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RE: HF3545
Contact: Christian Koch - Manger, Midwest Policy - ckoch@ceres.org

Dear Co-Chair Baker, Co-Chair Pinto, Co-Vice Chair Mekeland, Co-Voice Chair Greenman and Workforce, Labor and Economic Development Finance and Policy Committee.

Thank you for considering this testimony in opposition of HF3545, an act to repeal requirements for new residential energy code adoption.

Ceres is a nonprofit advocacy organization working to accelerate the transition to a cleaner, more just, and resilient world. We inspire investors and companies — including the 80 major brands that make up the Ceres Policy Network — to advance actions and advocate for policies that reduce pollution and invest in solutions to build a cleaner economy. Many of the companies in these networks have business interests seeing strong and consistent building codes to allow for market predictability, such as AO Smith, Daikin, KB Home, Lutron, Sealed, Siemens, and Trane Technologies.

Minnesota's current energy code adoption schedule provides predictability for builders, contractors, and manufacturers. As codes are updated, they reflect technological innovation and best practices for energy efficiency. **Removing the requirement to adopt new residential codes outside the existing approved cycle will create greater operating expenses for businesses that already invest in energy efficient training and products based on the current six-year regulatory trajectory.** Uncertainty in code adoption could result in decreased demand for energy-saving construction practices, ultimately costing homebuyers and residents more money as homes will be built with less efficient practices in place.

The uncertainty created by HF3545 could discourage investment in training, tools, and materials needed to adopt energy standards, impairing job growth in sectors tied to HVAC equipment, building performance auditing, housing development, and materials manufacturing. Manufactures of energy efficient products, home performance contactors, and related service **providers depend on the existing six-year code cycle to justify research and development spending and workforce investment.** Removing those requirements will stifle innovation and shift costs back on consumers.

Finally, a likely unintended consequence of HF3545 could be the risk of regulatory gaps between Minnesota's requirements and financing and insurance standards tied to code. **Without code updates, lenders and insurers may view Minnesota properties as higher risk for longer-term cost exposure.**

Financial institutions increasingly incorporate long-term operating costs, asset resilience, and energy performance into underwriting and valuation practices. When state building standards fall out of alignment with commonly referenced national model codes, lenders and insurers may face challenges in consistently evaluating property performance, durability, and affordability over time. For insurers, outdated or stagnant codes may also complicate catastrophe modeling and replacement cost assumptions, as building performance standards influence loss severity, repair costs, and resilience to extreme weather conditions. A lack of regular code updates may therefore create inconsistencies between state requirements and insurer expectations, potentially affecting coverage availability or premium stability in certain markets.

For these reasons, Ceres urges lawmakers to oppose HF3545 and maintain a stable and predictable framework for residential energy code updates.

Sincerely,

Christian Koch
Manager, Midwest Policy