

Final Report

Global Climate Change Presidential Advisory Group

12/10/08

Executive Summary

PAG Purpose: President Gaylord established the Global Climate Presidential Advisory Group (PAG) at the 2008 Mid-year Meetings. The purpose of the PAG was to develop NAR policy on global climate change. This policy will help NAR advocate on behalf of its members before Congress and the federal regulatory agencies. This Final Report includes an Executive Summary, the global climate change policy as passed by the Board of Directors and detailed implementation recommendations.

Rationale: Congress and federal agencies, as well as states, are moving forward with legislative and regulatory initiatives to restrict the emission of greenhouse gases, including carbon dioxide (CO₂) that may contribute to global climate change. Many of these initiatives will affect the real estate sector and the business interests of our members. This PAG was established to develop a draft global climate change policy that will allow NAR to engage and guide its advocacy efforts at the federal level.

PAG Membership: Members of the PAG were drawn from all areas of the Association.

Chair: Laurie Urbigkit, WY

Liaison: Steve Brown, OH

Members: Gary Banner, NV, Frank Dickens, AZ, Gordon Dowrey, IN, Mike Ford, AR, Dan Hatfield, TX, Julie Hawkins, VA, Ken Jackson, SC, Michael Kiefer, DC, John Rosshirt, TX, Cynthia Shelton, FL, Brian Wahl, WA, Chris Wilson, MS, Dave Wluka, MA, Bob Hart, CA, and Greg Wright, WA.

PAG Methodology: The PAG met four times in 2008: a conference call on August 4, a face to face meeting on September 18-19, another meeting on Nov. 7 in Orlando and a final conference call on Dec. 4th. During the second meeting, outside speakers were invited to present an overview of climate change policy and science, current initiatives in Congress and at the state and local level, and how other organizations developed their climate change policy.

Key Points of Consideration:

- This year for the first time, a majority in Congress and Federal agencies supported sweeping climate change initiatives, and the support is expected to grow with the November elections.
- As the largest single sector in terms of CO₂ emissions, buildings are likely to become a focus of legislation/regulation at Federal, state and local levels.
- While the sector was not a “regulated source” under the latest Senate bill, the bill did:
Raise buildings’ operating costs associated with heating (electric, natural gas, oil), cooling (electric) and electricity; and Include provisions that move toward federalization of building codes, mandates to disclose utility bills, and energy audits at the point of sale.

Summary of PAG Briefings

On September 18, PAG members met in Washington, DC, to hear from the following climate change policy experts and political insiders:

- *William Prindle*, Vice President of ICF International – 30 years of experience with energy and climate policy and has supported Federal and state energy efficiency programs for new homes, existing homes, and commercial buildings;
- *Tom Dower*, Vice President, Lighthouse Consulting, and former Deputy Chief of Staff to U.S. Sen. Arlen Specter (R-PA) for 12 years and co-author of the Bingaman-Specter Climate Bill;
- *Tracy Nagelbush*, Senior Director with VanNess Feldman and former Senior Policy Advisor for Rep. Jay Inslee (D-WA) (2005-2008) and LA for Rep. Jim Davis (D-FL) (2001-2004);
- *Kevin McCarty*, Managing Director, Mayors Climate Protection Center, U.S. Conference of Mayors – staffing an initiative signed by +900 mayors to meet or beat Kyoto targets;
- *Roger Platt*, Senior Vice President and Counsel, The Real Estate Roundtable; and
- *Elizabeth Odina*, Federal Legislative Director, National Association of Home Builders.

Prior to arriving in Washington, D.C., each PAG member received an extensive set of briefing materials providing overview and background as well as detailing a range of Federal, Regional, State and Local Government Initiatives. Appendix B (below) contains a complete list of the materials provided to PAG members.

Following were the key points made in presentations to the PAG:

Climate Change Basics:

- Dominant approach is to “Cap and trade” – i.e., limit economy-wide carbon emissions and then allocate emission “allowances” among regulated entities; no entity may emit more than allowed unless purchasing excess allowances from another facility .
- Complimentary policies (e.g., use of building codes) also getting attention.
- Proponents say science is clear; carbon emissions at record high, global temperature rising.
- Buildings are the largest single sector in terms of carbon emissions (43% of fossil fuel end users) and could become an increasing focus of legislation.

Cap-and-Trade Concepts:

- *Emissions cap* (expressed as a target percentage below 2005 levels, which grows until 2050)
- *Point of regulation* (upstream, downstream); “upstream” refers to energy producers (e.g., utilities) and “downstream” refers to end users (e.g., building owners).
- *Cost containment*
 - Price caps (safety-valve concept) – sets a maximum price on a carbon emission;
 - Offsets – allowances issued to non-regulated entities to sell to regulated entities;
 - Free allowances vs. open auction – auction revenue could be used to spur R&D or offset rate increases for lower income households.

Lieberman-Warner Climate Bill:

Bill Structure:

- *Emissions Cap:* 70% below 2005 levels by 2050.
- *Point of regulation:* Upstream - natural gas, oil; downstream - coal.
- *Cost control:* Carbon Market Efficiency Board, Open Auction; no price/safety valve or “offsets” issued to real estate sector.
- *Technology, adaptation, low-income:* Auction revenue used.

Legislative History:

- 1997 – Byrd-Hagel (“no” to Kyoto): 95-0
- 2003 – McCain-Lieberman cap-and-trade: 43-55
- 2005 – McCain-Lieberman cap-and-trade: 38-60
- 2006 - Congressional Elections/Momentum Shift
- 2007 – Bill Introductions, Hearings & Senate Committee Passage
- 2008 – Lieberman-Warner cap-and-trade: 48-36 (Not Voting – 16)
- 2008 – House Energy & Commerce drafting

Prospects for Enactment:

- Most observers expect climate legislation to be enacted in the next few years;
- Debate could intensify as proponents expected to gain votes and White House in November.

Real Estate Impacts:

- Not a “regulated source” for carbon emissions; however:
- Higher energy costs - heating (electric, natural gas, oil), cooling (electric), electricity;
- Authorizes Energy Dept. to set model building codes and direct funds to states adopting model;
- Possible requirement to disclose utility bills and/or energy audit at point of sale;
- Land use planning – complementary measures, impact of biofuels, transportation infrastructure, commuting distance.

Climate Policy Options:

- Within cap and trade policies:
 - Allocate allowances to real estate sector directly or through states that could be sold as offsets to regulated entities; give credit to early actors (known as “banking”).
 - Direct auction revenue toward building efficiency and other clean energy technologies.
 - reverse auction system where building owners can bid the value of their energy projects.
- Complementary energy policies:
 - Opt for voluntary programs (e.g., LEEDS) over the federalization of building codes;
 - Support appliance standards that are cost-effective and don’t increase costs of building operation or ownership;
 - Encourage utility efficiency programs such as ENERGY STAR incentives; and
 - Push for additional tax incentives or financing (e.g., green mortgages).

NAR Global Climate Change Policy

The National Association of REALTORS® is committed to the principles of sustainability and energy conservation, the benefits of which will preserve our environment and support our nation as a vibrant, healthy and prosperous place to live and work. While scientific research and debate on global climate change continues, government is promulgating laws and regulations with significant and far reaching implications for the real estate sector.

NAR's commitment to the environment is clearly visible in its Washington, D.C. office building, the first privately-owned commercial building in the nation's capitol to be LEED Silver certified. NAR's Green Designation program will educate REALTORS® to benefit their clients with energy efficiency and sustainability expertise. NAR's Smart Growth program has provided grants and technical assistance for Smart Growth initiatives in communities nationwide.

To help advance an economically prosperous and environmentally sustainable future, NAR is committed to supporting all commercially reasonable strategies with voluntary, performance-based incentives to reduce greenhouse gases. Market-based, cost effective solutions energize the nation's entrepreneurial spirit and innovation in cutting emissions.

Development of public global climate change policy should be guided by the key principles of protecting private property rights, maintaining affordability and availability and NAR Smart Growth principles, which accommodate commercial and residential growth. Because environmental initiatives and responsible development are not mutually exclusive, those initiatives should not be barriers to the ability to own, use and transfer property.

We support regional, state and local approaches based on market principles to reduce greenhouse gases and to conserve energy.

We support solutions that encourage sustainable practices and energy efficiency through incentives such as expedited permitting and tax credits. We support voluntary programs and investments that incentivize retrofits, transportation, infrastructure, water availability, and risk management with regard to public global climate change policy.

We oppose transaction triggered mandates.

We oppose requirements that impose undue economic impact on property owners and managers.

We oppose the expanded application of existing laws or regulations to global climate change that were not intended for that purpose.

NAR supports educating real estate professionals, real estate owners, developers, managers, tenants, occupants, lenders and investors regarding the benefits of voluntary, market-based reductions in greenhouse gases and energy conservation.

Implementation Recommendations for the New Global Climate Change Policy

Lawmakers may address climate change through building-code, transportation, land-use, cap-and-trade, and water initiatives. To effectively respond to the range initiatives at every level of government, NAR should provide a playbook of resources. In developing these recommendations, the PAG notes that all recommendations should apply equally to commercial and residential property.

General topic areas could include:

- Costs and benefits of alternative energy
- Transportation
- Land Use Patterns/Growth restrictions
- Assess the impact and costs of new building codes
- Regional differences
- Costs and benefits of various greenhouse gas cap and trade proposals
- Water issues

Policy: For the range of initiatives, NAR should continue educating members and identify which ones or amendments thereto the associations can support. Technical research and economic analyses of global climate change proposals, such as white papers, may be required.

Economic: NAR requires the real-time capacity to prepare economic impact studies for initiatives. Quantifying the costs of audit and retrofit at point of sale should be a priority.

Public Relations: NAR should have a comprehensive PR strategy to anticipate and manage climate issues. Shaping public opinion will require significant polling and messaging research. This data will provide a better sense of the political and consumer landscape.

Legal: NAR should facilitate information sharing and learning based on experiences with regional, state and local initiatives. A database with real time tracking of these initiatives would be a logical place to begin. Ultimately, we will need the capability to retain legal analysis and intervene in court cases.

Advocacy: NAR should provide the full set of materials, including talking points, fact sheets, etc. A database of issues and technical experts to facilitate coalition building could be useful. These can also be developed and customized for use by state and local associations.

Education: Member and consumer education on climate change issues should occur. The newly-created Green Designation is in a good position to provide this education to members. Members can educate consumers through their current and prospective clients with brochures and other education material (created by NAR) provided by the member.

Rapid Response Team: The PAG recommends the creation of a rapid response team that could be mobilized in a locality when there is an imminent law related to real estate and global climate change that

REALTORS need to impact public perception. For example, the response team could organize and fill a GREEN designation class in order to maximize the PR value among members as well as the public.

State and Local Activities: Because so much climate change response activity is already occurring at the state and local levels of government, state and local associations need immediate assistance to come up to speed and address these issues. To facilitate this assistance (as noted below in further detail), NAR's Smart Growth Program is well positioned to assist members and state and local associations in this area.

Short term, NAR should take an inventory of available resources to determine what can be done in-house. Longer term, NAR should re-orient or develop critical educational and technical infrastructure to achieve these goals.

The PAG recognizes that NAR's existing Smart Growth Program can provide valuable information resources, publications and technical assistance in many areas related to global climate change, including:

- Smart Growth Toolkit - provides examples of smart growth developments and how Realtor associations have addressed the issue.
- Growth Management Fact Book - a compilation of all of the different growth management techniques that state and local governments use. New chapters on sustainable development and mixed-use development are included.
- Smart Growth e-news - This on-line database tracks what is happening at the state and local level related to growth management and smart growth legislation, including climate change legislation as it relates to real estate
- State Issues Tracker. This web resource tracks lots of real estate issues on a state-by-state basis. The tracker may be used in 2009 to track legislation related to climate change.
- New in 2009 - a new Transportation Toolkit is being planned for release in May 2009.

The Smart Growth Advisory Group is currently discussing areas of program expansion, including issues related to green building, energy conservation, sustainability, and climate change. The Group is also discussing how it may provide needed services to state and local assns. in this issue, including:

- Land Use Initiative and Customized State Smart Growth Legislation – The Land Use Initiative could begin to consider climate change or energy conservation legislation as it relates to real estate, but not as it relates to energy generation or vehicle fuel efficiency; point-of-sale requirements related to energy, e.g. retrofitting older homes or requiring new energy efficient appliances.
- Smart Growth Action Grants - grants of up to \$5000 to state or local Realtor associations. Could be provided for: Realtor associations to green their operations; energy audits of association office buildings; or to help an assn. hire a green consultant if they are building a new office building.

The PAG recommends that these new directions and initiatives be fully supported by NAR.