

Arizona's Prohibition on Requirement of Energy Measuring and Reporting

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The Essentials

- Energy measuring and reporting, also known as energy benchmarking, provides building owners, tenants and property managers with information about energy consumption in their building
- Arizona Senate Bill 1241 passed through the Arizona legislature in April 2015, preventing local governments from mandating energy usage reporting for commercial buildings.
- Supporters of the bill, including the Commercial Real Estate Development Association, rallied around the perceived risk that energy benchmarking poses for small businesses, citing concerns that regulations raise costs and create a regulatory nuisance for businesses.
- Opposition groups to S.B. 1241, including the Sierra Club and ASHRAE, cited the benefits of energy benchmarking to consumers and the environment.
- In April 2015, Arizona Governor Doug Ducey signed S.B. 1241 into law.

What is Energy Benchmarking?

The building sector is the single largest energy sector in the United States, accounting for roughly 40 percent of total energy consumption, more than industry or transportation. Each year, the U.S. spends over \$400 billion on energy for our buildings.

Energy measuring and reporting, or energy benchmarking, provides building owners, tenants and property managers with information about their buildings' energy consumption. A recent analysis by the U.S. Environmental Protection Agency indicated that buildings that are benchmarked save on average 7% in energy over three years. As of June 2015, fourteen cities, two states, and one county in the U.S. have passed policies requiring benchmarking and transparency for large buildings. This includes Chicago and New York City. The City of Portland, Oregon recently approved new energy benchmarking requirements for commercial buildings as part of its energy and climate change goals.

Energy benchmarking advocates indicate the potential benefits for building owners and tenants, such as the following:

- Building owners and managers can use energy benchmarking data to make informed decisions on how to improve energy use in their buildings.
- Prospective building tenants can make leasing decisions based on a full understanding of the potential energy costs of buildings.

- High-quality and consistent data on building performance allow energy efficiency programs to target rebates and incentives to buildings where there is the most potential for savings.

Senate Bill 1241: Prohibition on Requirement of Energy Measuring and Reporting

In early 2015 Arizona State Representative Warren Petersen (R-Gilbert) proposed legislation for Senate Bill 1241: Prohibition on Requirement of Energy Measuring and Reporting. Petersen introduced the bill as a “strike everything” amendment to S.B. 1241, which originally dealt with a health care issue. He said the proposal for energy benchmarking would have intrusively forced businesses to give up their information. During this time, Phoenix was considering a law that would have required owners of large commercial buildings to report their energy use.

S.B. 1241 prohibits local governments from requiring businesses to report how much energy they use. In other words, S.B. 1241 would prevent Arizona cities, such as Phoenix and others, from requiring the energy benchmarking of buildings. The bill states that an Arizona city or town may not:

Require an owner, operator or tenant of a business, commercial building or multifamily housing property to measure and report energy usage and consumption, including energy consumption benchmarking and building facility energy efficiency audits.

The legislation drew bipartisan support in early 2015. S.B. 1241 passed through the Arizona legislature, preventing local governments from mandating energy usage reporting for commercial buildings. In March 2015, the House Appropriations Committee passed an amended S.B. 1241. In April 2015, Arizona Governor Doug Ducey signed S.B. 1241 into law.

Arguments in Favor of Senate Bill 1241

Groups in favor of the bill rallied around the perceived risk that energy benchmarking poses for small businesses, citing concerns that regulations raise costs and create a regulatory nuisance for businesses. Written into the bill is text stating that small businesses are particularly sensitive to costs and expenses incurred in complying with regulatory actions of a city or town. The real estate industry also expressed support of prohibiting energy benchmarking in Arizona’s cities. Groups such as the Commercial Real Estate Development Association expressed support for S.B. 1241, “one of the most significant pro-business bills passed this year”, they stated.

Arguments in Opposition to Senate Bill 1241

Opposition groups to S.B. 1241 cited the benefits of energy benchmarking to consumers and the environment. Groups indicated that energy monitoring saves money and reduces waste by creating a database that allows businesses to compare the energy use of similarly-sized buildings and make changes to be more energy efficient. Environmental groups including the Sierra Club expressed their opposition of S.B. 1241, stating that the Arizona “legislature [is] moving Arizona backwards, one bill at a time.” Additionally, the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) expressed opposition to S.B. 1241, stating it “opposes any legislation that inhibits the transition to a more sustainable built environment, which will be a consequence of this legislation.”

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