

This Better Buildings Residential Network toolkit addresses the challenges and opportunities of using incentives to increase the volume of home energy upgrades. The topic was chosen as a priority by Residential Network members, who also served on a working group that reviewed this toolkit.

Residential energy efficiency programs offer incentives as a way to encourage action from homeowners or other stakeholders in their local energy upgrade market. This toolkit will help with decisions like how much is enough and what to incentivize. When aligned with program goals, incentives can be a very useful tool in achieving home energy upgrades.

Definition

Incentives provide motivation to potential customers to take a certain action by lowering the risk, decreasing the cost, or offering additional benefits beyond those resulting directly from the home energy upgrades. Many residential energy efficiency programs have found incentives to be an effective way to overcome market barriers, attract customer and contractor attention, and encourage homeowners to invest in home energy assessments and upgrades.

“The incentive needs to be high enough to make something happen, but you need to understand what it is that you actually want to have happen.”

— Dana Fischer
Efficiency Maine

Design

A program's incentive design is ideally based on the desired outcome, budget, and local market barriers. Incentives can be used to achieve a range of outcomes, including:

- ▶ Motivate homeowners to sign up for the program immediately.
- ▶ Motivate homeowners to move beyond the first step, which is usually a home energy assessment, and complete the process quickly.
- ▶ Increase the amount of energy savings achieved in each home.
- ▶ Support the development of the home performance industry in a new market.

Incentives can be financial or non-financial. Financial incentives might pique interest in a program, but funding for financial incentives is typically limited, so programs need to carefully prioritize if, what, and how much to incent. Although large dollar incentives can spur demand, even these incentives can be ineffective if the program design does not offer a smooth, easy, and positive experience for participants and contractors.

Non-financial incentives can motivate customers to complete a home energy upgrade by helping them overcome barriers or receive validation for their actions, which can result in positive testimonials and word of mouth referrals.

Tips

Energy efficiency program administrators have shared the following experiences and tips related to incentives:

Evaluate Your Program's Market to Develop Incentive Options

- ▶ Assess the local market, your target audience, and any past incentive history by engaging stakeholders before setting, and committing significant resources, to incentives.
 - > Case Study – *Spotlight on Austin, Texas: Best Offer Ever Produces Upgrades in Record Time*
- ▶ Match incentives with desired outcomes (i.e., do you need to drive people to sign up for a home energy assessment, move from assessment to home energy upgrade, or get more work done as part of the upgrade).
 - > Presentation – “Effective Incentive Structures”
 - > Tip – Motivate Action Through Financial Incentives and Time-Limited Offers
- ▶ Tiered incentives can give more choice to consumers than a one-size-fits-all approach.
 - > Case Study – *Spotlight on Portland, Oregon: Use Incentives to Get Attention and Encourage Deep Savings*
- ▶ Take into account age, type, and other characteristics of the local building stock and design incentives appropriate to these building types (e.g., historic buildings or older homes might need non-energy remediation before upgrade work can be done).
 - > Tip – Develop a Market Research Plan to Guide Audience Research

Engage Partners for Assistance With Introducing Incentives

- ▶ Align program incentives with other utility, federal, state, or local incentives and policies to leverage resources, for example:
 - > Appliances – if an energy efficient refrigerator is given as an incentive, determine if the community has a refrigerator recycling policy that can be leveraged concerning the old appliance.
 - > Solar and energy efficiency – more efficient homes need smaller solar arrays so combining incentives could be valuable to consumers.
 - > Water and energy efficiency – if a water reduction policy exists then consider an educational component to program incentives and strategy for reducing water along with energy.

Above all, ensure your efforts are not competing with existing efforts.

- > Case Study – “An Education in Energy-Efficient Living”

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- ▶ Engage contractors in incentive plans—they are essential to a successful rollout.
 - > Case Study – *Spotlight on Austin, Texas: Best Offer Ever Produces Upgrades in Record Time*
 - > Case Study – *Spotlight on Portland, Oregon: Use Incentives to Get Attention and Encourage Deep Savings*
 - ▶ Pilot incentives to a small group of potential customers before rolling them out through an entire program to work out the kinks.
 - > Case Study – *Spotlight on Austin, Texas: Best Offer Ever Produces Upgrades in Record Time*

Analyze the Process and Make Improvements Where Necessary

- ▶ Create a process map of how the incentive would work that takes into account each step and staff role, which will help troubleshoot issues along the way, and should be updated as the process is updated.
 - > Case Study – *Spotlight on Austin, Texas: Best Offer Ever Produces Upgrades in Record Time*
 - > Tip – Use Workflow Diagrams to Illustrate and Refine Program Processes
- ▶ Expect to revise plans based on market realities and feedback.
 - > Case Study – *Spotlight on Maine: Transition to a Sustainable Level of Incentives*
 - > Presentation – “Sustaining Cost-Effective Incentives”

Resources

Below are a range of tools to help programs understand how different types of incentives work, identify incentives that have been successful for residential energy efficiency programs, learn to implement incentives, and assess incentive effectiveness. This list is not exhaustive but meant to provide an introduction for programs developing or implementing incentives, as well as resources for further reading.

Additional resources

- ▶ Database – Database of State Incentives for Renewables and Efficiency (DSIRE)
- ▶ Fact sheet – Ideas to Incentivize Contractors and Build a Strong Workforce
- ▶ Interview – “Denver Energy Advisor Program Helps Homeowners Go the Extra Mile in Mile-High City”
- ▶ Interview – “Equipment Lease Program Breaks Down Barriers for Cincinnati Contractors”
- ▶ Interview – “LaborWorks@NeighborWorks Provides Vermont Contractors With Help When They Need It”
- ▶ Interview – “Residential Air Sealing Program Drives Maine Home Energy Savings Through the Roof”
- ▶ Presentation – “Concierge Programs for Contractors—They’re Not Just for Consumers Anymore”
- ▶ Presentation – “With or Without You: Home Performance Success in a Non-Incentive World”
- ▶ Program example – “Strategic Financing Partnerships Help Jacksonville Program Take Loans From Buydown to Uptake”

- ▶ Report – *Best Practices For Energy Retrofit Program Design Financing and Incentives Recommendations*
- ▶ Report – *Customer Incentives for Energy Efficiency Through Program Offerings*
- ▶ Template – *Small Town Energy Program (MD) Request for Incentives Form*
- ▶ Tip – *Make Upgrade Options Clear and Concise for Customers*
- ▶ Tip – *Partner With Organizations or Individuals That Customers Already Trust*
- ▶ Webcast – *“Designing Effective Incentives to Drive Residential Retrofit Program Participation”*

Materials in this toolkit and much, much more can be found in the [Better Buildings Residential Program Solution Center](#), an online collection of resources and lessons learned. The Residential Program Solution Center helps residential energy efficiency programs and partners:

- ▶ Minimize trial and error to achieve success.
- ▶ Plan, operate, and evaluate their programs.
- ▶ Access a living repository of examples and resources.



The Better Buildings Residential Network connects energy efficiency programs and partners to share best practices and learn from one another to increase the number of homes that are energy efficient.

Members of the [Better Buildings Residential Network](#) join with fellow energy efficiency programs and partners to identify and address common challenges and market opportunities in what are called voluntary initiatives.

Members are asked what tools and resources would help create more upgrades and satisfied consumers. Invitations are then sent out for a limited time effort to develop a tool kit to address the needs identified, such as this toolkit concerning incentives.

[Contact us](#) for more information about participating in the next Better Buildings Residential Network Voluntary Initiative, or to join the Residential Network.