

RESNET Action Plan for New Rater Business Development Opportunities

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A key service that RESNET provides to its rater members is to provide new business development opportunities. Currently the primary source of economic demand for rating services is verification of homes for the Environmental Protection Agency's (EPA) ENERGY STAR Homes Program. It is not healthy for any industry to be dependent upon a single federally sponsored program or a single facet of the housing market.

In the process of developing the RESNET strategic planning framework, RESNET convened the Building Performance Planning Focus Group composed of recognized leaders in the industry. This group identified the need to develop new services for home energy raters outside of ENERGY STAR and the traditional home energy ratings.

In 2006 the RESNET Board of Directors adopted a prioritized list of potential new services for home energy raters. The following is the action plan for tapping into these new services. The services are organized into near, mid and long term opportunities. These opportunities are organized as such to assist raters and RESNET to devote efforts and resources to opportunities available in the near term while preparing and anticipating emerging opportunities that may still be a few years out. Therefore the near term opportunity presented below has been more fully developed and contain specific concrete objectives, while the longer term opportunities will need to be revisited in the future to develop a more concrete action plan with specific objectives if and when the opportunity continues to emerge as a vital, potential business option.

Near Term Opportunity

Priority Number One: Tapping the Existing Homes Market

Historically energy ratings of existing homes were focused on documentation for energy efficient mortgages. Clearly there is a far greater market potential than this niche. These new opportunities are defined in the new RESNET framework for energy audits for existing homes. An example of this potential is in the state of California where regulations require duct testing by a certified rater at the time of an air conditioner change out. Another example is the European Union's Energy Performance in Buildings directive that requires rating of buildings at time of sale

or change of occupancy. Already legislation has been introduced in Nevada, New Jersey and New Mexico to have such a requirement in the state. In addition, raters will need access to financing to offer clients to make the recommended improvements.

The four opportunities discussed below are currently in the process of being developed and implemented or have potential for development the very near future.

Adopt National Energy Audit Standard

Home energy audits have been around for decades. Traditionally a home energy audit has been a survey of the energy uses of a home, recommendations of no/low cost improvements that can be made to the home, and if the home can benefit from more extensive upgrades based on the recommendations from a home energy rating or energy analysis by a qualified professional. Currently audits are conducted by home inspectors, utility personnel, and product distributors with no uniform procedures or standardized qualifications. Most often there is no cost to consumers for the service being that it is a part of an effort to sell a product or service, is part of a home inspection, or is part of a utility's demand management effort.

While there are many benefits of and uses for an energy audit, there is no national standard defining the scope and requirements of what an energy audit should contain or an auditor's minimum knowledge and skills. With the spiraling costs of home heating and cooling, there has been a renewed interest in energy audits and in developing a national standard that would address both the definition of an audit and qualifications for an auditor. With the input and cooperation of a large community of industry professionals, RESNET recently completed a two year process of developing a national standard for energy audits.

This standard will define the process by which a home can receive a comprehensive home assessment. It will define each of the phases of the process, the knowledge and skills qualifications required for auditors and the quality assurance provisions that must be maintained.

A comprehensive national standard should increase the confidence of consumers, policy makers, the media, and program sponsors in the credibility and value of energy audits of existing homes thereby driving up the market demand for these services.

The following are the strategic objectives for this initiative:

2007 RESNET formally adopts Comprehensive Home Energy Assessment Standard

- 2008 Raters become certified to conduct comprehensive energy assessments of existing homes
- 2008 RESNET posts page on its web site on comprehensive energy assessments including a national directory of raters who have been certified to conduct comprehensive energy assessments
- 2008 RESNET develops plan of action for educating consumers, policy makers, program sponsors and the media on the benefit of a whole house analysis and the existence of the RESNET national standards
- 2009 RESNET implements education campaign

Harmonizing RESNET and Building Performance Institute’s Certification Standards

The Building Performance Institute (BPI) is a national organization that promotes whole building performance improvements through the training, certification and accreditation of contractors. RESNET is currently working with BPI to harmonize the certification standards for RESNET home energy raters and BPI building analysts into a single classification to be called home performance analysts. This action will make it seamless for raters to conduct whole house energy assessments for building performance contractors. In addition RESNET and BPI are developing a strategic alliance with the goal of increasing the demand for whole house building performance upgrades.

The following are the strategic objectives for this initiative:

- 2008 RESNET and BPI adopt home performance analyst classification standard
- 2008 RESNET and BPI formally adopt strategic alliance

Home Performance with ENERGY STAR

The U.S. Department of Energy and the Environmental Protection Agency have launched the Home Performance with ENERGY STAR Program. Building on the success of the ENERGY STAR for Homes program, the program promotes whole house energy assessments and building performance improvements by certified contractors. The program is growing in popularity as a number of states and utilities have adopted the program as part of their existing homes initiative. The program requires a whole house energy assessment and testing out after

improvements are made. This program can provide a great opportunity for raters to expand their services.

A significant issue with the current program is that it does not provide measurable energy savings goals for the homeowner to consider and no method to measure improved home performance after improvements have been completed. Without goals and measurements the program is basically a process. With the growing concern of high energy costs and climate change the building performance industry needs to advocate for the program to adopt:

- Measurable energy saving improvement goals the homeowner is challenged to achieved
- A label and other recognition for the homeowner that achieves the goals
- A measurement of the energy and environmental savings resulting from the home's improved performance.

The following are the strategic objectives for this initiative:

- 2008 Advocate to Department of Energy and Environmental Protection Agency that Home Performance with ENERGY STAR include measurable energy saving improvement and performance goals, recognition to homeowners who meet the goals, and a process by which to quantify the improved performance of the home.
- 2008 Education program to home energy raters on the business opportunities that Home Performance with ENERGY STAR presents.

Time of Sale Home Energy Assessments

As governments throughout the world begin to address the issue of climate change, a requirement that buildings receive an energy assessment at the time of sale is starting to emerge. The European Union's Energy Performance in Buildings Directive requires energy rating of buildings at time of sale or change of occupancy. Australia, China and New Zealand have also adopted similar requirements.

This movement is emerging in the United States as well. Legislation has been passed in Nevada, New Jersey and New Mexico mandating similar requirements. These new mandates could create a boom in the home retrofitting industry and a spike in demand for whole house energy assessments.

The following are the strategic objectives for this initiative:

- 2008 Draft model legislation that states and municipalities can use when adopting requirements for time of sale assessments.

2008 Develop action plan for education regulatory agencies of the existence of the RESNET Comprehensive Home Energy Assessments Standard. This will allow the agencies to refer to the standard as the metric for measuring the homes' energy performance at the time of sale.

Ongoing Track legislation introduced on time of sale energy assessment requirements and alert local industry members of the action.

Effective Financing Products for Improvements

A significant barrier to consumers making energy improvements to their homes is the upfront cost of the improvements. Affordable financing products offer the opportunity to address this barrier.

The Energy Improvement Mortgage (EIM) was designed to provide financing to make cost-effective energy improvements without an increased down payment for homebuyers at the time of sale or refinancing. The EIM product has been around for decades but has been greatly underutilized. One of the reasons for this is that it was primarily used to boost an applicant's income for loan qualification. Focusing on boosting income for qualification ignores the fact that energy costs are the highest cost of homeownership outside of the mortgage loan.

RESNET is striving to target what could really motivate consumers to use energy improvement mortgage products and mortgage companies to promote them. The RESNET Board of Directors has adopted a new policy on energy efficient mortgages that urges the secondary mortgage market to change the calculation for housing costs to include "principal, interest, taxes, and insurance minus the energy savings from energy improvement investments. This would mean that dollar – for – dollar the energy savings resulting from improvements would reduce the consumers housing costs in the mortgage loan qualification calculation. This alternative calculation would represent a more accurate picture of the income and expenses of a potential homeowner and encourage investment in improvements at time of sale or refinance.

Another opportunity that exists is in the federal government guaranteeing a loan to improve the energy performance of a home. This would work similar to the way that the federal government guarantees student and veteran loans. The government guaranteeing loans for improved energy performance homes would boost energy efficiency because it reduces the risk to the lender. Reduced risk results in lower interest rates and not having a requirement for mortgage insurance.

The U.S. Department of Energy was authorized to create loan guarantee programs by the 2005 National Energy Policy Act but has not implemented a program. RESNET is advocating that the Department create a loan guarantee program for loans for homes that have improved energy performance.

Both initiatives will create premiums for the financing of energy efficiency. The improved Energy Improvement Mortgage would formally recognize the reduced cost of housing for an energy efficient home and a loan guarantee program would reduce the risk to lenders which would result in more attractive financing if the home's energy performance is improved.

The following are the strategic objectives for this initiative:

- 2008 Advocate to Congress that the RESNET policy on revitalizing energy mortgages are included in future energy and climate change legislation.
- 2008 Advocate to the U.S. Department of Energy that it set up a loan guarantee program for financing the improving the energy performance of homes.

Providing Quality Assurance Review of Building Performance Institute's Contractors

The Building Performance Institute (BPI) requires a third party provide an onsite quality insurance inspection of a percentage of BPI accredited contractor's work. BPI is interested in contracting with certified raters to undertake this quality assurance work. This would create another service opportunity for raters.

The following is the strategic objective for this initiative:

- 2008 Enter into a Memorandum of Agreement with BPI for BPI to contract with certified raters to complete quality assurance inspections.

Mid-Term Opportunities

Priority Number Two: Environmental and Energy Efficiency Certificate Trading

Today, credits for environmental emission reduction and energy efficiency are being traded as a commodity in various environmental and utility markets. Through the introduction of environmental cap and trade systems, energy efficiency certificates, and utility capacity trading, credit for energy efficiency is being monetized into a tradable commodity. As programs such as cap and trade and energy efficiency certificates expand from state and regional programs into

national and international programs, the demand for raters to measure and certify compliance to the emission or efficiency targets will dramatically increase.

Opportunities for Raters

- Raters will be needed to calculate and verify energy and environmental savings from a building's improvements so that value can be traded in emissions and energy efficiency markets.
- Certified raters will be needed in the environmental emission, energy efficiency certificate and forward capacity markets that will invest in reductions in energy usage.
- The potential to create energy efficiency certificates that can be included in Energy Efficiency Portfolio Standards (Compliance Markets) or voluntary clean power markets (White Tags).
- Creation of a new revenue source for building owners to finance the energy performance of their homes and offices and for third parties to aggregate and sell the value of savings
- New service raters can offer to their builder clients

RESNET Action Plan

There is increasing interest by state regulators to reduce pollution emissions and meet future power demand through a system of cap and trading. It is certain that states will be adopting these market-based mechanisms in the upcoming years. It is uncertain, though, whether or not commercial and residential buildings will be included in the program. It is vital that raters advocate that residential and commercial buildings are included in cap and trade programs. Raters can begin by forming partnerships with industry, consumer and environmental advocacy groups, and sitting on local regulatory meetings.

Advocacy on the local, state, and regional level will be an important step in ensuring that buildings are included in a national cap and trade programs. Raters should also educate decision makers of home energy ratings as a cost effective means to calculate and verify emission and energy efficiency savings in buildings.

The RESNET Board of Directors has adopted an action plan on environmental, forward capacity and energy efficiency certificate trading. The plan spells out actions that RESNET will undertake to promote building performance as an offset to cap and trade systems. The action plan is posted on RESNET's web site at www.resnet.us/about/policy/Environmental_Trading.pdf.

As a resource to raters to educate their staff, clients and state regulators on the opportunity that residential energy efficiency performance presents, RESNET has a web site dedicated to this emerging opportunity at www.resnet.us/trading.

Priority Number Three: Energy Code Compliance

The U.S. Department of Energy has recently predicted the emergence of performance based code compliance. An example of this potential opportunity is the state of California. The California building code requires builders to have their homes performance tested for air tightness and duct leakage by a certified home energy rater. A new business service for builders would be to provide code compliance documentation.

A compelling approach to builders is that for one inspection a builder can demonstrate compliance to ENERGY STAR, tax credits and the energy code.

RESNET has already adopted a test suite for software to calculate compliance to the IECC and is beginning to accredit software. RESNET has submitted a proposal to the Department of Energy to support an educational initiative to local governmental building officials on the opportunity for performance based code compliance, the rater network and RESNET Standards on software calculation tools. The goal of this effort is to increase local building official's confidence in the rater network and accredited code compliance calculation tools for demonstrating compliance with the IECC.

Longer Term Opportunities

Priority Number Four: Builder Warranty Mitigation Service

The home building industry is facing an increasing rate of litigation from disgruntled home buyers. A potential service for certified senior level raters is to provide home diagnostics information to parties during litigation including offering mitigation strategies to builders.

Raters may also provide quality assurance inspections for the purpose of reducing insurance costs for home builders while providing the opportunity to integrate ENERGY STAR, green building and tax credits in a cost effective approach. Many of the largest insurers have programs in place for builders that implement a QA program which in many cases require an on-site inspection.

There is also an emerging market for green building alternative dispute resolution. This service involves mediation and binding arbitration. RESNET is currently working with a national organization, the Construction Dispute Resolution Service that is developing an alternative dispute resolution program in which certified raters can participate.

Priority Number Five: House Doctor

More and more home owner are experiencing indoor air, health and structural problems created by building science failures. A profitable venture for senior level raters could be to pinpoint the cause of housing failures and propose specific actions to remedy problems. The senior rater could then provide a referral to a qualified contractor to carry out the required treatment and follow up with a final inspection of the work performed.

RESNET is in discussions with BPI on harmonizing the two organizations certification standards in which raters would complete the diagnostics of a home and develop a work statement for the contractor.

Priority Number Six: Assisting Builders in Working with Designers to Incorporate Building Performance in Homes Design

Raters enter the picture of the home building process after the architectural design has been set. As builders strive for higher performing buildings a new opportunity arises to assist builders by working with the designer to incorporate high performance in a home's design. RESNET will work with such programs as the 20/30 Challenge, the Building America Program, and AIA in developing an implementation plan for this opportunity

RESNET Education Plan for New Rater Business Development Opportunities

RESNET will undertake an education effort to inform certified raters of the emerging opportunities and how to tap into them. For this campaign RESNET will use all of its established communication channels to the rating network including:

- RESNET Rater audio roundtables
- Articles in RESNET Notes
- A page on RESNET's website
- Sessions at the annual RESNET Building Performance Conference
- Posting on the RESBlog
- Direct e-mails to certified raters