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## **Opening Statement by Kevin Lee, CEO, Canadian Home Builders' Association to the Standing Senate Committee on Energy, the Environment and Natural Resources**

**October 3, 2017**

When it comes to climate change and greenhouse gas emissions, the housing sector is a Canadian success story. The residential sector is the only sector to meet original Kyoto Protocol reduction targets. From 1990 to 2014, GHG emissions in the housing sector were down 11%, despite the number of houses having grown by 38%.

As an association, CHBA has been a leader and champion of energy efficiency, leading development and adoption of Canada's world-leading R-2000 program, participating extensively in ENERGY STAR initiatives, supporting the first-ever energy requirements in the national building code, and advocating for more incentives like the very successful national energy retrofit program that addressed the real challenge in the housing sector—the older existing housing stock. Today, CHBA is leading on voluntary advanced energy efficiency through its Net Zero Energy Housing Council and its Net Zero Home labelling program.

It is important to note that this success in the housing sector did not come about through mandating energy efficiency in codes, but from ongoing innovation—thanks in large part to joint government and industry research and development. It also came from very successful retrofit programming for the existing housing stock, and voluntary improvement in new construction through programs like Energy Star.

Canada already has progressive codes and standards that result in excellent housing.

While CHBA supports efforts to go further to improve energy efficiency and address climate change, care must be taken to ensure that this doesn't come at the cost of reduced housing affordability. Canada is facing serious housing affordability challenges and it is important that regulation not result in the next generation of home buyers being locked out of the market.

It is time for federal priorities for housing and the environment to pursue a single simple but extremely important goal: let's build better houses for the same price or less.

If there is a need to address a given issue with the code, then it needs to be done in a way that doesn't increase costs. If there isn't such a means, then R&D and innovation is

needed to find a solution before regulating it. This is the time for real innovation—and Canada has the capacity to lead the way.

Given today's affordability challenge, this is a position that should be taken by the Federal Government at large and with respect to the National Building Code and all standards and regulations. And it should be supported by Federal R&D dollars, leveraged with those of the private sector.

For instance, the federal government has stated that it would like to see Net Zero Ready energy performance in building codes by 2030. While this level of performance is attainable today, it has a steep price tag – approximately \$27,000 on average per home based on recent research done by the Province of British Columbia; in colder climates, that cost will be even higher. This is fine for those who can afford that investment, but for many, that simply isn't the case.

We need to drive this cost down to the point where it does not impact affordability and lock even more people out of home ownership. We have about 12 years to figure out how—or less if the provinces implement these levels even faster, which is likely and a concern. Adopting such levels faster without cost effective solutions will be very problematic for those aspiring to join the ranks of the middle-class through homeownership. Our only chance for success is if Canada focuses R&D investment to yield the necessary cost savings, and code changes are implemented to respect cost considerations.

Which leads to the federal investment in housing R&D, which has been woefully lagging in recent years compared to investments in other industries which are much smaller components of the economy, and employ much less than the over one million jobs created by residential construction sector.

This type of federal investment is particularly important in housing because the industry is principally made up of small businesses; also, most innovation in construction is non-proprietary, so public sector investment in R&D is a very appropriate federal role.

Another key tool is voluntary programming. Initiatives like ENERGY STAR, R-2000 and CHBA's Net Zero Home Labelling Program enable homeowners to choose higher levels of performance on a voluntary basis, moving the market forward without damaging affordability in entry-level homes.

This approach supports innovation and provides market streamlining, ensuring that incremental costs are optimized and linked to homeowner benefits.

Providing leading-edge, voluntary programming is key to advancing energy efficiency and supporting innovation in housing while protecting choice and affordability. Regulation if necessary can follow, after costs have been reduced.

This is also an opportunity for Canadian innovation, economic development, and a return to international leadership. Through the 80s and 90s, Canada was a world leader in housing energy efficiency. The eroding of investment in joint R&D has seen this lead evaporate, but we have the wherewithal to return to that position with Canadian solutions.

Entertaining systems from outside Canada, such as energy rating systems from the US or labels from Europe, runs counter to the best interests of Canadian companies, the Canadian economy, and the leadership position that Canada has had and can regain. Too often foreign products, systems and labels claim to be better, but are not tested to Canadian standards. Nor should they serve as the basis for any form of regulation or government programming.

The government needs to focus on Canadian solutions (which exist), and build on them. Canada's excellent systems—such as the National Building Code, Canada's standards endorsed by the Standards Council of Canada, and NRCan's the EnerGuide Rating System and its other initiatives—should be the initiatives supported by the Federal Government.

Information and decision-support tools, including the EnerGuide Rating System, are also critical so homebuyers and homeowners can make smart investment decisions that drive energy efficiency in the most cost effective way. There is also need to invest substantially in HOT2000, NRCan's software tool that supports EnerGuide, so it can best support design decision-making and optimization by builders and renovators.

The EnerGuide Rating System provides home energy information through its label and reports to help increase energy literacy, and should be used by all regional programs and mandatory labelling regimes as Canada's single national home energy labelling system. It is the equivalent of nutrition labels on food products—we need one, strong, well supported national system, and that label needs to be mandatory on the resale of every home. But this system deserves the major government investment in it that it warrants, given the importance being place on improved energy efficiency in the built environment.

Finally, speaking of resales, with new housing energy efficiency 37% better than it was in 1990, and accounting for less than 2% of the total housing stock each year, it is also critical to recognize that that the real opportunity for reduced GHG Emissions in housing is through energy-efficient retrofits. Emphasis should be placed on energy efficient retrofits through policy measures like energy-efficiency tax credits that also combat the underground economy.

Every dollar invested in an existing home will yield four to seven times more GHG reductions than the same dollar investment in a new home. And the half of the housing

stock that was built before 1985 uses twice as much as the other half of the stock that has been built since then.

A permanent, refundable home renovation tax credit, using the EnerGuide Rating System, will most effectively address the government's climate change goals related to housing. And by requiring homeowners to get receipts to qualify, our research suggests reduced underground economy activity can make such a program cost neutral to government.

Canada's housing sector has an important role to play in helping to meet Canada's climate change goals. Much has already been accomplished, and much more can be done, but it must be done in a way that addresses the real issues and doesn't erode housing affordability. We have a uniquely Canadian history of industry/government collaboration in this area, and we need to build on this in the future.

Thank you.