

# Home Energy Rating and Disclosure

## Introduction

1. The low-rise residential building sector, which includes single-detached and single-attached houses, accounts for 83% of total Canadian residential energy usage.
2. Residential buildings emit greenhouse gases (GHGs) such as methane and carbon dioxide from fuels used to heat the air and water in a home and from GHGs embedded in electricity. These fuels produce GHGs directly when combusted to generate heat.
3. Home Energy Rating and Disclosure (HERD) provides visibility to home energy performance and can accelerate the market transformation toward lower home emissions. A home energy rating, obtained through an energy assessment, is an official record of a home's energy performance.
4. A home energy assessment report generally includes –
  - a standardized rating, allowing homeowners to quickly gauge overall efficiency
  - a detailed evaluation of energy systems
  - custom energy upgrade suggestions, estimating potential energy savings and rating improvement

## Existing HERD Programs Scan

5. Notable jurisdictions advancing HERD programs include:
  - **European Union (EU)** - All 27 EU member states (plus the United Kingdom) require energy performance labels for all buildings. Labels must be presented to prospective buyers/tenants at the time of sale, rental, or construction.

- **United States (US)** - Some cities in the US such as Austin TX, Berkley CA, Chicago IL, Minneapolis MN, Montgomery Country MD, and Portland OR require home energy disclosure.
  - **Australian Capital Territory (ACT)** - Home sellers in the ACT must disclose Energy Efficiency Ratings (EER) to potential buyers in all advertising material and at the time of sale.
6. Depending on jurisdictional requirements, assessments for home energy labels can vary in how detailed they are and how, where, and to whom they are reported.

## HERD Benefits

7. Advancing HERD programs can bring some notable benefits to the community. HERD programs: -
  - Increase the visibility of energy efficiency in the housing market and reward efficient homes
  - Lower energy consumption and emissions in the housing sector
  - Improve building comfort and occupant health
  - Enhance economic development by driving demand for energy audits and home energy upgrades
  - Inform and support the development of other energy efficiency programs & policies
  - Build community energy literacy and awareness

## HERD Barriers

8. Key barriers to advancing HERD programs include:
  - Low homeowner motivation to undertake audits and retrofits

- Pushback from key market actors such as realtors, home builders, renovators, architects, and trades
- Lack of incentives and funding avenues to support energy assessments and upgrade costs
- Low energy costs which discourage homeowners to act on energy efficiency
- Inadequate capacity to deliver programs due to lack of energy auditors, qualified renovators, and tradespeople

## Consumer Preference Survey

9. In 2022 Clean Air Partnership surveyed 1,005 Canadian homeowners, renters, and potential homebuyers regarding their opinions on energy efficiency and HERD. Key findings of the survey include:

- 96% of participants consider it important to know if a home is energy efficient and the approximate operating costs of a home
- 84% believe mandatory disclosure of a home's energy rating will influence its price
- Over 75% are willing to pay a premium to purchase an energy-efficient home
- More than 80% of respondents are willing to get an energy audit for their homes
- 70% are willing to pay between up to \$500 for an energy audit
- Over 57% would prefer an on-site evaluation by a certified energy advisor
- 66% of respondents would complete an energy audit to reduce their energy bills
- Over 60% wanted information on energy loss in their home and recommendations for energy savings through an assessment
- Over 70% of participants agreed that home energy-efficiency audits and labelling should be tied to the time of sale or lease of the house
- 94% of respondents prefer energy performance information upfront on the listing or during their initial home visit

- Most respondents strongly preferred energy labels with a straightforward energy rating scale (A to F, five-star rating, etc.) and annual energy consumption information

## HERD Program Considerations

10. A variety of program design elements must be considered by a jurisdiction when designing a HERD program. Key elements include:

- **Residential housing archetypes** – determining which housing types can be targeted to advance home energy labeling programs
- **Time of sale labeling requirement** – tying home energy labelling to the time of sale enhances energy transparency and helps homebuyers understand the operational costs of the property and identify potential energy efficiency improvements
- **Types of energy assessments** – determining if the labeling program should consider site vs. source assessments, asset-based vs. operational assessments and the methods to conduct an audit (in-person vs. virtual)
- **Program financing** – consideration of initial setup and recurring program costs such as staffing, marketing, etc., assessment incentives and/or renovation financing
- **Energy assessor database** – Creation of a database to search for assessors geographically or by assessment type
- **Program model** – Program models can include - advancing the federal EnerGuide system, developing a new labelling program or using a pre-existing 3<sup>rd</sup> party labelling program

## Municipal Implications of HERD Programs

11. The residential sector contributes to 18 percent of Canada's carbon emissions. Municipalities need to address emissions from homes to meet their local climate goals. Home energy assessment tools such as HERD creates a "kilometers per litre" type of rating for operating homes and make residential emissions visible in the community.
12. Advancing HERD programs can unlock market activity to support municipal energy, environmental, economic and equity goals by expanding local contractor base and reducing energy burdens on communities while lowering GHGs.
13. Well insulated buildings with efficiency HVAC systems increase the comfort levels of a home, improve the health of residents, and contribute to building community resiliency against extreme events.

## Related Webinars and Further Reading

14. [Home Energy Labeling – a Natural and Necessary Complement to Energy Efficiency Programming](#)
15. [Mandatory Home Energy Rating and Disclosure for Existing Houses: Opportunities and Risks for Consumers"](#)
16. [EnerGuide Labeling of Homes at the Time of Sale – Design Recommendations and Alternatives](#)

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