

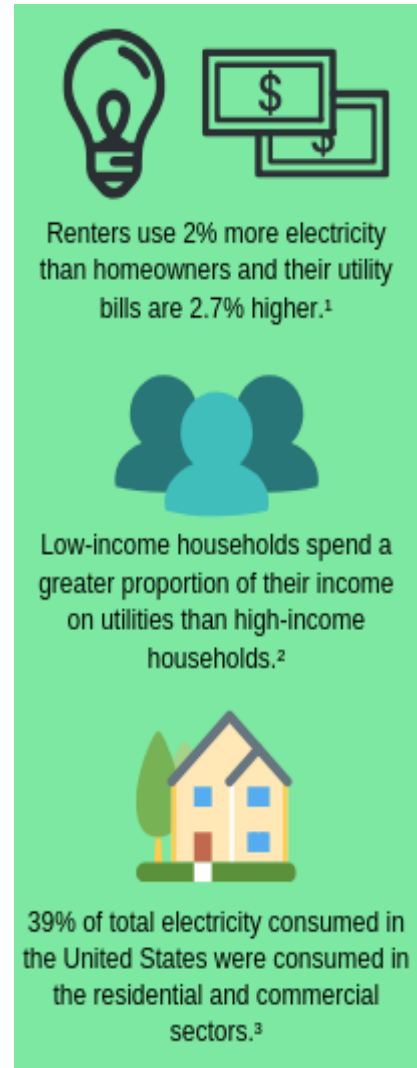
Incentivizing Energy Efficiency Improvements in Renter Households

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There are numerous federal and state policies aimed at reducing electricity consumption with an objective to increase energy security, reduce greenhouse gas emissions, and lower utility bills for individual households.⁴ Installing energy efficient technologies have been widely noted to be a cost-effective measure to reduce electricity consumption.⁵ These technologies typically include insulation, innovative window systems, LED light bulbs, and ENERGY STAR certified appliances.⁶

However, there is a significant underinvestment in energy efficient technologies, particularly in households that are occupied by renters. This underinvestment in energy efficiency is due to the fact that contractors and landlords make decisions that affect the building's energy performance while renters live and pay for those decisions.

- 1) Renters, on average, are more likely to be low income compared to homeowners.⁷ As such, renters do not have the upfront cash to install energy-efficient technologies.
- 2) Renters, unlike homeowners, typically do not occupy the household long enough to reap a return of their investment in energy-efficient technologies.
- 3) Renters are often unsuccessful in advocating for the installation of energy-efficient technologies because it would impose additional costs on their landlord(s).



Conflicting incentivizes among contractors, landlords, and tenants lead to an underinvestment in energy efficiency technologies.⁸

Contractor



- Incentivized to reduce upfront construction costs
- Energy efficient technologies are slightly more expensive than standard technologies

Landlord



- Often does not pay monthly utility bills
- Incentivized to reduce maintenance costs

Tenant



- Pays monthly utility bills
- Does not see a return of investment on energy efficiency technologies in the short-term

Potential Policy Solutions

Increase Funding for Existing Federal Programs that Promote Energy Efficiency Improvements

There are numerous existing programs that incentivize energy efficiency improvements for renters and low income households. These programs focus on directly funding and installing the technologies or providing tax credits to reduce the cost of energy efficiency improvements for individuals.

The most notable federal program that incentivizes energy efficiency improvements is the Weatherization Assistance Program. Since 1976, the program has provided grants for energy efficiency improvements, particularly insulation, for 35,000 households annually.⁹ This program should receive more federal funding to address the growing concern of renters and low income households to receive and install energy efficient technologies in order to reduce utility costs.

The federal tax credit for residential energy efficiency expired in 2016 but should be renewed for low income households interested in installing energy efficient technologies.¹⁰ A generous tax credit would also incentivize private companies to pursue new markets in renter and low income households. These policies would be the most politically feasible because it aligns with the status quo and there would not require much administrative costs.

Green Labeling

Energy labeling requires landlords and developers to disclose the cost of utilities to prospective renters. With more accessible information about the true cost of the building, renters will make optimal decisions when it comes to housing. In turn, landlords and developers will be incentivized to invest in energy efficient technologies to compete with neighboring properties. Portland, Oregon, successfully implemented a Home Energy Score program in 2018 that requires sellers of single-family homes to report the building's energy performance.¹¹ Moreover, the program requires that the potential tenants are provided with a list of feasible energy efficiency improvements that could be made to the building.

Strengthen Building Codes

Stricter building codes would require all residential buildings, regardless of the type of occupant, to have the same standards for energy performance. Stronger building codes that required the installation of energy efficient technologies have been observed to have an effect on reducing electricity consumption approximately by 4%.¹²

Most building codes are passed through state legislation, such as North Carolina, but some municipalities have the ability to pursue stricter building codes. Building codes are considered controversial and politically infeasible because it dramatically disrupts current industry practices. However, this policy would be the most straightforward and effective means to ensure that all buildings are equipped with energy efficient technologies.

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