

October 26<sup>th</sup>, 2015

Mr. Justin Trudeau  
Prime Minister of Canada Designate  
House of Commons  
Ottawa, Ontario  
K1A 0A6

Dear Mr. Trudeau:

On behalf of the Canadian Energy Efficiency Alliance (CEEA) I would like to congratulate you and your colleagues of the Liberal Party of Canada on forming the new Government of Canada. CEEA members were pleased to see that your party's platform recognized the pressing challenges of climate change as well as the economic opportunities that a clean economy can bring to Canada. Your platform also recognized that a partnership is needed to work effectively with the provinces.

Established in 1995, CEEA is the country's leading independent advocate promoting the economic and environmental benefits of energy efficiency. CEEA works with the federal and provincial governments and stakeholders to ensure energy efficiency is a priority for all sectors of the economy. By monitoring, examining and developing public policy ideas, programs and standards that promote energy efficiency in Canada, CEEA is an effective resource for policy makers, businesses, consumers, and energy companies.

CEEA's members include large international corporations, Canadian energy utilities and a wide variety of associations that have a stake in the promotion of energy efficiency, including the Canadian Construction Association (CCA); Electro Federation Canada (EFC); the Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI); the North American Insulation Manufacturers Association (NAIMA); the Thermal Insulation Association of Canada (TIAC); the Canadian Urethane Foam Contractors Association (CUFCA); and the Mechanical Contractors Association of Canada (MCAC).

You are taking the reins of the Government in Canada at a critical time. The Paris Climate talks are fast approaching and given the downturn in the Canadian energy sector due to lower petroleum prices, it is clear that Canada needs a more diversified and effective energy policy that is environmentally responsible and embraces energy efficiency as a tool to:

- meet climate change goals;
- reduce energy costs for businesses and home owners; and
- create jobs and sell Canadian services and products at home and abroad.

In order to achieve the goals laid out above, energy efficiency can play a critical role; indeed, the International Energy Agency has labelled it the “first fuel” because it is typically the lowest cost option for balancing supply and demand. With this in mind, we propose that you consider the following measures as quickly as possible to signal to the world that Canada is a forward thinking and conscientious energy country. Essentially, we are asking you to embrace energy efficiency immediately as a no-risk, no-regrets policy. Our recommendations are as follows:

### **1. Ensure the renewal of the Office of Energy Efficiency within Natural Resources Canada**

Energy policy is a shared responsibility between the Federal and provincial governments. For energy efficiency, the national platform is Natural Resources Canada’s Office of Energy Efficiency (OEE). It acts as the catalyst for provinces and territories to work together cooperatively and ensures all Canadians benefit. Much of this work is done through a network of committees that have representatives from all the provinces as well as utilities and the private sector – NRCan’s OEE is the conductor that makes the individual efforts of each jurisdiction resonate in a coordinated and sensible manner.

This letter will also refer to the Energuide Rating System (ERS), which is a critical tool to achieve energy efficiency goals federally and provincially. It has been developed by the OEE in collaboration with industry experts across Canada to provide a standard measure of a home's energy performance. Though the program re-design was completed in 2012, it has not yet been officially launched, though there has been some talk about pilots in certain provinces. This system has tremendous potential to be used by provinces, utilities and municipalities as a platform for their programs to help reduce energy costs, increase residential energy performance and reduce GHG emissions, all while creating local jobs in the renovation sector. The ERS is an excellent example of the OEE providing an important enabling tool that will greatly assist in the development and implementation of programs and services across Canada. This system needs to be rolled out to the marketplace urgently so that it can be used to support the introduction of energy efficiency benefits to Canadians.

As a key stakeholder, CEEA and the energy efficiency industry needs the OEE to remain as Canada's centre of excellence for energy, efficiency and alternative fuels information; to strengthen and expand Canada's commitment to energy efficiency; and to provide expertise on policy objectives. Therefore we are asking that your government maintain and strengthen the OEE as you move forward.

### **2. Invest in Home Energy Efficiency Retrofits**

The new federal government should take action on energy efficiency and climate change by investing in the residential renovation industry. Building on a revamped and soon to be released EnerGuide Rating System (ERS) for Homes, the government should explore various forms of financial support that will induce Canadians to improve the energy performance of their homes. One form of support could be a permanent, refundable

Personal Income Tax credit to assist with the cost of improvements to the energy efficiency of a home. A tax credit would leverage and support provincial initiatives already underway in many regions across the country, as well as new and innovative financing mechanisms that allow homeowners to repay home energy improvement loans on their utility or municipal tax bills. Supports like these, built on the platform of the ERS, will not only contribute to the goals of enhancing energy efficiency and reducing greenhouse gas emissions but will enhance intrinsic (as opposed to speculative) property values, help Canadians to save on energy bills and stimulate growth in local employment across the country.

### **3. Immediately adopt Amendment 13 of Canada’s Energy Efficiency Act**

This amendment – which merely ensures that Canada’s performance standards for energy-consuming products keep pace with those already enforced in the U.S. – has been lingering for over five years. Its adoption would signal to consumers and manufacturers that Canada has a commitment to minimum energy efficiency standards and it would confirm to the US Department of Energy that we seriously want to cooperate and coordinate in this important area. The lack of activity in this area has forced several provinces to jump into the void, and mainstays of responsible energy stewardship and federally developed and recognized tools such as the Canadian EnerGuide label are quickly losing any relevance.

### **4. Adopt CEEA’s tax proposal in an effort to stimulate the adoption of higher energy efficiency products and services and to lower GHG emissions from Canada’s existing buildings.**

CEEA has proposed an initiative to help broaden and expand energy conservation and productivity in Canada’s stock of institutional, industrial and commercial buildings, including multi-unit residential buildings. Our proposal does not seek a legislative change or an expensive support program for investment. Rather, we propose an interpretation of existing rules that provides certainty and clarity in the administration of the repairs and maintenance deductibility rules in the Income Tax Act to enhance and broaden investment in energy conservation by building owners. In addition, given that these buildings are a significant contributor to GHG emissions our proposal would contribute to our international commitments.

The tax treatment for these products or equipment in buildings when used in a retrofit or replacement of worn out or outdated components of an existing building, has not kept pace with advances in the marketplace.<sup>1</sup> The reality for building owners is diametrically

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<sup>1</sup> Indeed, Interpretation Bulletin 128-R which came out in May 1985 focusses on three primary guidelines in determining whether expenditure is a capital outlay or a current expense, namely, enduring benefit, maintenance or betterment and relative value. In applying 1985 standards in today’s environment there are very few repairs or retrofits that can meet the test because if the results are deemed to improve a property beyond its original condition, or its relative value is in excess of the original value or the repair has an enduring benefit beyond the original condition it is considered “capital” expenditure. In today’s environment as well as building code requirements across the country, these guidelines simply do not make sense.

opposed to the existing interpretive guidelines. The equipment or products that could be considered “original” are no longer available. This has led to confusion in the marketplace and is a contributing factor as to why not all building owners have embraced energy efficiency when retrofitting their existing buildings.

We understand that CRA is reviewing and updating its technical bulletins. We urge you to move this initiative forward as quickly as possible. It is simple, it will be good for Canadian businesses and it will assist in meeting Canada’s climate policy goals.

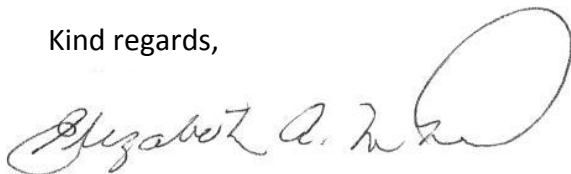
## **5. Ensure the Federal Government leads by example**

While governments in Europe and in the United States have established comprehensive and ambitious targets for energy efficiency and lowering energy intensity in their own government-owned facilities and fleets, the same cannot be said about the Government of Canada. We are asking your government to change this immediately, and push for federal leadership through heightened energy performance standards and disclosure requirements applicable to all federal facilities, including (with different requirements) newly-constructed federal buildings, existing federal buildings, and buildings in which the federal government leases significant space. By adopting lead-by-example requirements similar to those adopted elsewhere in North America (e.g. New York City, Washington State and others), Canada will not only reduce taxpayer waste and lower GHG emissions, but will also generate economic activity because this work will be done *by Canadians for Canadians*.

CEEA understands that these are early days and that your Government will have many demands placed upon it. However, we felt that given the fast-coming UN Paris discussions, it would be useful to share several areas in which energy efficiency can provide “quick wins” without significant upfront investment. We look forward to working with your government and Cabinet, once it is appointed, to further develop these and other proposals.

Once again, we congratulate you on your successful campaign and look forward to working with you and your colleagues.

Kind regards,



Elizabeth A. McDonald  
President and CEO

cc CEEA Board of Directors