BETTER BUILDINGS
U.S. DEPARTMENT OF ENERGY

Effective Incentive Structures

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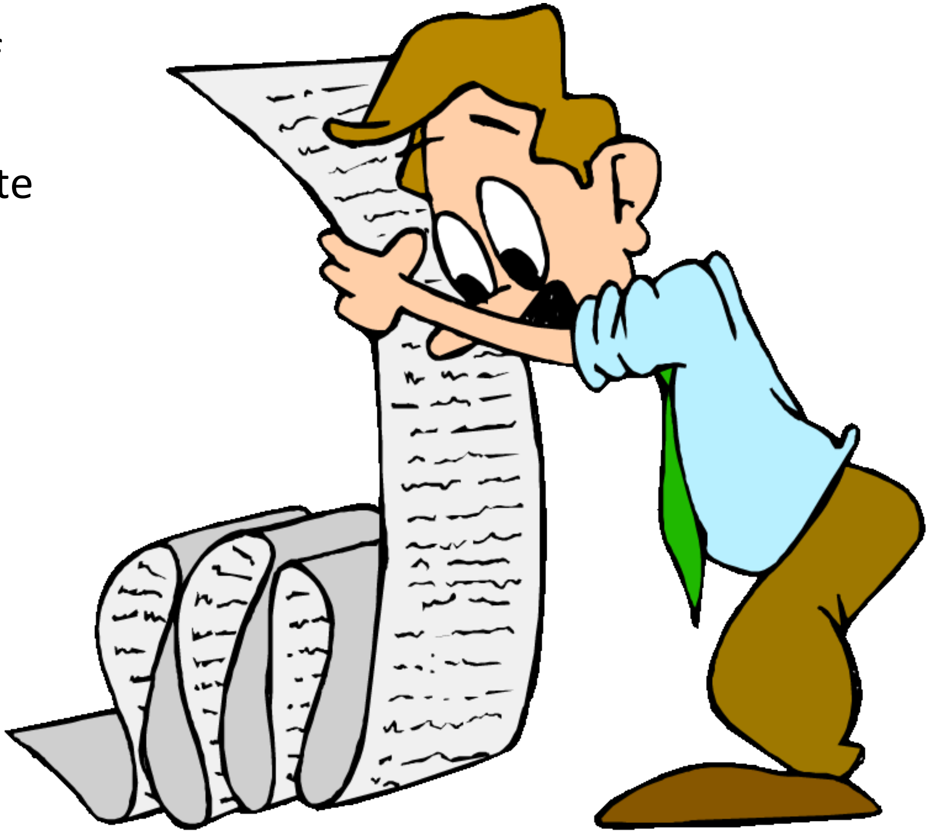
Types of Incentives

- Reduced rate/free assessment
- Reduced rate/free direct install measures
- Rebates for individual measures
- Rebates based on project cost (i.e. X% of the job cost)
- Rebates based on performance ($X rebate for X% savings)
- Rebates for defined “packages”
- Rebates adjusted for household income
- Time-limited bonuses or “sales”
- Interest rate buy down for financing
- Credit enhancement to increase accessibility or lower interest rate
- Fee to contractor for reporting
- And many more….

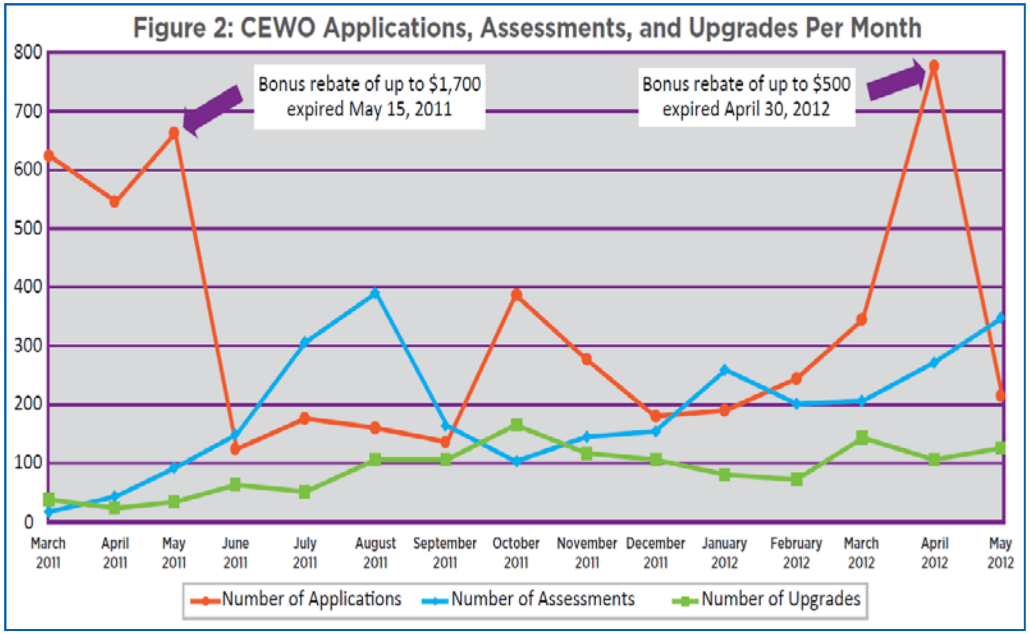


Must Clarify Goals to Design Incentives

Goal	Incentive Design
• Broad participation beyond the early adopters	→ Lower cost of entry, e.g. free assessment
• Deep savings in each home	→ Performance-based rebates or rebates for "packages"
• Equitable program delivery	→ Larger incentives for lower income households
• Jump-start a new market	→ Large incentives, support for new contractors
• Get participants to act quickly	→ Limited-time offers, expiring rebates
• Get contractors to report data	→ Reporting incentives
• Create a sustainable market	→ Test how "low you can go" to get attention, planned transition to sustainable level of incentives

Act NOW

- Many participants take 6-12 months to get an upgrade after their assessment, and attrition is a risk
- Spur action by using incentives that:
  - Are offered for a limited time (sign up by April 1)
  - Expiring rebates (you must an upgrade within 6 months of the audit)
  - Decline over time, so early actors are rewarded
- Check out the CEWO case study →



Consider Contractor Economics

- Incentives must be worthwhile for contractors to sell, or they won't bother with the paper work
- Need to understand how they make money, and what incentives support their business model (e.g. More work in each home, versus lots of low-cost assessments)
- Be wary of incentives that only apply to some participants – contractors will not report those they don't have to (e.g. if only financing is incented, they will only report those jobs)

Plan for the Long Term

- Experiment to find the “right” level of incentives
- Plan now for reduced funding – don’t create a post-ARRA cliff
- Work closely with contractors and other EE program administrators to create smooth transition

Thanks!

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Reports & Resources:

http://drivingdemand.lbl.gov

http://middleincome.lbl.gov