

ASTM Introduces Standard Practice for Building Energy Performance Assessment

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New energy use disclosure regulations, concerns about energy security, ever-rising energy costs, and a variety of other factors have made building energy efficiency an increasingly important issue in commercial real estate transactions. Calculating a commercial building's energy efficiency can be complicated, however, due to variations in seasonal energy use, tenant occupancy, building operating hours, and the period of time over which energy use data is collected. The American Society for Testing and Materials (ASTM) has taken a stab at standardizing the methodology for measuring these variables in its recently published standard E2797: "Standard Practice for Building Energy Performance Assessment for a Building Involved in a Real Estate Transaction," commonly known as "BEPA." BEPA addresses the collection of building energy consumption information, including use and cost data. As local codes requiring energy efficiency disclosures become more widespread, BEPA analyses may become part of the basic due diligence scope of work in commercial real estate transactions.

Three key challenges may arise in conducting a meaningful BEPA analysis. First, it may be difficult for an interested party, such as a potential purchaser or lender, to obtain the relevant information. Due to the potentially sensitive nature of energy use and cost data, tenants of commercial buildings may not be willing to disclose necessary information. Second, energy cost and use data must be accurate for a party to be able to rely on a BEPA analysis, which means it is critical to find a qualified consultant to conduct a reliable BEPA analysis. Third, the results of the BEPA analysis and the information used to conduct it may be sensitive and should be kept confidential through specific agreements with the consultant and parties to the transaction. Understanding the driver for conducting the BEPA analysis (legal, business, or sustainability considerations) is critical to ensuring that these challenges are successfully met.

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