

WRITTEN SUBMISSION FOR THE PRE-BUDGET CONSULTATIONS IN  
ADVANCE OF THE 2019 BUDGET

BY:

The Heating, Refrigeration and Air-Conditioning Institute of Canada  
(HRAI)

## LIST OF RECOMMENDATIONS

1. HRAI recommends that the federal government fully fund the plan laid out in the *Market Transformation Road Map for Energy Efficient Equipment in the Building Sector* that was prepared by Natural Resources Canada in consultation with Provinces and Territories as well as key industry stakeholders.<sup>1</sup> The plan identifies where emphasis is needed in terms of R&D and training investment to facilitate a smooth transition to a low-carbon economy, specifically in relation to space and water heating technologies. The initiatives identified in the Road Map include codes development, support for adjustment training, product market-readiness demonstration processes and more, with the aim of paving the road to market acceptance for low-carbon energy-efficient products and services. The investment required is \$20 million over five years.
2. In addition to the labour deployment support initiatives identified in the *Market Transformation Road Map for Energy Efficient Equipment in the Building Sector*, HRAI recommends that the federal government establish a Workforce Training and Adjustment Fund to assist industries such as the HVACR industry in retraining and re-deploying their skilled labour force to meet the challenges of transitioning to a low-carbon economy, with emphasis on those businesses ‘greening’ the built environment in Canada.
3. In light of the shifting political landscape at the provincial level, HRAI recommends that the federal government re-direct or re-purpose the more than \$300 million in funds previously committed to the GreenON program in Ontario into sustainable program measures that will facilitate the HVACR industry’s ability to move the marketplace (residential and commercial building retrofits into more efficient, lower carbon technologies. These measures should include:
  - a. A 30% federal tax credit for investments in technologies that significantly lower carbon emissions and improve energy performance in buildings (e.g. heat pumps, insulation, low-e windows);
  - b. A re-interpretation of the federal tax treatment of investments by commercial building owners in improved energy performance, from a capital improvement to an operational expense, per the tax brief prepared in 2016 by the Canadian Energy Efficiency Alliance.
  - c. Support for industry-led and –managed programs of incentives for specific low-carbon technologies.
4. HRAI recommends that the federal government develop financing tools and a pool of capital to support commercial building retrofits that will make Canada a world leader in the maintenance and improvement of public and private infrastructure.

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<sup>1</sup> *Paving the Road to 2030 and Beyond: Market Transformation Road Map for Energy Efficient Equipment in the Building Sector – Supporting the Transition to a low-carbon Future*. Energy and Mines Ministers’ Conference (EMMC), Iqaluit, Nunavut, August 2018. Report to be released upon approval at the EMMC.

## BACKGROUND AND SUPPORT

The Heating, Ventilation, Air Conditioning and Refrigeration (HVACR) industry is essential to the lives of Canadians. Citizens, businesses, building owners, institutions and government benefit daily from the services provided by members of the Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI). The HVACR industry generates over **\$7 billion in the Canadian economy** and **employs close to 50,000 people**. Our economy and society depend on this vital industry to function but, because they are out of sight for most Canadians, our products and services are often taken for granted, and opportunities are missed.

The HVACR industry is in a strong position to aid in the development of a prosperous, internationally competitive Canadian economy. By making homes and buildings more energy efficient, businesses are made more competitive and Canadians get relief on their energy bills, saving money that can be used for other necessities in life. Our industry is also poised to provide meaningful, highly impactful solutions that will assist Canada in making the transition to a low-carbon economy. Facilitating this transition, however, will require different forms of public support. Natural Resources Canada, in consultation with Provinces and Territories as well as key industry stakeholders like HRAI, has developed a *Market Transformation Road Map for Energy Efficient Equipment in the Building Sector*. This plan includes a variety of measures that will assist industry with the transition while readying the marketplace for new technologies and building practices. HRAI encourages the federal government to fund these measures fully, so that the needed changes can be made with minimal delay.

Because of the diversity of energy needs and resources across the country (and therefore a diversity of policy options), the federal government has chosen to rely on provincial governments to drive specific, regionally-appropriate, solutions to reducing carbon emissions. Recent and pending policy reversals at the provincial level, however, may have the effect of losing some of the momentum that was building as a result of program supports for investing in low-carbon, energy efficient solutions.

HRAI recommends that the federal government explore and fund more aggressively policy measures that will be sustainable and national in scope while flexible enough to accommodate regionally varied needs. Among the options that should be explored are: a) a federal tax credit that would reward home and building owners for investing in measures that significantly lower carbon emissions and improve energy performance in buildings; b) a re-interpretation of the federal tax treatment of investments by commercial building owners in improved energy performance, from a capital improvement to an operational expense, per the tax brief prepared in 2016 by the Canadian Energy Efficiency Alliance; and c) support for industry-managed programs of incentives for specific low-carbon technologies (building, for example, on the program-management capacity already developed by HRAI and partners in Ontario).

The federal government has an opportunity in Budget 2019 to position Canada as a world-leader in the maintenance and improvement of public and private infrastructure. Building on the measures proposed above, HRAI recommends that the federal government further develop

a pool of capital that can be leveraged to open up private sector financing for commercial building retrofits. While super-efficient building codes and building certification programs like LEED will have positive effects on the performance of new buildings, the much more significant opportunity for efficiency improvements and carbon emission reductions is in existing buildings, and one of the keys to unlocking investment is low-cost, stable financing.

While the HVACR industry is poised to play a meaningful role in the transition to a low-carbon economy, our industry faces challenges of its own that need to be addressed if this potential is to be fully realized. Some of these challenges will be addressed under the Market Transformation Road Map referenced above, but these measures alone will not go far enough.

New technologies and increasingly sophisticated customers who have access to good data present an opportunity for enhanced competitiveness, but there are some key shortfalls that have made it difficult for businesses in our sector to adapt. It can be difficult for companies to attract and retain skilled employees and keeping staff qualifications up-to-date on the newest products and practices can be a struggle, especially when the market for those products remains marginal. As such, HRAI is recommending funding for a Workforce Training and Adjustment Fund to assist industries in retraining and re-deploying their personnel to meet the challenges of the new economy. We believe that this sort of investment also enhances Canada's competitiveness, especially when targeted to support industries that play a crucial role in delivering low-carbon solutions, like HVACR.

## **CONCLUSION**

The HVACR industry is an integral part of nearly every economic and social sector in Canada. Our members keep homes and offices comfortable, but they do so much more for the economy as a whole. They ensure climate management in the global supply chains that get agricultural products from farms to market; they provide refrigeration processes required for the advancement of science and medicine; they supply the advanced air conditioning required by commercial server rooms that keep Canada at the cutting edge of IT infrastructure and our telecommunications systems online. Without these services and products, Canada's economy would not be able to compete globally. Helping HRAI and its members achieve their goals will have important benefits to other sectors that depend on ours.

In the coming budget, the Government of Canada has an opportunity to take advantage of our industry's capability to provide energy efficiency and green building solutions to be a model for the world that will draw foreign investment to our shores. HRAI encourages the government to make strategic investments in the development of markets for energy efficient and low carbon products while also assisting our industry in meeting the demands that will spring from this new marketplace.