



Canadian
Home Builders'
Association

Date: June 27, 2002

Memo to: Provincial Council Presidents and Executive Officers

cc: National Board of Directors (remaining members)

From: Greg Christenson

Re: CHBA's Comments on Canada's Contribution to Addressing Climate Change

The round of workshops that I wrote to you about on May 27, 2002 have now been completed and I'd like to thank those of you who were able to attend and provided notes on the sessions. The attached paper, which has been submitted to the Climate Change Secretariat, reflects these comments and reaffirms CHBA's position in favour of voluntary, market-driven approaches.

We should expect a revised document from government in the Fall. Please remember that the provincial governments will have a major say in what strategy is finally selected. Your continuing efforts to win them to our view therefore remains critical. We hope that the attached note will be useful in preparing for these contacts. Please keep Don Johnston informed of developments.

Greg Christenson, CHBA President

Comments on Canada's Contribution to Addressing Climate Change

Over the past two decades, the residential construction industry has significantly increased the energy efficiency of Canadian housing and out-performed all other sectors in reducing green house gas emissions.

1. Options Analysis

The discussion paper, produced by the federal government and used as the focus for the recent series of stakeholder workshops, describes four options for meeting Canada's commitment under the Kyoto Accord. However, the report and the discussion at the workshops does little to enable a proper assessment of their relative impacts. The following observations pertain to discussion at the workshops:

- Only two of the options have been analytically modelled for their results and impacts
- Both are described as hypothetical, i.e., not tested for their real world implications
- The other two options have not been modelled and do not have even hypothetical results and impacts
- In other words, the implications of ratifying Kyoto are not clearly understood and the analysis so far is hypothetical
- The modelling that has been carried out does not reflect the way businesses make decisions and the way economic interactions occur in the real world
- The modelling does not address impacts for private sector investment, productivity and employment as economy is restructured from its current state of high energy consumption
- The assumptions used for modelling the future cannot be reconciled with reality. For example, assumptions about the price for carbon raises serious questions
- The danger of the modelling that has been done is that it "masks what is going to happen" (Disinvestment, Economic dislocation, Unemployment, Loss of Productivity, Loss of Competitiveness - work on competitiveness is only just beginning)
- The assumptions can be disputed and have no objective foundation. Change the assumptions and the results of the modelling change. This underlines the "hypothetical" nature of the modeling exercise.
 - The modelling work does not provide a basis for explaining and understanding the real world implications of choosing one policy approach rather than another
 - The modelling is helpful in exposing how little is known about the implications of the policy options in the real world
 - The modelling provides a reference point for stimulating discussion and debate, not anticipating real world outcomes
- The issue, therefore, is not just the choice of assumptions and the hypothetical nature of two options, but the absence of analysis of the potential "real world" results and the risks involved
- The modelling provides no assessment of risks/costs. There are many uncertainties and unknowns/these are not factored in

2. Industry's Position on Climate Change

- The home building industry recognizes the importance of realistic Canadian targets for reducing greenhouse gas emissions. The industry also recognizes that increased energy efficiency in Canadian homes can help meet these targets.
- However, additional regulations aimed at new homes are not needed **because energy efficiency improvements are happening already** as a result of normal market forces.
- Over the past two decades, the residential construction sector has achieved greater energy efficiency gains than any other sector of the economy. This has happened as a result of **voluntary, market-driven initiatives** like the R-2000 Program and as a result of consumer demand for more energy efficient and comfortable homes.
- Voluntary, market-driven approaches like R-2000 are best able to support **cost-effective** technological improvements and energy-efficiency gains. The building practices developed by the R-2000 Program are now used in virtually all new homes. The continuing trend of increasing energy efficiency in new homes proves this. (See Chart One)
- Imposing additional energy efficiency regulations on new homes would severely disrupt the current voluntary process that has proven to be so effective. **Why force additional regulations on a system that is already working well and achieving significant environmental improvements, year after year?**
- Regulating energy efficiency in new homes **will not reduce the total amount of energy used by Canadian homes**. More than three-quarters of all residential energy use is in homes built before 1985, where even modest improvements can actually cut total energy use and greenhouse gas emissions. Saving energy in these existing homes **would be far less expensive** than increasing energy efficiency in new homes that are already very efficient. (See Chart Two)
- Regulatory measures that focus on making new, already energy efficient homes marginally more efficient will not meet the “most results at the least cost” test.
- The CHBA believes the best course of action lies in continuing the current voluntary, market-driven approach **that has proven so effective**. Additional measures aimed at accelerating energy efficiency upgrades in existing homes also make sense and should be the focus of the Federal Government's climate change strategy for the residential sector.

3. The Need for a Market-driven Approach

In suggesting that successful voluntary, market-driven initiatives could be abandoned in favour of increased regulation, this paper fails to recognize a number of key facts:

- It fails to recognize the government’s long-standing commitment to voluntary, market-driven approaches to reducing greenhouse gas emissions in the residential housing sector.
- It similarly fails to recognize what has been achieved through this approach, as exemplified by the R-2000 Program—greater energy efficiency gains than those achieved in any other sector of Canada’s economy.
- The central role of the R-2000 Program in introducing technological improvements that subsequently diffuse throughout the industry is also overlooked.
- The paper also fails to acknowledge the industry’s role in “championing” the R-2000 Program and in working with NRCan to ensure its effective delivery.
- Finally, the paper fails to recognize that R-2000 is a significant Canadian “success story” that serves as a benchmark referenced by many other nations looking for ways to improve the environmental performance of their housing industries.

4. Proposed Measures for the Residential Sector

Measures to regulate the building industry include those for equipment, new housing and existing housing

- It was acknowledged in one of the workshops that no cost/benefit analyses had been done/and no modelling
- It was explained by an NRCan official that the building measures had been included because they were frequently mentioned by some stakeholders and had some support
- The NRCan official noted that they were not “recommendations” in the consultation paper
- The NRCan official also noted concern about “tract building”

When it was observed that voluntary, market-based measures are frequently mentioned as a more effective approach than regulations, the NRCan official agreed

- The NRCan official agreed that if modelling was carried out on option 2, it would include cost/benefit analyses of the two approaches

The extensive work of the Buildings Table is not properly reflected in the Discussion Paper.

