

Presentation to The House of Commons Standing Committee on Transport, Infrastructure and Communities

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Thank-you for the invitation. I am the Policy Director for Efficiency Canada, which is a research and advocacy organization based at Carleton University focused on creating an energy efficient economy.

Energy efficiency as infrastructure

I would like to start by inviting you to think about energy efficiency as infrastructure to move to a net-zero emissions economy.

We usually think about energy efficiency on a building-by-building basis and leave the financing and project management of retrofits up to a building owner

In a net-zero economy we are concerned with the large-scale, aggregate impacts of improving energy efficiency.

This includes GHG emissions from buildings directly, as well as freeing up our existing clean electricity resources to be used for further GHG reductions in areas like transportation and industry.

The need for a market creating mission

To reach the scale of energy retrofits required we need to create a functioning market for deep energy savings – where customers can access stable bills, comfort, and indoor air quality benefits that come with energy efficiency in the same way that they can pay for a cell phone plan or lease a car.

That convenience on the customer end exists because you have private investors ready to back particular business models and buy portfolios of smaller loans.

Today, private investors are not directing their capital towards substantial energy upgrades because we have not created the necessary market structures. Investors see high transaction costs for each retrofit project and do not have the data to accurately assess investment risk.

The Canada Infrastructure Bank (CIB) can take on a “market creating” mission, with a goal to direct capital into building retrofits as a new area for productive investment. Strategies could include:

- 1) Taking the lead on investments and producing data to demonstrate the potential to the private sector.
- 2) Aggregating individual retrofit projects into larger portfolios that can attract attention of investors.
- 3) Promoting standardized energy saving measurement and evaluation protocols to reduce transaction costs and enable trade.

The CIB growth plan announced at the end of 2020 includes building retrofits for the first time, with a focus on large-scale, non-residential buildings. This is the market most prepared to demonstrate the investment opportunity.

The residential retrofit gap

However, to reach our climate goals we also need to make energy efficiency services available in the places people live.

In the government’s currently announced or proposed policies, financing for homeowners is attached to the individual or perhaps a home itself.

Yet, other jurisdictions are exploring the aggregation of residential retrofits to achieve economies of scale, as well as different business models where homeowners can sign a contract that guarantees home comfort and a stable bill, with a third party handling the financing.

To see residential retrofits take-off, I think we need to develop these new market structures and business models.

This will require more than re-directing financial markets. It will require on-the-ground market development and innovations in areas such as manufacturing and logistics.

But, if we can develop market-ready residential retrofit solutions, the Canada Infrastructure Bank should be ready to provide long-term, patient finance.

Thus, the suggestion I would like to make to you today is that:

The Government of Canada initiate a residential building retrofit strategy that encourages new business models and economies of scale to create the conditions for Canada Infrastructure Bank investment.

This complementary policy would fill a gap and maximize the impact of the Canada Infrastructure Bank in the future and continue to see it deliver on a mission to create and re-shape markets so it is truly playing a valuable public policy role.