal situation in which the vast majority of US companies manage energy efficiency at the building level rather than at the portfolio level. Regulation also tends to focus on new builds rather than retrofits; the latter would, however, offer most of the potential gains in energy efficiency
- Innovative financing offers opportunities to achieve greater scale. Aggregating projects across and within sectors through green banks and large mortgage financing organisations allows for a more efficient allocation of capital and would likely attract large institutional investors.
- Both the public and the private sectors must work to address the data challenge. Data on energy efficiency performance are limited, unshared and often inconsistent between measurements. Creating a supply of standardised data on the energy and financial performance of projects will help institutional investors to choose investments based on risk profiles and will also facilitate comparison of the energy efficiency performance of investments.
- Co-benefits of energy efficiency retrofits include higher occupancy rates and higher tenant retention. While many of these co-benefits like reduced carbon emissions have yet to be priced into the market, some—for example, greater comfort—are almost immediately tangible for both companies and their customers.