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Opening Statement by Kevin Lee, CEO, Canadian Home Builders' Association to the House of Commons Standing Committee on Natural Resources

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For decades, CHBA and the home building industry, in collaboration with government research agencies, have continually innovated to improve the performance of homes on a voluntary basis.

In relation to energy efficiency, a new home built today requires less than half the energy of one built in the 1990s in terms of space heating and cooling needs. This is a direct result of the sort of collaboration we see as being so important going forward; collaboration that is focused, realistic, and evidence-driven.

In many cases, builders today go beyond code to achieve even greater energy efficiency through current voluntary programs like EnergyStar, R2000 and Net Zero. CHBA and our members have been leaders in all of these.

In parallel with these continuous improvements, building codes and standards have also evolved to reflect appropriate minimum levels of health, safety, and other performance criteria.

When raising standards, the national building code developers have always sought to balance improved performance with cost impacts and other considerations to ensure that measures required in code represent the most economical and effective way to attain a given minimum level of performance. This includes checking to ensure regulation is even the right tool to meet desired ends.

In today's ever-changing world, the code development process is under pressure as never before. Many "social good" proponents, with the best of intentions, seek to insert a wide range of new and expanded criteria into the building code, without consideration of the true costs involved, or the financial impacts on Canadians.

This onslaught of proposed code changes is taking place at a time when we already have a housing affordability crisis in our country. This has the potential to make the situation even worse.

From CHBA's perspective, the time has come to make sure that affordability is a core objective of every code, standard and regulation that affects housing. It is only through full and proper consideration of such cost impacts on Canadians that responsible code decisions can be made.

CHBA's position is that continually striving to build better homes, but for the same cost or less, is a responsible and appropriate goal, both economically, socially and environmentally. This includes homes that achieve higher levels of energy efficiency, including Net Zero Ready energy performance, targeted for regulation by 2030—a target right now without consideration of cost.

R&D to support building better homes for less is also the route to true innovation and international market leadership. A focus on affordability is the best way to stimulate innovation and development of new materials, products and processes that represent untapped economic opportunities for Canadian companies.

While this goal is possible, it won't happen in the absence of a very focused research and development partnership between our industry and government aimed at protecting affordability. And it won't happen based on a mandated regulation timeline, with artificial dates that completely disregard available technology and know-how, and most importantly cost.

Let me explain this.

CHBA's has examined, in detail, how a Net Zero Energy Ready standard in building codes would impact housing affordability. We have been able to do this because we are leading the country with our Net Zero Energy Home labelling program, bringing together the industry's leading builders, manufacturers, and minds to make these homes a reality. They are a great investment for those that can afford it, but for many, they are simply not yet affordable.

So what kind of dollars are we talking about?

- For a typical 2,100 sq. ft. single detached home, the additional cost to reach net zero ready averages just over $30,000 nationally. For a more modest 1,600 sq. ft. townhome, the cost increase is about $17,000, depending on the configuration of the unit.

In all cases, the substantial extra costs would require a higher downpayment, with the remaining costs ending up of course in homebuyers' mortgages.

Proponents tout that those higher mortgage payments would be completely offset by energy bill savings, but that is simply not true. The energy savings delivered by Net Zero Ready performance today would in fact on average only offset between about 20 and 30 percent of additional monthly mortgage costs .

Even in places like Nova Scotia, where energy is more expensive, energy savings would 'offset' only about half of the extra monthly costs for home owners; in Toronto, where the affordability crisis is severe but energy prices are low, the energy savings would offset just 12 percent of the added costs.

Some proponents, particularly in British Columbia, are even pushing to go further, suggesting using the European Passive House standard in code, saying it's not much more expensive. But the single detached home we analyzed, which would cost just over $30,000 more to meet Net Zero Ready, would cost over $90,000 more to meet the Passive House Standard.

What's worse, the additional energy saving would be minimal. On a 'simple payback' basis, the Passive House would take 165 years to pay off. Clearly that's a non-starter, but until we talk real numbers, we can't talk reality. It's not enough to say we'll just regulate something. We need real solutions.

At CHBA, we are leading in the Net Zero space because our leading builders want to and can provide this housing to discerning customers who wish to invest in their homes this way. Net Zero homes offer a hedge against energy price increases, comfort advantages, good indoor air quality and more. And at CHBA, we are working to continue to improve the technology and know how for Net Zero, and to drive down the price. Right now, Net Zero homes are a great investment for those who can afford it, but until the technology is affordable for all, they do not belong in regulation.

The difference between the costs and savings in these houses is what CHBA terms the 'Affordability Gap' – the additional capital cost over and above what energy savings will finance – costs that go directly into the monthly mortgage payments of new home buyers, or which make it more difficult for them to even qualify for a mortgage.

For many young Canadians, moving Net Zero Ready into code before the affordability gap is closed will simply lock them out of home ownership. Our estimate is that between 2.5 percent and 8 percent of first-time buyers would be locked out of affording a home, depending on where they lived in Canada by moving to this standard under these conditions. And building to the Passive House standard would knock up to 20 percent of buyers out of the market.

Bear in mind that this group of prospective first-time home buyers disproportionately consists of young Canadians, new Canadians and young families. These are the people already severely challenged by affordability and restrictive mortgage rules. Rushing Net Zero Ready into building codes before the 'affordability gap' is closed would simply make matters worse.

CHBA believes this negative outcome can, and must, be avoided for a host of good reasons.

We need to close the 'affordability gap' so that future energy efficiency requirements in building codes do not simply erect even higher barriers to those aspiring to join the ranks of the middle-class through homeownership.

Based on current federal policy, we have only about 12 years to figure out how to achieve this—or less if the provinces implement these levels even faster, which is possible and a real concern.

It is highly unlikely we will get there, on that timeline, with solutions Canadians can truly afford. But that does not mean we should not invest heavily to try to get there on a timeline that makes sense. We just need to ensure regulation doesn't come into effect before technologies exist.

We need to collaborate on research in housing technology. Given the pressures being put on the sector, Federal investment in housing R&D needs to be increased, and focused on affordability.

Such federal investment is critically 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.

Now, to this point, I have focused on new construction, since so many are focusing on "the building code" as the solution. However, as I mentioned when I started, newly built homes are already very efficient compared to the past, and will naturally continue to improve. We are an industry that is continually innovating. To be sure, when it comes to climate change and GHGs, it is the existing housing stock that holds the solution.

If we are truly going to address climate change in the housing sector, we must look at improving the energy efficiency of Canada's 14 million existing homes.

The Federal government needs to continue to support and make ubiquitous its EnerGuide Rating System. This system and its home assessments provide homeowners with an accurate picture of their home's energy performance, and where the most cost-effective improvements can be made. This label can also serve as the vehicle for federal tax credits, and as it has been in the past, and for all provincial and utility incentive programs. This can maximize efficiency and effectiveness, and keep homeowners on a continual path of energy improvements over time.

Every dollar invested in upgrading the energy performance of an existing home will yield four to seven times more GHG reductions than the same dollar invested in a new home.

And the housing stock that was built before 1985, which represents half of all Canadian homes today, currently uses twice as much energy as the stock that has been built since then.

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

And just as we need new technology for new construction, we need new technology for renovation. Retrofitting walls, for example, is very difficult and very expensive, and in some cases virtually impossible given today's technology. Investing in R&D to advance files like this is critical.

CHBA supports efforts to go further to improve energy efficiency and address climate change. But we believe strongly that care must be taken to ensure that this doesn't come at the cost of further reducing housing affordability.

Younger Canadians, new Canadians and young families working hard to achieve home ownership must not be locked out of the market as a result of ill-advised accelerated changes to building codes. The 'affordability gap' that currently exists with respect to high energy performance housing, like Net Zero Ready, must be closed before code changes are made.

Let me close my comments by stating that while this is a significant challenge, it is one our industry knows how to address. And we have the track record to prove it. We invite the federal government to join us in this effort by ensuring that its priorities for housing and the environment pursue a single, simple, but extremely important goal: let's build better houses for the same price or less, as we meet the ever evolving challenges of today's world.

Thank you.