NAR Issue Summaries

Environment / Climate Change

NAR Committee:

Land Use, Property Rights and Environment Committee

What is the fundamental issue?

Climate change continues to have increased negative impacts on real estate markets nationwide. To reduce climate change, the federal government has established various policies and programs to limitU.S. emissionsof carbon dioxide (CO2) and other greenhouse gases. One set of voluntary policies to achieve that goal that specifically target residential and commercial property are ones that encourage energy efficiency.Some of these policies, programs and regulations may impact the built environment, including commercial and residential properties, by: (1) mandating energy use disclosures, audits or improvements at the time of sale; or (2) increasing the costs of energy for homes and commercial buildings; and (3) implementing the tax credits and tax rebates available to property owners to improve the energy efficiency of their homes and appliances.

I am a real estate professional. What does this mean for my business?

If energy efficiency were federally mandated, property owners' ability to sell their home or building could be at risk without first having to conduct energy audits and improve its heating and cooling system, windows, insulation and/or lighting. Also, older homes that do not meet adequate energy efficiency requirements or score poorly on energy use assessments may lose value compared to newer, more efficient homes. If energy becomes more expensive, that could undermine the ability of a homeowner or prospective buyer to purchase and maintain a home, as well as impact the profitability of a commercial building. However, these higher energy costs can be offset by the tax credits and tax rebates to make their homes and office buildings more energy efficient.

NAR Policy:

NAR supports improving energy efficiency through voluntary incentives, commercially reasonable approaches and education in lieu of individual building mandates. The Association's policy opposes applying existing laws/regulations that are not designed for global climate change to try to address these issues; provisions that impose undue economic burdens on property owners or managers; or triggering such requirements at the time when real property is sold.

Opposition Arguments:

New policies and regulations will account for the costs of carbon and provide economic incentives to reduce CO2 emissions. These rules will also improve theenergy efficiency in buildings and increase the value of these properties through increased energy savings and lower utility bills. Mandated energy labels for buildings will provide the consumer with critical information they need to make an informed choice related to the purchase of these properties and also provide incentives for owners of less efficient properties to

500 New Jersey Avenue, NW
Washington, DC 20001
(800) 874-6500
nar.realtor

make energy efficiency improvements.

Legislative/Regulatory Status/Outlook

The Department of Energy (DOE) has completed development of a voluntary Home Energy Performance Score and has made it available to consumers on the department's website.

NAR has communicated with Congress, the White House and various federal agencies to reinforce our strong concerns about how these kinds of energy use labels place older properties at a competitive disadvantage, compared to newer, more efficient properties. NAR continues to have concerns about the potential for misuse of such information in the transaction and will continue to raise these concerns and work with the Administration to ensure that the information will be used appropriately and not hinder the sale of older properties.

In 2022, Congress passed the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA), that include significant provisions related to real estate and climate change to encourage more energy efficiency in homes and commercial buildings. However, most of the provisions in the IRA that would have helped homeowners make their homes more energy efficient through tax incentives and other financial benefit programs have been rescinded.

Current Legislation/Regulation (bill number or regulation)

No legislation at this time.

Legislative Contact(s):

Russell Riggs, rriggs@nar.realtor, 202-383-1259

Regulatory Contact(s):

Russell Riggs, rriggs@nar.realtor, 202-383-1259