

# “NextGen” EPA Label for Low-Carbon Buildings

---

## Issue

On January 31, 2023, the U.S. Environmental Protection Agency (EPA) proposed a low-carbon voluntary building recognition label called ENERGY STAR NextGen™. EPA designed the new program to reflect U.S. real estate’s role to support the Biden administration’s goal of economy-wide net-zero emissions by 2050.

The NextGen building label would expand upon the agency’s successful ENERGY STAR program for assets that attain high levels of energy efficiency. The new label would allow companies to highlight buildings that further reduce Scopes 1 and 2 GHG emissions, deploy renewable energy technologies on-site, and encourage clean power purchases that increase off-site renewable energy supplies.

The Roundtable encouraged EPA to create a label for low-carbon buildings, along the lines of NextGen, to create uniform, voluntary, and easy-to-implement federal guidelines that help simplify the confusing patchwork of city and state climate-related building mandates.

EPA intends to make its NextGen label available in late 2023-early 2024. The Roundtable submitted comments on March 2, 2023. Our comments urge the agency to conduct a pilot program that tests the low-carbon label before any final NextGen criteria are released to the CRE marketplace. RER’s comments also recommend that EPA refine its proposed NextGen criteria, as follows:

## The Roundtable’s Position

### Efficiency

- Significant and **demonstrated reductions in a building’s energy use** should be eligible for the NextGen label (as an alternate, additional criterion to EPA’s proposal that only ENERGY STAR-certified buildings could qualify).
- Buildings that have the most room to improve performance (but are not yet “top of class”) should be afforded NextGen label opportunities. These are exactly the kinds of real estate assets that need incentives to also increase renewable energy use and lower emissions.



# “NextGen” EPA Label for Low-Carbon Buildings

---

### Renewable Energy

- The NextGen proposal would require that 30% of a building’s energy use must derive from renewables. This level should start at 20% and adjust over time **to reflect the changing status of the electric grid as it decarbonizes** through increased reliance on solar, wind, and other clean power sources.
- **Battery storage** should be included in the percent requirement for renewable energy use.
- The requisite percentage of renewable energy use should also encompass **geothermal and other technologies** that harness clean energy sources for heating, cooling, hot water, cooking, and other building functions.
- NextGen should move toward recognizing **“peak demand” mitigation measures**. EPA’s federal standard energy benchmarking tool, Portfolio Manager, should evolve so a building owner can track progress to use less electricity at times of peak demand.

### GHG Reductions

- The Roundtable commends the EPA’s proposal to **normalize a GHG “intensity target”** that correlates to a building’s asset type and unique weather conditions based on a metric known as Heating Degree Days (HDD).

### Renewable Energy Certificates (RECs)

- Voluntary NextGen recognition can provide **much-needed guidance on corporate accounting for REC purchases** and enhance credible claims on the environmental benefits from offsite clean power procurement.
- For purposes of the proposed label, an organization should promote its renewable energy consumption through RECs by showing it:
  - Has exclusive, contractual rights to the environmental attributes of the RECs it purchases;
  - Retains those rights and does not sell them;
  - Limits claims to match the scope of its REC purchases (here, for the tailored purpose of mitigating emissions from electricity consumed by a specific building(s) seeking NextGen recognition);



# “NextGen” EPA Label for Low-Carbon Buildings

---

- Retires RECs associated with a green power purchase to prevent “double counting”;
- Certifies and verifies qualifying RECs by an independent third party; and
- Maintains the paperwork needed to substantiate its ownership of the energy attributes of verified RECs.

### Application Process

- EPA should optimize NextGen procedures by allowing owners to **apply concurrently for both ENERGY STAR and NextGen certifications with the same application.**
- The Roundtable recommends a **three-year cadence for NextGen certification renewals** because many companies with nationwide portfolios choose to pursue updates to their asset certifications in cycles and not annually due to the heavy compliance lift.

