

## Briefing Paper

# Green tag exemption for PV on new homes

July 18, 2007

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## Summary

Staff is seeking input from the RAC on an exemption to the green tag policy for solar electric installations on new home construction.

## Background

The new home construction market offers tremendous opportunities for the installation of solar and is important to more success in the residential sector. Production builders have the ability to:

- drive down costs,
- standardize best installation practices,
- increase consumer value, and
- facilitate the consumer's finance of solar through a mortgage (which is more convenient and affordable than financing options for retrofits).

Until recently, builders have been reluctant to adopt solar as a standard feature, citing concerns about the cost, increased financial risk and additional complexity. Lack of PV on new homes has been a lost opportunity.

Due to heightened consumer interest and collaborative marketing on the part of the ENERGY STAR New Homes and Energy Trust solar programs, over a dozen builders have begun exploring solar options, and a few have applied for incentives.

There is a problem applying the green tag policy to new homes with solar because there is no identified homeowner. Energy Trust's agreement must initially be with the builder (unlike existing homes where the relationship is with the homeowner). It is difficult to create an easy transfer of green tags to the Energy Trust.

## Discussion

If it is assumed that the builder has the right to cede ownership of green tags from these systems to Energy Trust, the homebuyer will need to be informed that they do not own the environmental benefits and, therefore, cannot sell them. When interviewed, builders responded that a requirement to inform the homebuyer of the status of the system's green tags, even in writing, would be a strong disincentive to do solar. The administrative burden and added complexity interjects complication into the transaction between builder, realtor, and home buyer. The builder is already at risk, and adding more steps presents a barrier.

Of additional concern were green tag marketing rules that would limit the claims builders can make about the solar system on a home (e.g. that the home has a reduced carbon footprint). Those interviewed collectively replied that this would be an insurmountable barrier to participation.

Based on the importance of successfully entering the new construction market, feedback from the building community and support from ODOE and the policy committee, staff is recommending that new residential construction be exempted from the green tag policy for a period of two years, at which point Energy Trust will reevaluate participation in the program and the subsequent value of the unclaimed green tags.

### **Next Steps**

- Obtain input from RAC (July 18)
- Present recommendation to the Board (August 8)