

14 August 2017

Dear Honourable Minister of Natural Resources, Jim Carr, and Honourable Minister of Environment and Climate Change, Catherine McKenna:

**RE: Supporting Implementation of the Pan-Canadian Framework**

The Pan-Canadian Framework on Clean Growth and Climate Change represents a once-in-a-generation opportunity to unite stakeholders in a bold vision of Canada's clean energy future. As a collaboration of leading energy and building professionals, we recognize this opportunity for cross-jurisdictional collaboration in transforming Canada's built environment to one that is ultra-energy efficient and low carbon.

The Pan-Canadian Framework set the stage for bold action in the building sector, with a number of key commitments that will offer some of the lowest cost, most rapidly achievable GHG reductions. These measures will help Canada reach its 2030 climate target under the Paris Agreement and its longer-term decarbonization goals, as well as reducing energy costs for Canadians through improved energy efficiency. The time has now come to redouble these efforts and support a rapid and complete implementation of the commitments made in the Pan-Canadian Framework.

The recommendations below are the key actions needed to implement the building sector commitments made in the Pan-Canadian Framework. We recommend the federal government implement the following measures as quickly as possible.

**1. Driving momentum toward net-zero ready new construction in Canada**

The Pan-Canadian Framework committed the federal government to "develop and adopt increasingly stringent model building codes, starting in 2020, with the goal that provinces and territories adopt a 'net-zero energy ready' model building code by 2030." We recommend that government:

- 1.1. Convene and consult stakeholders early in the process to clarify the definition of "net-zero energy ready" in the context of a national model code, and to share knowledge between jurisdictions such as Ontario and British Columbia that have already committed to a similar goal.
- 1.2. Support code compliance and adoption by:
  - a) Providing and/or supporting training around the model code to provincial and municipal staff.
  - b) Providing resources and incentives to assist in code compliance and enforcement. This could also encourage faster adoption of the national code by provinces and territories.
  - c) Undertaking or sponsoring research on code compliance and code effectiveness in Canada to assess how well current codes are working and assess causes of any observed performance gaps.
- 1.3. Set a clear expectation for provinces that all new construction should be net-zero energy ready by 2030.

**2. Accelerating retrofits and emissions reductions in existing buildings**

The Pan-Canadian Framework committed the federal government to "develop a model code for existing buildings by 2022", work with sub-national governments "with the aim of requiring labelling of building energy use by as early as 2019" and support retrofits and fuel switching "through the Low Carbon Economy Fund and infrastructure initiatives." Because improving the performance of new buildings alone will not be sufficient to drive the deep emissions reductions required in the building sector in order to meet Canada's climate targets, retrofitting and fuel switching existing buildings is a key priority. We recommend that government:

**A. Labelling, benchmarking and disclosure**

- 2.1 Incentivize and support provinces in requiring mandatory home energy labelling at time of listing, and energy benchmarking for larger buildings by 2019. Model regulations and implementation guidelines can be developed for provinces in support of this goal.
- 2.2 Provide support and training on the use of tools such as ENERGY STAR® Portfolio Manager and the EnerGuide Rating System.
- 2.3 Ensure that capacity-building efforts are supported as jurisdictions adopt mandatory energy labelling at time of listing.

**B. Retrofit regulations**

- 2.4 Establish an emissions reduction target for the building sector that puts Canada on a path to achieve at least 80% GHG reductions from the building stock by 2050.
- 2.5 Move quickly to begin development of a model retrofit code, given the the limited precedent to draw from and the number and diversity of stakeholders involved.

### **C. Retrofit programs**

- 2.6 Develop a comprehensive strategy for existing buildings, taking into account the role of retrofits and fuel switching in meeting a sectoral target. Such a strategy should include working with provinces to articulate an electrification and fuel switching strategy that is consistent with the unique energy supply and decarbonization pathways of each province.
- 2.7 Support pilot projects for new technologies and programs to support deep energy efficiency retrofits, as well as the development of training, certification and quality assurance programs through the Low Carbon Economy Fund and infrastructure funding.

### **3 Improving energy efficiency standards for appliances**

The Pan-Canadian Framework committed the federal government to “set new standards for heating equipment and other key technologies to the highest level of efficiency that is economically and technically achievable.” We recommend that government:

- 3.1 Renew its support for the ENERGY STAR® labelling program and ensure that it remains available in Canada, alongside ENERGY STAR® Portfolio Manager.
- 3.2 Move forward with ambitious regulations for space and water heating equipment, with the goal of ensuring that all such equipment is at least 90% efficient by 2025 and greater than 100% efficient by 2035..
- 3.3 Make full use of market transformation tools – research, demonstration projects, incentives, labelling, and others – in enabling rapid improvements in minimum efficiency standards.

### **4 Catalyzing private investment to support implementation of the Framework through strategic use of public funds**

Financial incentives are a proven tool for accelerating investment in energy efficiency, both for new construction and retrofits. However, public funds alone will not be enough to achieve the deep energy reductions required from the buildings sector. Programs will require strong leveraging of public dollars in order to help mobilize private investment and maximize impact. In our view, projects with the highest carbon abatement potential should be prioritized. We recommend that the federal government:

- 4.1 Provide strategic financial support, or support other levels of government, to incentivize and remove barriers to deep retrofits. For example, consumer rebates, supply chain incentives, and financing options, including on-bill financing and property-assessed financing (e.g. Property Assessed Clean Energy/Local Improvement Charges).
- 4.2 Create a new public financing authority (or a new department of the Canada Infrastructure Bank) focused on energy efficiency and building renewal. Current federal funds and additional provincial funds should be used to establish this organization, create a sustainable retrofit financing model leveraging public and private financing, and capitalize the first round of programs.
- 4.3 Pursue opportunities to leverage private capital through innovative mechanisms such as revolving loan funds, loan guarantees or other credit enhancements.
- 4.4 Reform tax policy to stimulate investment in efficiency. For example, tax credits and federal changes to deductibility rules can be used to stimulate retrofitting.

### **5 Supporting implementation of the Framework through leadership by example**

The federal government owns or occupies over 27 million square meters of floor space, and provides funding for buildings in Indigenous communities and the social housing sector. These buildings provide opportunities to model the pathway to deep emissions reductions across a range of building types and regions. Leading by example also sends a clear sign of commitment to the overall vision. We recommend that the federal government:

- 5.1 Implement benchmarking and disclosure of public building performance, starting in 2017.
- 5.2 Require new publicly-owned buildings to be built to net-zero energy ready standards, effective in 2017.
- 5.3 Upgrade public buildings through deep energy retrofits (>30% energy reduction) and clean electrification at a rate that reduces total federal building emissions by 40% by 2030, in line with overall commitments under the Federal Sustainable Development Strategy.
- 5.4 Address the pressing need for housing renewal in Indigenous communities by ensuring that new construction is built to high standards of health and efficiency, and by retrofitting existing buildings with a whole-building approach to energy use, health and resiliency.
- 5.5 Support efforts to reduce emissions from the social housing sector by funding deep retrofit and demand aggregation pilots.

Canada has an important opportunity to transform the built environment and transition to a low-carbon future, while enhancing the performance and liveability of Canadian homes and businesses. To truly have a chance to meet our Paris commitments, individuals and companies need support to implement energy efficient practices at work and at home. We encourage the federal government to take advantage of this opportunity by taking strong action in the building sector and ensuring complete and timely adoption of the commitments made in the Pan-Canadian Framework.

We applaud the commitment and world class leadership your government has shown on climate initiatives, and we call on the federal government to continue on this path by taking strong action to deliver on commitments in the building sector.

Sincerely,

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