

**Written Submission  
for the Pre-Budget  
Consultations  
in Advance of the  
Upcoming Federal  
Budget**



## Recommendations

**Recommendation 1:** The government should support workforce development by:

- Allocating \$500 million or \$1,000/employee to access existing low-carbon training programs; and
- Investing \$1 billion for workforce development and training to build green building skills in Canada's low-carbon economy.

**Recommendation 2:** The government should stimulate building retrofit projects by:

- Allocating \$50 million through zero per cent financing of energy audits;
- Allocating \$10 billion through the CIB towards a first-loss loan reserve;
- Requiring a standardized approach to developing and evaluating energy efficiency projects;
- Supporting the amalgamation of retrofit project investments into non-investment grade green bonds; and
- Leveraging government procurement power to retrofit government-owned buildings.

**Recommendation 3:** The government should stimulate zero-carbon construction by:

- Requiring all federally-funded, owned or leased building projects to move towards zero-carbon performance;
- Leveraging the procurement process to require that eligible firms demonstrate low-carbon development, design, and construction experience; and,
- Granting up to 10 per cent of the development costs for public and private sector buildings to build to low-carbon performance.

## Introduction: From Relief to Recovery

The Canada Green Building Council (CaGBC) is a national, non-profit organization dedicated to green building. Our market research and analysis, certification programs, and capacity-building efforts have accelerated the transformation to high-performing green buildings, homes, and communities throughout Canada.

Following an unprecedented global health crisis, Canada is preparing for an economic recovery. Like the 2008 recession, the country is expected to turn to its economic pillars, including construction and infrastructure projects, to re-ignite the economy and create urgently needed jobs.

While the circumstances are extraordinary, this remains the critical decade for climate action. Decisions governments make today must help Canada achieve its climate goals. The economic recovery could be the tipping point needed to transition toward a sustainable and low-carbon economy. Economic recovery and climate action must go hand-in-hand. Without targeted action on climate change today, future generations will be subject to significant environmental, economic and social disruptions.

As Canada transitions to a low-carbon future, construction will be at the forefront. It represents over 7 per cent of Canada's GDP and almost 30 per cent of Canada's greenhouse gas (GHG) emissions when building operations, construction, and materials are included.

CaGBC recognizes that the federal government must balance Canadian businesses' needs with a recovery that advances the low-carbon economy. Investing in low-carbon construction and infrastructure can accomplish both while enabling the Government of Canada to meet its climate goal of reducing emissions to 30 per cent below 2005 levels by 2030.

### Building a Low Carbon Economy

The construction and infrastructure sector can play an important role in Canada's economic recovery, by stimulating the economy and getting people back to work. At the same time, it can reduce emissions, improve Canadians' health, and drive innovation in the building sector.

CaGBC documented that over 460,000 Canadians worked in green building in 2018. Also, in 2018 green building activity contributed approximately \$48 billion towards Canada's GDP – an increase of 50 per cent in just four years.

With the Government of Canada [investing in a recovery strategy targeting green building and adopting progressive policies](#), we can expect that by 2030:

- The building industry's contribution to climate targets will have been met with an annual reduction in 2030 of 53 Mt CO<sub>2</sub>e;
- The green building sector will contribute \$149.9 Billion in direct annual GDP; and
- There will be 1,470,032 direct jobs in green building in Canada.

These gains are impressive both for the economy and for Canada's climate commitments. To advance these outcomes, CaGBC recommends that the federal government prioritize investments in green buildings – both public and private – in the following ways:

## Recommendations

### 1. Workforce Development

Canada needs to grow the number of skilled workers and expand existing professional expertise to meet

the demands of the low-carbon building industry. A highly-trained workforce is critical to delivering low-carbon new construction and deep energy retrofits at scale. The federal government should play an important role in reskilling and upskilling Canada's construction workforce by:

- Allocating up to \$1000/employee or \$500 million to enable access existing low-carbon training programs through existing providers such as the CaGBC, CIET, Efficiency Canada, Eco Canada, Passive House Canada, post-secondary institutions, professional associations, and trade unions; and
- Investing a further \$1 billion for workforce development and training to grow Canada's low-carbon workforce. This investment includes developing new approaches to low-carbon skills training, such as micro-credentialing or creating a pathway to achieve a "green seal"<sup>1</sup> designation, delivered through provincial and territorial governments.

## 2. Retrofit Economy

Retrofitting existing building stock to become energy-efficient and low-carbon will be essential if Canada is to meet its emission targets. Yet, despite aging infrastructure and economically viable projects, renovations are not happening at the depth or scale necessary. Barriers to these projects include the perceived high level of risk in energy efficiency investments and limited lending products to support deeper emission reductions. The federal government should:

- Allocate \$50 million to stimulate the development of shovel-worthy projects through 0 per cent financing of energy audits (e.g., ASHRAE Level 2 and 3);
- Allocate \$10 billion through the Canada Infrastructure Bank towards a first-loss loan reserve allowing qualified lenders to recover 80 per cent of the principal and accrued interest on loans supporting deep retrofit projects in the event of default;
- Require an independent and transparent third-party assessment for retrofits such as the Investor Confidence Project<sup>2</sup> to ensure that projects achieve stated energy efficiency or carbon reduction targets. This approach provides a foundation for bundling projects, a prerequisite for scaling investment, by defining a roadmap from retrofit project design to reliable investment opportunity;
- Support the bundling of retrofit project investments into non-investment grade green bonds through a "warehousing" model<sup>3</sup>. Because they are not secured by credit, have them insured by an institution like the Canadian Housing and Mortgage Corporation (CHMC); and
- Leverage the government's procurement power by requiring all federally-owned or federally-funded provincial and municipal retrofit projects to accelerate capital improvement plans that prioritize emission reductions.

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<sup>1</sup> An industry-led "green seal" would incorporate relevant green building skills and create a common reference point for employers, facilitating transferability of skills between projects. It would be an additional certification outside of the apprenticeship system; but it be accessible to journey people and other construction workers.

<sup>2</sup> The Investor Confidence Project assembles existing standards and best practices into a consistent process for underwriting, developing, and evaluating retrofit projects. It defines a clear roadmap from retrofit project design to reliable investment opportunity, signaling to investors that a project has completed the necessary due diligence to help reduce transaction costs and increase the reliability of savings.

<sup>3</sup> Jurisdictions or organizations act as project administrators underwriting part of the risks of investing in efficiency projects, but do not necessarily invest in the project themselves, focusing on attracting outside capital to invest.

### 3. Zero-Carbon New Construction

Zero carbon buildings<sup>4</sup> offer economic and environmental benefits and are technically feasible to design, construct and operate. Zero carbon drives innovation, enhancing Canada's global competitiveness and supporting the domestic supply chain of services, materials and technologies with associated gains in skilled jobs. Despite a positive financial return over a [25-year life-cycle, there is still a capital cost premium of approximately 8 per cent for large buildings](#), limiting adoption. The federal government should:

- Require all federally-funded, owned, or leased new building projects and existing buildings to move towards zero carbon, along with any infrastructure funding for municipalities. Government leadership would de-risk zero carbon building for broader adoption and bring down capital cost premiums;
- Leverage the federal procurement process to require eligible firms to demonstrate low-carbon experience and bring down the cost of innovative technologies, products and services as the industry matures. Contract agreements should require project teams to demonstrate experience with high-performance and/or zero carbon building design and construction or create incentives for on-the-job zero carbon training; and
- The federal government should grant up to \$1 billion or 10 per cent of the development costs for 1,000 public and private sector buildings to build to low carbon. Funding should be scaled based on the emission reduction potential of the new construction design (at a graduated scale of 75%, 90%, or 100%) and with a portion granted for actual performance one-year after-occupancy. Projects that achieve zero carbon would be prioritized for investment and preferential funding.

## Conclusion: Ready, Set, Recover

Canada faces an unprecedented challenge – and an unprecedented opportunity. As a foundational sector of economic recovery, the construction industry can quickly be mobilized with shovel-worthy projects that will generate jobs, create healthy buildings and communities, and reduce carbon emissions that would result in the worst-case scenario for climate change.

Given the long lifespan of buildings and infrastructure, investments made today must be directed toward projects that will achieve measurable carbon emission reductions. The building sector can lead the way while creating skilled jobs, driving innovation, and growing the domestic supply chain.

The building sector is ready to move forward. Many zero carbon designs exist but are held back only by securing financing for the additional capital expenditures. Other shovel-ready energy-efficient projects currently approaching development could be incented to enhance their carbon targets. Across the country, thousands of energy efficiency audits have been conducted. They can offer a pipeline of retrofit projects, resulting in significant emission reductions and job creation as part of the economic recovery.

As Canada prepares for recovery, it will need to continue to prioritize health and safety for the construction industry, owners, and tenants. Green buildings offer significant occupant co-benefits, such as better ventilation, access to daylight and improved indoor air quality – [proven factors for enhanced health, well-being and productivity](#). Green buildings are also better positioned to prevent and reduce the threat from COVID-19.

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<sup>4</sup> A zero-carbon building is a highly energy efficient building that produces onsite, or procures, carbon-free renewable energy or high-quality carbon offsets to offset the annual carbon emissions associated with building materials and operations.

Investments in green building can be a key driver in the recovery from the current crisis, benefiting Canadians for years to come and pivoting Canada's economy toward a low-carbon future.

We would welcome the opportunity to present our proposal for a green recovery in the building sector directly to the Standing Committee on Finance as part of the national budget consultations.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Mueller', followed by a horizontal line.

Thomas Mueller  
President & CEO  
Canada Green Building Council