Executive Summary:

A ROADMAP FOR RETROFITS IN CANADA II:
Building Strong Market Infrastructure for the Retrofit Economy
EXECUTIVE SUMMARY

The Pan-Canadian Framework on Clean Growth and Climate Change aims to reduce greenhouse gas ("GHG") emissions by 30 percent over 2005 levels by 2030 – which is upwards of 89 megatonnes in GHG emissions. To achieve this target, Canada’s built environment is expected to be a significant contributor. While the construction of new, highly efficient green buildings will be an important pillar of the buildings sector’s contribution, CaGBC’s research demonstrates that national targets can only be reached by reducing the emissions of the millions of square feet of existing institutional, commercial, and residential buildings across the country. Yet, while green building approaches, practices, and technologies are being widely adopted for new buildings, there is an underinvestment in the retrofit of Canada’s existing building stock to drive energy and GHG reductions.

Correcting this underinvestment requires the development of a strong retrofit economy where the market takes the lead in transforming Canada’s built environment to help fight climate change and create new economic opportunities for Canadians.

A healthy retrofit economy aligns supply and demand for retrofits in response to public policy objectives and creates symbiotic relationships amongst an ecosystem of actors to identify, qualify, fund/finance, deliver, and manage retrofit projects.

This report sets out a series of comprehensive and specific actions for governments and, more importantly, for industry to build one of the world’s most robust and dynamic retrofit economies by 2030.

The environmental and economic stakes are high for Canada. Canada must step up its efforts to build its retrofit economy, otherwise it risks surrendering global environmental leadership and the new economic growth and international competitiveness associated with this leadership to other jurisdictions. Jurisdictions in the United States and Europe are working to bring industry, government, and non-governmental sectors together to forge the policy and market infrastructure needed to spur their own retrofit economies. While they are experimenting with new policies and new market-based solutions to build their economies, no one jurisdiction has found the definitive roadmap to put in place the requisite policy and market infrastructure. Canada has a chance to leap ahead, and to reap the environmental and international economic advantages that will come from having a retrofit economy with an ecosystem of market actors who deliver the best products and services to global markets.
This report is not just a roadmap; it is a call to action, especially to Canadian industry. To date, public calls to action have focused almost exclusively on governments to subsidize retrofit activity. However, Canada will not be able to subsidize its way to a low carbon economy; government action on its own is insufficient to build a retrofit economy that produces both environmental and economic results.

Much of the focus of retrofit economy thought-leaders has been on the financing barriers facing building owners and the need for governments to pump in more public capital to make up for a general market failure. However, plenty of private sector capital is available domestically and globally for real estate and infrastructure projects; investment capital just needs to be unlocked and tailored to retrofit projects. Furthermore, capital will only be unlocked when its custodians are confident of a robust retrofit marketplace that creates both investment and environmental value, underpinned by supportive public policy and an ecosystem of competent players to deliver retrofit projects.

Therefore, the question is: how can industry, governments, and non-governmental organizations create the fundamental policy and market infrastructure that will turn Canada into a retrofit economy leader and powerhouse?

Industry players, with support from non-governmental organizations, must stop waiting for governments to regulate their actions and realize the more than $30 billion economic opportunity presented by the retrofit economy. Private financiers, insurers, and other financial intermediaries must lead with “green” underwriting practices and provide project financing approaches for retrofit projects and risk management products that foster building owner and financier confidence in managing risk, particularly project performance risk. Similarly, building owners must proactively disclose building energy and carbon performance and share data on the performance of retrofit projects to inform the evolution of industry building solutions. In addition, industry stakeholders must develop consistent standards of practice that will deepen understanding of the business case for building retrofits, and support a strong pipeline of retrofit projects that are confidently financed and successfully delivered.

Governments at all levels must build market awareness of the value of the retrofit economy and continue to build the policy and regulatory infrastructure to support a well-functioning retrofit marketplace. Governments must use moral suasion, and lever institutions like the Canada Infrastructure Bank and the Green Ontario Fund, to encourage the private sector to adapt underwriting models and financing products for retrofit projects. Governments must also provide more incentives to industry for greater data transparency and data liquidity on building performance and successful retrofit projects, in order to drive market confidence and demand for energy-efficient and low-carbon buildings. The policy and regulatory infrastructure must: expand the eligibility of inter-governmental infrastructure funding to include energy efficiency and carbon reduction building retrofit projects; accelerate the modernization of building codes, and the creation of retrofit codes, that establish minimum energy and carbon performance thresholds; and, work with industry, education, and training providers to develop programs, curriculum, and credentials that will build the “green” labour market for the retrofit economy.

Through shared leadership, by 2030, industry and governments will have put in place the coherent public policy environment, access to responsive financing, industry competition and innovation, consistent standards of business practice, and the information transparency infrastructure necessary to make Canada a global example and leader in the retrofit economy.