ENERGY STAR® New Homes: Transforming a New Market Using the New Specification

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Transforming a New Market using the New Specification

- The Ameren Illinois Market
- Our New Homes Program
- A Market in Transition
- Market Transformation Goals
  - Progress With v2.0
  - Using v3.0 to Get There
  - Program Design
- Other Market Forces
The Ameren Illinois Market

- Ameren Illinois Service Territory
  - 43,700 square miles, ¾ of IL
  - Only 30% of the population
  - 1,200,000 electric customers
  - 840,000 gas customers
  - Mostly rural farmland
  - 8 MSAs
  - 20 μSAs
The Ameren Illinois Market

- Market Research Performed in 2008
- Very Small ENERGY STAR Network
  - 3 HERS Raters
  - 30 ENERGY STAR Builders
  - 439 homes qualified thru 2008
- Mostly small builders
- Congregated around mini-metro areas
- Few production builders
- Housing market in freefall
Our New Homes Program

- Launched in early 2009 with a recruiting drive for builders
- Began as a “gas heat only” program
  - Requirement turned out to be a significant obstacle
  - Geothermal systems (GSHP) are extremely popular, especially for ENERGY STAR homes
  - Recently added electrically-heated homes to program
- Incentive is paid to the builder
- Intended to offset the cost of the rating
- $450 incentive for gas heat without Ameren electric
- $200 bonus for Ameren electric
- $650 for electric heat
A Market in Transition

- New homes market is severely depressed
  - In 2008, housing starts in IL were 74% below 2005 peak
  - By 2010, starts were 84% below 2005
  - 2011 expected to match or slightly exceed 2010
  - Many builders going under, on hiatus, or shifting business model
A Market in Transition

- **Builders leaving the market**
  - Of the original 30 builders, only 22 of these qualified 129 homes in 2009
  - In 2010, only 16 of the original 30 qualified 69 homes
  - Old ENERGY STAR builders giving up, recession causing builders to cut costs

- **New crew arriving**
  - 8 new builders qualified 16 homes in 2009
  - These 8 plus 16 more qualified 61 homes in 2010
  - New ENERGY STAR builders focusing on market differentiation, “morally invested” in energy efficiency

Source: www.energystar.gov
Market Transformation Goal: Increase Participation

Progress with v2.0

- **HERS Raters**
  - 3 at launch
  - 16 currently
  - 9 participating

- **Builders allies**
  - 28 at launch
  - 87 currently
  - 45 participating
Market Transformation Goal: Increase Participation

Using v3.0 to get there

- First step: Avoid significant dropout through builder education
- Market v3.0 as a “code plus” program
- Not much different than 2009 IECC
- Raters can provide compliance documentation
Market Transformation Goal: Increase Participation

Program Design

- Increase base incentive from $650 to $750
- Provide free marketing assistance to builders and raters
- Offer other opportunities to HVAC with QI credentials
- Facilitate connections with home performance contractors
Market Transformation Goal: Increase Market Penetration

Progress with v2.0

- 29 builders with at least 1 qualified home
- 100 homes enrolled
- 75 homes qualified to date
- In 2010, market penetration was approx. 2-3%
Market Transformation Goal: Increase Market Penetration

Using v3.0 to Get There

- Market v3.0 as “The New Standard in Efficient Homes”
- Focus on recruiting production builders
  - Factory-built homes (6-8%)
  - Habitat for Humanity (2-4%)
- Reward v3.0 training & credentials
Market Transformation Goal: Increase Market Penetration

Program Design

- Offer rewards for high volume of production
  - Bonuses to raters
  - Recognition for builders
- Increased outreach budget
  - Boots on the ground
  - Developers, realtors, lenders, appraisers, inspectors, etc.
  - Awareness campaigns
Market Transformation Goal: Increase Performance

Progress with v2.0

- Average HERS Index has improved almost 5 points
- Year 1: 40% scored 70 or better, lowest = 59
- Year 2: 50% scored 70 or better, lowest = 45
- Year 2: 80% scored 75 or better
- 5 homes currently enrolled with a preliminary rating of 35 or better
Market Transformation Goal: Increase Performance

Using v3.0 to Get There
- Surpass 2009 IECC in quality, not quantity
- QI will lead to right-sizing and greater efficiency
- HVAC cost is incentive for QI
- Geothermal systems are still an easy way to achieve efficiency
Market Transformation Goal: Increase Performance

Program Design

- Tiered Incentive Structure
  - Double incentive for 70 or better, $1500
  - Triple incentive for 55 or better, $2250
- Continuing education for builders & raters
- Recognition for most efficient project each year
- Reward for builder with lowest average HERS Index
Other Market Forces

- GreenMLS
  Statewide initiative to add searchable fields for green features and designations

- Energy Efficient Mortgages
  Bank of America offers $1000 toward closing costs for ENERGY STAR qualified homes

- Permit Discounts
  City of Peoria considering 50% off permit fee for homes seeking ENERGY STAR qualification

- Passive Design
  Super-efficient design cuts operational load by 90% or more

- Net-Zero Homes
  Passive design + On-site generation = Zero