

Combating Energy Insecurity in Binghamton, New York: Energy Scores to Overcome the Split Incentive

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THESIS

To overcome energy inefficiency brought on by the “split incentive” between renters and landlords, the Binghamton City Council should compel landlords to adopt minimum energy-efficiency standards and post energy scores to reduce energy insecurity and encourage energy-efficiency projects for low-income renters.

BACKGROUND & ANALYSIS

One in five American households is forced to decide between paying energy bills or buying food, medicine, and other necessities.¹ Energy insecurity, defined as “the inability to meet basic household energy needs,”² affects 31 percent of American homes.³ For many low-income households, the energy burden can reach up to 33 percent of after-tax income;⁴ in Broome County, New York, households making less than 50 percent below the federal poverty level spend an average of 31.1 percent of their income on energy bills.⁵ These statistics are especially concerning given that 34 percent of residents of Binghamton, the county seat of Broome County, live in poverty.⁶ Energy insecurity amplifies other vulnerabilities experienced by low-income households and exacerbates hazardous environmental exposures, contributes to poor health, and amplifies housing insecurity.⁷ Black and Hispanic/Latinx households are more than twice as likely to face energy disconnection because of missed bill payments.⁸ Combined with the reality that one in two energy-insecure households also reports food insecurity,⁹ energy insecurity is a major human rights crisis that is “hidden in plain sight.”¹⁰

Energy efficiency (EE) upgrades have the potential to create savings of up to 55 percent, therefore offering an effective solution to decreasing energy insecurity.¹¹ The “split incentive problem,” in which low-income renters pay their own energy bills and the landlord has no incentive to pay for EE upgrades,¹² is the reason that low-income renters often live in the least energy-efficient housing units.¹³ Moreover, the split incentive is the result of information asymmetries, such that renters are not aware of how energy-efficient their units are.¹⁴ The split incentive accounts for 8.6 percent of all US residential energy use¹⁵ and acts as a barrier to EE projects such that it “is responsible for the highest degree of inefficiencies for the poorest...citizens.”¹⁶

TALKING POINTS

- Energy efficiency (EE) upgrades have the potential to simultaneously address household structural deficiencies and high energy costs while improving nationwide energy independence and mitigating climate change.¹⁷
- The split incentive acts as a major barrier to EE projects for low-income renters because renters pay the energy bill, and landlords therefore have no incentive to invest in EE upgrades.
- San Francisco’s commercial energy benchmarking program showed strong yearly savings and a reduction of 7.9 percent in overall energy usage for properties involved.¹⁸

KEY FACTS

- Households in Broome County making less than 50 percent below the federal poverty level spend an average of 31.1 percent of their income on energy bills.²⁸
- Solving the split incentive would save \$4 billion–\$11 billion per year in energy costs for low-income renters.²⁹
- In New York City, which has implemented an energy grading system, emissions have decreased 8 percent among buildings participating in energy benchmarking.³⁰

THE POLICY IDEA

To decrease energy insecurity caused by the split incentive gap, the City of Binghamton should implement minimum EE standards for rentals and mandate EE audits that score rentals based on benchmarks through an “energy score” rating. The city should also mandate the posting of the energy scores in rental buildings and real estate listings to better incentivize landlords to improve energy efficiency.

POLICY ANALYSIS

Adopting energy grades and benchmarking has been shown to reduce emissions, create a market-based incentive for landlords to install energy upgrades to their properties, and lower energy bills for low-income renters.¹⁹ Because the split incentive is a result of information asymmetries, required disclosure of a building’s energy efficiency would help fill the information gap.²⁰ One analysis notes that solving the split incentive would create \$4 billion–\$11 billion per year in energy savings for low-income renters.²¹

In Binghamton, residential buildings account for 42 percent of greenhouse gas emissions.²² In New York City, which has implemented an energy grading system, emissions have decreased 8 percent among buildings participating in energy benchmarking.²³ San Francisco’s commercial buildings that were in a benchmarking program showed a consistent annual decrease in energy consumption of 7.9 percent for three years, with audits of 800 buildings identifying \$60.6 million in potential energy savings from upgrades.²⁴ The report also noted that the expansion of the program to include mixed-use and multifamily residential property would have promise.²⁵

To avoid landlords passing on the cost of upgrades to renters²⁶—and consequently decreasing affordability for low-income renters—landlords should be encouraged to use utility on-bill financing mechanisms, which are loan programs for EE upgrades that are paid back through the utility bill and often use the savings from EE upgrades to offset the costs.²⁷ New York State Energy Research and Development Authority grant programs can also help offset any additional expenses incurred as a result of this policy.

NEXT STEPS

To increase EE projects for low-income renters and reduce energy insecurity, the Binghamton City Council must overcome the split incentive by passing a resolution setting EE benchmarks—developed through a scoring system and energy audits—and mandating the posting of energy scores. In conjunction with HeatSmart Southern Tier, an EE education and outreach nonprofit and a long-time Roosevelt @ Binghamton University partner, we will establish a coalition of local (e.g., Binghamton Community Power) and student (e.g., New York Public Interest Research Group and IDEAS) organizations to increase awareness of the issue. Roosevelt @ Binghamton University is a member of the Policy and Intersectionality working group of the New York Energy Democracy Alliance (EDA), which offers an opportunity to plug our policy into existing EDA efforts and receive support in terms of policy guidance, networks, advocacy strategy, and resources.

We plan to publish op-eds in the *Press & Sun-Bulletin* calling for improved access to EE projects for low-income populations in Binghamton and to host a public event about energy insecurity, the importance of energy efficiency, and inequities in climate policy. We will also start a petition for the policy and canvass the City of Binghamton to elevate citizens’ voices and demonstrate support for the proposal.

After building a base of supporters as well as implementing a policy advocacy campaign, we will work to meet with members of the Binghamton City Council and lobby for their support of the resolution. In particular, we hope to secure the support of [FORMER?] Councilman Conrad Taylor, a Binghamton University alum, to introduce legislation.

ENDNOTES

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