

Written Submission for the Pre-Budget Consultations in Advance of the 2024 Federal Budget

August 4, 2023

© Efficiency Canada

c/o Carleton University

1125 Colonel By Drive

Ottawa, ON K1S 5B6 <https://www.efficiencycanada.org>

Facebook: facebook.com/EfficiencyCanada

LinkedIn: linkedin.com/company/efficiency-canada

Instagram: instagram.com/efficiencycanada

List of recommendations

Recommendation 1: That the Government provide funding in the amount of at least \$2 billion to improve energy efficiency and reduce energy costs for all low-to-moderate income Canadians.

Acting on affordability and climate through energy efficiency for low-income Canadians

Efficiency Canada is a research and advocacy organization housed within Carleton University's Sustainable Energy Research Center, acting as a national voice for an energy efficient economy.

Canadians continue to struggle with affordability while recognizing the urgent need to act on climate change. Improving energy efficiency is an obvious way to meet both objectives, yet federal policy currently offers no solution for most low-to-moderate income Canadians with the greatest energy affordability and housing quality challenges.

In this submission we will emphasize the **urgent need for the federal government to invest in improving energy efficiency for low-to-moderate income Canadians**. This would correct the injustice of systematically excluding low-to-moderate income homeowners and renters from federal energy efficiency policies. A strategically designed program should also alleviate inflationary pressures in the renovation sector by building skills and employment opportunities for Canadians from traditionally under-represented communities and strategically shaping the program's demands to smooth out boom-bust periods and provide predictability through bulk contracting and purchase of materials and equipment.

Recommendation details

That the Government provide funding in the amount of at least \$2 billion to expand the scale and scope of energy efficiency programs designed to reach low-to-moderate income Canadians, throughout the country.

Most low-to-moderate income Canadians are currently left out of federal energy efficiency policies. The draft paper on Canada's Green Building Strategy makes little to no mention of energy poverty or low-income energy efficiency, and "leaving no one behind" is missing from the plan's themes.¹

The federal Greener Homes Grant and Loan programs are not a good match for low-income Canadians who cannot pay the up-front costs required to access the incentives or take on additional debt burdens.

Federal programs currently support affordable housing upgrades², yet only 1 in 5 renters below Canada's "official poverty line³" live in a building subsidized by affordable housing providers. Canada's 2.2 million low-income renters (approximately 27.1% of all private market renters) in private market housing are left out and will be more vulnerable to extreme heat and cold events as well as unaffordable rents or bills.

In November 2022, the government announced \$250 million over 4 years to help Canadians with incomes under the Low-Income Measure to convert from oil to heat pumps, with no up-front costs for households (The Oil to Heat Pump Affordability Program). Removal of the up-front cost barrier is significant policy advancement, yet heating oil only makes up 10% of average low-income Canadian energy costs.⁴ Most low-income households heat with natural gas or electricity. The restriction to heat pumps also neglects building envelope (insulation and air sealing) upgrades needed to reduce bills regardless of heating source.

While the steps above demonstrate recognition of the up-front cost barriers for low-income Canadians and the role of energy efficiency in Canada's climate strategy, those struggling the most with affordability and impacts of climate change, such as extreme heat, are left behind.

The next budget presents an opportunity to show how climate change and affordability can work together. A budgetary commitment is urgently needed for this Parliament to provide an energy efficiency solution to Canadian doorsteps.

A federal low-to-moderate income energy efficiency initiative would receive broad public support. Polling by Abacus data indicates such a program would be even more popular than interest-free loans now offered under the Greener Home Loan Program. 72% of Canadians either "strongly support" or "support" government funding to expand

low-income energy efficiency, with strong support across rural and urban communities, owners and renters, regions, and income levels.⁵

Program design

The United States has had a national Weatherization Assistance Program since the 1970s, providing no-cost, turn-key upgrades to income qualified households. Canada can learn from and improve upon this example.⁶

An Efficiency Canada published report reviewed existing low-income energy efficiency programs in Canada administered by utilities, crown corporations, and provincial governments.⁷ The report found that existing programs in the market have delivery capabilities that the federal government need not build from scratch. Yet, no program supports energy retrofits comprehensively enough to make a meaningful impact on energy bills or to meet net-zero emission objectives. There are key gaps that the federal government can fill that relate directly to reducing costs of living and meeting net-zero emission goals. To make an additional contribution – that meets federal policy objectives - federal funds should focus on enhancing existing programs to achieve:

- 1) Deeper energy savings to cut bills.
- 2) Fuel switching to zero-carbon ready fuels to achieve net-zero emissions.
- 3) Removing non-energy barriers that prevent upgrades from happening (e.g., mould, asbestos).
- 4) Targeting the most energy-poor and hard to reach households, including rental properties.

Federal funds can encourage co-funding from existing programs if strategically designed to reduce costs in utility regulation cost-benefit calculations, while improving outreach and removing non-energy barriers that prevent participation.

Properties with low-income renters should be eligible for support, with a program designed to make the buildings where tenants live safer and more affordable, while pushing against market trends that result in the loss of affordable housing and evictions. By offering a significant portion of upgrades at no cost to the tenant or

landlord, program administrators have bargaining power to negotiate and sign an “affordability covenant” with landlords and tenants to maintain rental housing at affordable levels, share benefits, protect against eviction, and manage disputes. Early and consistent tenant engagement and clearly articulated tenant rights should be incorporated into the program.⁸

Strategically managing supply chain inflation

The federal budget can best confront affordability challenges by strategically using public dollars to help those most in need. Yet, federal policy is currently doing the opposite by supporting energy efficiency programs most likely to encourage upper income instead of lower income participation.

The unique administrative requirements for successful low-to-moderate income energy efficiency programs present opportunities to induce transformations in the renovation sector, alleviating supply cost driven inflation and increasing worker skills and participation.

First, best practice programs train and employ people from traditionally underrepresented populations to design, administer, and implement. This training and employment strategy facilitates program outreach and participation by building trust in target communities and breaking down language and cultural barriers, while increasing the amount of skilled tradespeople in a sector in need of new workers.

Second, successful programs manage retrofit work from start to finish, which provides the opportunity to aggregate and coordinate demand to match local supply conditions and provide long-term demand certainty. For example, program upgrades can be strategically timed to coincide with traditional lull periods during heating and cooling shoulder seasons. Bulk contracting can reduce costs and increase certainty so employers can recruit, train, and offer secure employment. Aggregating demands for materials and equipment puts downward pressure on costs. Experience from the US Weatherization Assistance Program suggests a low-income program delivers highly skilled workers to the general renovation market. Strategically coordinating demand can

induce the productivity enhancements and innovations required to reduce inflationary pressure in the renovation sectors over the medium to long term.

Budget

The federal government should dedicate enough funds to demonstrate a long-term commitment that will entice new people to enter the retrofit workforce, facilitate partner involvement, and build scale to attract local business development. The commitment must be large enough to encourage the re-alignment of existing programs to meet net-zero emission and energy poverty objectives, yet with administrative room for a reasonable ramp-up of existing program delivery capabilities.

Provincial level low-income energy efficiency programs spent \$105 million in 2021.⁹, which needs to expand significantly to make meaningful energy bill reductions and to reach all low-income households. The federal government committed \$2.6 billion over 7 years under the Canada Greener Homes grant program and earmarked \$2 billion for commercial buildings under the Canada Infrastructure Bank.

We suggest \$2 billion over 4 years to target the retrofit of 200,000 homes (including apartments and single-family dwellings).¹⁰ This budget amount would be similar to the sums already committed for upper income and commercial buildings. It would also enable expansion of the services offered via the existing federal Oil to Heat Pump Affordability Program to include building envelope and non-energy upgrades and to benefit most low-to-moderate income Canadians who heat with natural gas or electricity.¹¹ The budget amount assumes a realistic annual ramp-up of existing energy efficiency program capabilities towards retrofitting 4% of low-income homes by the fourth year.

**Brendan Haley, PhD**

Efficiency Canada Director of Policy Research

Adjunct Research Professor, Carleton University, School of Public Policy and
Administration

**For more information on low-income energy efficiency, see the following links to
Efficiency Canada and related publications:**

Abhilash Kantamneni & Brendan Haley 2022. Efficiency for All: A review of provincial/territorial low-income energy efficiency programs with lessons for federal policy. <https://www.energycanada.org/low-income-report/>

Brendan Haley & Abhilash Kantamneni 2023. Policy Brief: Energy Efficiency for Low-Income Tenants <https://www.energycanada.org/energy-efficiency-for-low-income-tenants/>

Abhilash Kantamneni & Brendan Haley 2023. Energy Efficiency in Rental Housing: Policy Mixes for Efficient, Affordable and Secure Housing. <https://www.energycanada.org/tenant-report/>

Polling: Canadians support low-income energy efficiency 2022 <https://www.energycanada.org/polling-canadians-support-low-income-energy-efficiency/>

Brendan Haley 2022, Budgeting for net-zero emissions in inflationary times. Policy Options, March 9, available at <https://policyoptions.irpp.org/magazines/march-2022/budgeting-for-net-zero-emissions-in-inflationary-times/>

Citations

- ¹ See <https://www.rncanengagenrcan.ca/en/content/industry-have-your-say>.
- ² The Federation of Canadian Municipalities Sustainable Affordable Housing program and the CMHC National Housing Co- Investment Fund, and the Greener Affordable Housing Program.
- ³ Based on the Market Based Measure, after tax.
- ⁴ 2019 Canadian average household spending on energy in lowest income quintile. Statistics Canada. Table 11-10-0223-01 Household spending by household income quintile, Canada, regions and provinces. DOI: <https://doi.org/10.25318/1110022301-eng>.
- ⁵ Polling: Canadians support low-income energy efficiency 2022
<https://www.energycanada.org/polling-canadians-support-low-income-energy-efficiency/>.
- ⁶ See Lessons from the US: Low-income energy efficiency programming. Webinar available at <https://www.youtube.com/watch?v=96Lqj-A5Gel>.
- ⁷ Kantamneni, Abhilash & Brendan Haley 2022. Efficiency for All: A review of provincial/territorial low-income energy efficiency programs with lessons for federal policy.
<https://www.energycanada.org/low-income-report/>.
- ⁸ For more information see Policy Brief: Energy Efficiency for Low-income tenants
<https://www.energycanada.org/energy-efficiency-for-low-income-tenants/> & Energy Efficiency in Rental Housing <https://www.energycanada.org/tenant-report/>.
- ⁹ James Gaede et al. 2022 Canadian Energy Efficiency Scorecard: Provinces and Territories.
<https://www.scorecard.energycanada.org/>.
- ¹⁰ Assuming C\$14,700 investment per household, on average, following the US Weatherization Assistance Program expansion benchmark proposed in S. 3769 and HR 7947 in 2022, with estimating funding contributions from utilities and other levels of government equal to \$940 M over 4 years due to strategic coordination with existing program administrators. The 200,000 home target includes individual apartment units as well as single-family dwellings.
- ¹¹ Assuming \$200 M is spent in Atlantic Canada region with higher use of heating fuel, and expanding funding to rest of Canada's low-income population on a pro-rated basis.