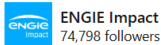


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Ask the Expert: Building Performance Challenges and Opportunities



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The increasingly strict regulations surrounding Building Performance Standards require a strategic approach to avoid costly financial penalties.

This month, we called up our energy management expert, [Matt Pittinger, PE, CEM, CEA](#), to demystify Building Performance Standards and discuss how companies can leverage these challenges to their benefit.

Jurisdictions are looking to BPS because they are the most powerful and direct tool for driving improved performance in existing buildings. BPS can bring additional benefits to implementing jurisdictions by fueling local job creation, economic growth, achieving increased renewable energy share, and reducing energy costs.

-Institute for Market Transformation, "[Building Performance Standards](#)"

Why are Building Performance Standards becoming so prevalent?

Cities, counties, and states are taking climate action into their own hands. They view Building Performance Standards (BPS) as an effective way to implement energy efficiency and reduce their carbon emissions. Most jurisdictions start with a benchmarking policy, requiring buildings of a certain size to submit their energy (and sometimes water) use to the city through [ENERGY STAR® Portfolio Manager](#).

That's where BPS comes in. After multiple years of benchmarking, the natural next step is to identify how buildings can reduce energy consumption, since they produce roughly 40% of global carbon emissions.

This is a natural space to target. They are essentially writing into law that buildings of certain types and sizes need to hit certain reduction targets.

As more cities and states adopt BPS, what challenges do companies face in meeting these energy or emission targets? What happens if they fall short?

There's a lot of complexity in these laws, and they're changing quickly. There are currently 13 jurisdictions with BPS programs and roughly another two dozen that have laws in the works.

Jurisdiction requirements are each slightly different, but they all have a similar pattern: buildings of a certain size must reduce a certain amount by a certain time. Those time frames and amounts can differ greatly, which can make it extremely difficult for organizations with multi-site portfolios to determine where they should invest their time and effort.

Prioritizing and strategizing where companies need to work on reducing consumption and carbon emissions can be quite difficult. A lot of these laws come with significant fines, which can flip how a portfolio of buildings would typically look at investment criteria. For example, if you operate a building in a jurisdiction that has the potential of a \$100,000 fine, you need to factor that into your financial

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equation, even if the traditional payback of the project doesn't meet approval criteria by itself. When you lump in this potential storm cloud of \$100,000 later, that can quickly change your decision making.

The programs continue to evolve as more groups are required to comply. We're seeing some cities start to align themselves with state policies so that a building doesn't need to comply with both a city and a state. Other jurisdictions are providing more leeway on their targets, but the changes add complexity.



For organizations beginning their compliance journey, what's the smartest first step to take in aligning with BPS? Where do you see businesses most often losing momentum, and how can they avoid it?

It all starts with [benchmarking](#). Every one of these programs uses [ENERGY STAR Portfolio Manager](#) as the benchmarking tool. Most of our clients have done that already; they either do it themselves or ask us to help benchmark their entire portfolio through our [ENERGY STAR Benchmarking Service Offering](#).

Where we see a lot of businesses losing momentum is in that next step in terms of strategizing a good portfolio-wide approach. There's a risk mitigation play involved here; it's not just about sustainability. These fines can be massive, and a lot of clients take a reactive approach to these laws. They wait until they get a notice in the mail or the threat of a potential fine before they do much outside of benchmarking. Up to this point, that has worked decently well; however, reducing consumption and emissions in a building takes time, and some implementations need multiple years of performance to meet jurisdiction requirements.

[ENERGY STAR® Portfolio Manager](#) tool captures cost and consumption information from a given building's utility bills. Using this information, [ENERGY STAR](#) then measures the performance of a building against the national average for similar building types. Depending on the main function of a building, [ENERGY STAR](#) uses the appropriate algorithm to apply a rating from zero to one hundred.

-ENGIE Impact, "[ENERGY STAR Benchmarking](#)"

You may have to install new lighting, new HVAC systems, or update controls. That's going to take time to procure and install. If a client waits too long, they're either going to have a large bill to rush order pieces of equipment, or they're going to run out of time to meet those goals and incur fines as a result.

ENGIE Impact's approach is to prepare a strategy that looks holistically at a client's portfolio and identifies where they have exposure and, most importantly, when they need to meet these reduction metrics required by BPS law. The laws with deadlines approaching in the coming years need to be a priority, especially if you haven't invested in those buildings recently. Buildings with high energy usage intensity may have a large delta between current performance, and meeting the standard thresholds.

Beyond simply meeting legal requirements, how can companies use BPS as an opportunity to improve efficiency, lower costs, and strengthen their market position?

It's a big decarbonization play. If you have decarbonization goals, BPS may challenge you to reprioritize where you're investing in your portfolio. Historically, clients have wanted to know where they can install projects to give them the best return on their investment. Other companies have been wondering where they can install a retrofit that will reduce the most Scope 1 and 2 emissions. Determining where you have the most exposure to potential fines, and reprioritizing to avoid them, requires a strategic look at your portfolio.

Without the right data, analytics, software and expertise, many companies struggle to devise and implement holistic energy management programs, resulting in lower savings, suboptimal energy performance, higher carbon emissions, and greater regulatory risk.

-ENGIE Impact, "[Energy Management Services](#)"

What strategies should companies be implementing to reduce

the burden of complying with BPS?

Number one: benchmark performance. Make sure data, both energy and site attributes, are accurate in [ENERGY STAR® Portfolio Manager](#). There are a lot of building and site attributes in [ENERGY STAR](#) that need to be updated and are often forgotten. Building attributes can affect your [ENERGY STAR](#) score, which can then affect the targets you need to reach to comply with BPS laws.

Also, because most of these laws are based on gross square footage, organizations should get an accurate idea of their buildings' gross square footage. Each jurisdiction has a map or a list of covered buildings that need to comply. If you find discrepancies with those numbers, it's extremely important that you notify the jurisdiction sooner rather than later. Otherwise, the goals set by the jurisdiction might be incorrect, which could lead to potential fines.

Asset lists are another aspect to keep in mind. If you don't know the condition of the equipment installed in your buildings, it's a really good idea to get an update on those by utilizing site-level staff or contracting out to do an energy audit. This way, you have an idea of your equipment's condition and what you might need to replace in order to reduce consumption to the levels that you need to hit.

Additionally, these laws mostly target owners of buildings, so if you have a large leased portfolio, that may or may not get you off the hook. One thing we've seen recently is that some building owners are now writing specific language into their leases to put the burden of compliance onto the lessee. So, it's important to review lease language to make sure it's crystal clear whose responsibility it is to make these upgrades and changes to the building.

ENGIE Impact can be useful to help clients identify where they might have the most exposure and why it might make sense to prioritize a certain area of buildings over another. We're seeing a lot of movement in Colorado, in Maryland, and most recently in Washington state because they have some key deadlines approaching that are going to take time to meet.

Ultimately, the message we want to convey is these laws are not going anywhere. The time is now to strategize a plan and meet these targets.

Ready to make the most out of Building Performance Standards? [Talk with one of our experts](#) 1:1 to get started.

Explore more insights [here>>>](#)



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