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# Policy and incentives drive energy efficiency retrofits

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Energy efficiency retrofits to existing commercial and public buildings represent a rapidly growing market that will benefit building owners, tenants, communities, and the environment.

While most energy efficiency retrofits take place because the building owner is looking to reduce energy costs, government policy is a growing influence. States, cities, municipalities and the federal government are providing incentives to those who may not previously have considered retrofitting their commercial properties for increased energy efficiency.

The motivations of consumers and the influence of governments drive the demand for innovative new products to meet the needs of the owners of older buildings who wish to achieve energy savings through the use of building upgrades.

The global market for energy efficiency retrofits in the commercial building sector will expand from \$80.3 billion in 2011 to \$151.8 billion by 2020.

This demand is met with a host of increasingly efficient products from suppliers of heating, ventilation, and air conditioning (HVAC) equipment, lighting, windows, insulation, control software, and countless other products.

Industry participants warn that to achieve a successful retrofit, both in terms of cost and comfort, each building must be addressed as a unique situation.

Trying to apply a one-size-fits-all solution across multiple structures is a common pitfall of the industry that results in less energy savings and unhappy building occupants.

According to a recent [report](#) from Pike Research the combination of financial benefits and government policies will drive rapid growth in the market for energy efficiency retrofits over the remainder of the decade.

The global market for energy efficiency retrofits in the commercial building sector will expand from \$80.3 billion in 2011 to \$151.8 billion by 2020, the study concludes.

That market covers the energy efficiency portion of all retrofits and renovations with the building owner purchasing and installing a technology for the purpose of increasing the energy efficiency of the building.

It is useful to break this revenue number down by building type. Each building has significantly different energy consumption patterns, as well as different products and services that address the energy efficiency needs of the building based on its use.

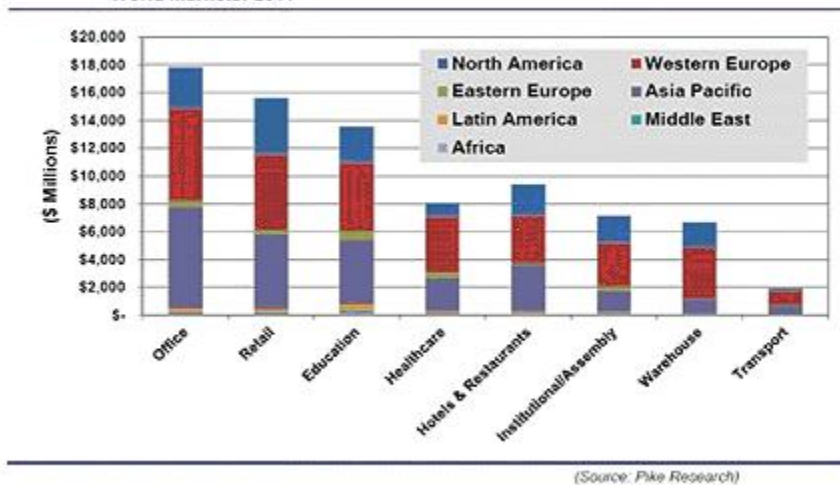
### **Next page: The importance of policy, regulations and incentives**

"While some players in the commercial housing market have found their way to energy efficient buildings through benevolent motivations and the promise of global benefits, many more require policy and regulatory requirements or incentives to inspire them to enter the energy efficient retrofit market," says senior research analyst Eric Bloom.

"Sometimes these retrofits are encouraged through incentives or ratings programs that reward the most efficient buildings. More often, government agencies encourage higher efficiency buildings by educating the companies buying and selling buildings about the effect that the buildings will have on the environment and, more importantly, on their utility costs."

The products and services offered to address energy efficiency retrofits can be grouped into several categories: heating, ventilation, and air conditioning (HVAC), lighting, commissioning, control, solar, water management, and building envelope, as well as offerings from energy service companies (ESCOs).

**Chart 1.1 Energy Efficiency Retrofit Revenue by Building Type and by Region, World Markets: 2011**



These products are being supplied by an ever-increasing number of companies that wish to establish a place in this growing industry. ESCOs currently make up the largest portion of the energy efficiency retrofit market, but the fastest growing segments over the next eight years will be solar power and water management, according to the report.

The report, "Energy Efficiency Retrofits for Commercial and Public Buildings", is available for free download on the [Pike Research website here](#).

Photo of [London City Hall](#), well known as an energy efficient building provided by [Bikeworldtravel](#) via [Shutterstock](#).

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