



RETAIL INDUSTRY
LEADERS ASSOCIATION

UTILITY AND LANDLORD COLLABORATION HELP SECURE REBATES FOR ENERGY PROJECTS

RILA Retail Energy
Management Program:
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H&M - UTILITY AND LANDLORD COLLABORATION HELP SECURE REBATES FOR ENERGY PROJECTS

Implementation Model:
Working with Landlord and Utilities Opens
New Savings Opportunities

Prepared with:



BARRIER

Utility incentives to improve store efficiency are often prohibitively difficult for retailers to apply for when the shopping center landlord owns the utility account.

SOLUTION

Collaborate with landlords and utilities who provide improved processes for tenants who are not utility account owners to still apply for incentives.

OUTCOME

H&M improved their store energy efficiency by collaborating with landlords and utilities to apply incentive dollars to retrofit HVAC rooftop units (RTUs). H&M was able to take advantage of utility rebates for approximately 40% of its identified retrofit projects and save approximately \$2,500 per store annually, with the remainder ripe for landlord and utility rebate process improvements.



OVERVIEW

H&M is a multinational clothing-retail company headquartered in Sweden. The company operates more than 4,400 stores in 71 global markets, including 575 stores in the United States.

H&M is committed to sustainability, participating in both the EP100 (energy productivity) and RE100 (renewable energy) initiatives, setting targets to double its energy

productivity and to power all of its global operations with renewable energy by 2030. In March 2019, H&M announced a science-based target. And by 2040, H&M Group aims to have a climate-positive value chain.

To meet these goals and to align them with financial value, H&M is eager to capture energy efficiency opportunities across its store portfolio. In particular, the company realized a significant need to retrofit HVAC rooftop units (RTUs) for many of their stores. The [U.S. Department of Energy says](#) that "RTUs condition over 60% of our nation's commercial floor space and consume about 4.3 Quads of energy annually—about a fifth of commercial building energy use." Additionally the DOE [notes](#) that, "older, inefficient RTUs can waste from \$1,000 to \$3,700 per unit annually, depending on building size and type." At H&M-leased stores, landlords typically specify what RTUs may be used and these models are often not the most efficient options available. In many locations, the lease structure dictates that the responsibility for upgrades falls on H&M as the tenant.

To help analyze and implement RTU retrofits, H&M hired Transformative Wave, a provider of Advanced Rooftop-Unit Control Technologies. According to Transformative Wave,

“ At H&M, we believe that the best energy is the energy we do not use. With improved landlord and utility collaboration, we were able to take advantage of significant energy savings opportunities.”

Alexander Douris
Energy Specialist, H&M

retrofit technology is a significant means to address the wasteful energy practices of RTUs and cost-effectively improve RTU energy performance.

PROCESS

H&M and Transformative Wave initially retrofitted RTUs in store locations where H&M is directly metered as the utility customer, then moved on to locations where the landlord is the direct utility customer. They prioritized in this way because utility rebates are most easily secured by the utility account owner. A more complicated approval process is required where H&M is seeking the rebate, but their landlord is the direct utility customer.

In one subset of leased stores where the landlord is the direct utility customer, H&M and Transformative Wave identified 25 priority locations to pursue RTU retrofits. As they attempted to move forward on the 25 sites, including accessing available utility incentives for energy efficiency upgrades, they encountered a series of inter-related challenges. In some cases, the parties were able to find a solution and move forward with the incentive process after several conversations that led to successful collaboration between landlord, tenant, and utility provider. These solutions could be widely replicated by other retailers in similar situations. The challenges and solutions are summarized in the table below.

Challenge	H&M Recommendations
Landlord (rather than H&M/the tenant) is the direct utility customer, often making it challenging to apply for utility incentives.	Ask landlords to sign a "pass-through letter," authorizing the utility to work directly with tenants looking to improve energy performance in their leased space and qualify them to apply rebate dollars to efficiency upgrades. Some utilities and landlords already have templates or drafts of such letters.
Unavailability of or difficult access to the landlord's utility account number, often preventing the tenant rebate application from moving forward.	Ask utilities to modify any process that requires the landlord to provide the utility account number. The utility can often look up the landlord's account number directly without sharing it with the tenant, overcoming any sensitivities.
Lack of centralized landlord control of utility accounts, making it difficult to secure landlord authorization for tenant utility rebate applications. Some landlords do not have centralized control of utility accounts and it was often challenging to get in touch with property managers at each individual store location. If H&M did reach someone onsite, some property managers were not sure if they had permission to share utility information with tenants.	Work with landlords to develop a standard, centralized process for approvals, or a blanket pre-approval of efficiency projects for tenants. If the main hesitation from the property manager is sharing the utility information, try recommendation 2 above.
Utilities do not have simple rebate application tracking tools available to tenants, making it difficult to determine which applications still face barriers that need to be addressed by the applicant.	Encourage utilities to develop online rebate application tools with a simple tracking capability showing the rebate status and what actions are still needed.

Retailers whose stores are often located in shopping malls, such as H&M, are more likely to run into these particular barriers because of the way these properties are typically metered for utilities and how their leasing arrangements are structured.

SPOTLIGHTS ON COLLABORATION

H&M and Transformative Wave worked with landlords and utilities to execute pass-through letters and access utility programs for efficiency improvements.

LANDLORD COLLABORATION TO APPLY UTILITY INCENTIVES TO MULTIPLE PROPERTIES

Two landlords, Simon Property Group and Brookfield Properties, closely coordinated with Transformative Wave and provided a simple utility incentive pass-through process, allowing H&M access to rebate funds to be applied to energy upgrades to their space. As a result of the streamlined process, H&M was able to apply utility incentives to all the RTU retrofits in stores owned by those landlords and capture significant savings. Projects were completed in California, Connecticut, Kentucky, Pennsylvania, Maryland, Michigan, Nevada, New York, Ohio, and Texas.

UTILITY COLLABORATION TO APPLY INCENTIVES TO A SPECIFIC STORE

In Texas, CLEARResult worked with Transformative Wave to help H&M identify utility incentives for a store in San Antonio. For the particular project, H&M installed variable frequency drives to use their existing RTU more efficiently. Typically, contractors like Transformative Wave take the lead on obtaining rebates but do not have the authority to work directly with the utility. However, because Transformative Wave and the utility were added to a letter of authorization, everyone could be looped in and the process went very smoothly.

UTILITY COLLABORATION FOR A CUSTOM INCENTIVES PROGRAM

On behalf of Georgia Power, ICF manages a portfolio of key energy efficiency programs. Because Transformative Wave and H&M executed pass-through letters, they were able to work directly with ICF and Georgia Power to obtain rebates through a custom program in which Georgia Power paid H&M 10 cents per kWh saved per project. ICF said that the process went very smoothly and several stores in Georgia were able to apply rebates to upgrade their RTUs.

OUTCOMES

In the subset of 25 stores considered for retrofits during the first phase of H&M's retrofit program, H&M was able to take advantage of utility rebates for retrofitting RTUs and performed measurement and verification for savings in 12 locations, averaging 36,000 kWh per store. At that kWh savings, the retrofits conservatively provide an estimated \$2,500 per store in financial savings annually.

However, the difficulties in making successful connections with some of the other involved landlords reduced the project's potential savings by more than 50 percent. Had H&M received utility rebates for retrofitting all 25 stores that were initially targeted during the first phase of the program, H&M would have been able to save approximately \$70,000 more. While this example only reviews the subset of stores that was considered for the first phase of the retrofit program, H&M found that this experience was representative for all stores through the completion of all phases of the retrofit program.

FINAL LEARNINGS AND POTENTIAL NEXT STEPS

Because H&M was well informed on how to approach utility incentives and worked with Transformative Wave to manage the transaction, they were fairly successful.

There is tremendous opportunity to help retailers obtain additional energy savings through improved financials with rebate incentives. Other retailers facing similar barriers can also work closely with utilities and landlords to execute a

pass-through letter; ask utilities to modify any process that requires the landlord to provide the utility account number; work with landlords to develop a standard, centralized process for approvals; and encourage utilities to develop online rebate application tools. The resulting cost and energy will benefit the significant portion of retailers' store portfolios often otherwise neglected for efficiency upgrades.

RILA ENERGY MANAGEMENT COMMITTEE

COMMITTEE BACKGROUND

Retailers have a significant opportunity to reduce the energy consumption and associated greenhouse gases of their vast portfolio of locations, to the benefit of both companies and the environment. The Retail Industry Leaders Association (RILA) is committed to helping its members overcome barriers to enhanced energy performance across their building portfolio through its Retail Energy Management Committee.

JOIN THE COMMITTEE

Retail energy managers interested in participating should email Erin Hiatt, Senior Director of Sustainability & Innovation, at Erin.Hiatt@RILA.org.

Learn more at rila.org/committees/retail-energy-management-program

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