

# THE ROLE OF ENERGY EFFICIENCY LABELS ON PROPERTY CHOICES IN IRELAND

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## Overview

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The higher investment cost of more energy efficient technologies is generally rewarded by lower future energy costs. Household/firm failure to make this trade-off and to choose technologies which minimise their total costs (investment plus energy costs) has become known as the ‘energy efficiency gap’ (Jaffe and Stavins 1994, Allcott and Greenstone 2012). While EU energy labels for appliances, cars and buildings aid consumers in understanding future energy consumption (Sammer and Wüstenhagen 2006), little is known about how consumers actually engage with this energy efficiency information and the impact on their investment.

This cross-country project, CONSEED, is exploring how various sectors make investment decisions in energy-consuming products – which attributes matter most, and the relevance of energy efficiency within the current labelling environment. Furthermore, we are exploring if explicit energy cost information provided at the point of sale (“lifetime energy costs”) leads to increased demand for energy efficiency (Heinzle 2012, Kallbekken et al. 2013). The project is applying four distinct methodologies to answer these research questions: focus groups, consumer surveys, field trials and discrete choice experiments. Focus groups are being conducted across five countries (Ireland, Spain, Greece, Norway and Slovenia), four sectors (residential, agricultural, service and industrial) and three technologies (property, transport and appliances/machinery). This paper presents focus group findings for the property market in Ireland.

## Methods

We conducted three focus groups, one each for renters, buyers and landlords. Participants were recruited (using vouchers as an incentive) through the social media outlets of daft.ie, Ireland’s largest online property website. While focus group questions differed slightly across these subsectors, the following broad-level research questions were explored throughout:

1. What attributes matter in the investment decision?
2. How important is energy efficiency in this decision?
3. Does current informational policy increase the demand for more efficient technologies?
4. How can informational policy be changed to increase the demand for more efficient technologies?

## Results

Preliminary results for Irish property market show the following:

- For the rental market focus group, we find that severe supply shortages are negatively impacting renter’s valuation of energy efficiency – participants currently have so few property options that energy efficiency is not relevant. In terms of energy efficiency labelling in Ireland (the *Building Energy Rating* (BER)), this information is often missing from property advertisements, and many have not seen a BER certificate before. Furthermore, while there is broad consensus that the technicality of the information limits understanding, most found the colour-coded comparative groupings (similar to EU appliance labelling) intuitive. Participants suggested that the label could be improved by adding examples, particularly examples with a cost dimension. When shown a prototype of an energy cost label (“annual energy bill”), there was agreement that this new information would be valued. However, participants restated their opinion that this information is currently less relevant given the severity of the housing shortage.

- For buyers (prospective first and second-time buyers), energy efficiency was considered important by about half the group. However, once buyer's main attributes are satisfied (location and affordability), the energy efficiency of the property is less important. Participants commented on how inefficient properties can be improved post-sale but that "you can't retrofit your location". While about half of the group find the BER to be a useful comparative tool, few suggested that a low rating would discourage them from investing, with most agreeing that they would likely improve the rating at a later stage. There were few suggestions on how the BER could be improved, although two participants mentioned that they would like to know how much the BER affects their bills. However, when shown the energy cost prototype label, only one participant suggested that this information is better than that provided on the BER, and two suggested that it should be displayed in conjunction with the BER.
- Landlords, as expected, are focused on return when investing. Most participants think that tenants do not value energy efficiency and will therefore not pay higher rents for higher efficiency levels, and three mentioned that they have never been asked for a BER before. However, this opinion was not universally shared – there appears to be some agreement that tenants will pay close attention to the quality of windows and many dislike storage heaters, and one participant suggested that the culture (in relation to energy efficiency) is changing. Therefore, there is limited market-led incentive (higher rents) to encourage investment in energy efficiency. The group had a negative opinion towards the BER, and participants commented on the lack of robustness, clarity and enforcement. With regard to the energy cost prototype label, there was strong opposition from all participants. It was suggested that high energy costs will discourage renters and that inefficient properties will either require a major upgrade, be left empty, or have very low rents. Others suggested that the cost information cannot be accurate as energy consumption is specific to the tenant's demographic characteristics and specific behaviours.

## Conclusions

Conclusions will be drawn once our empirical work is complete.

## References

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