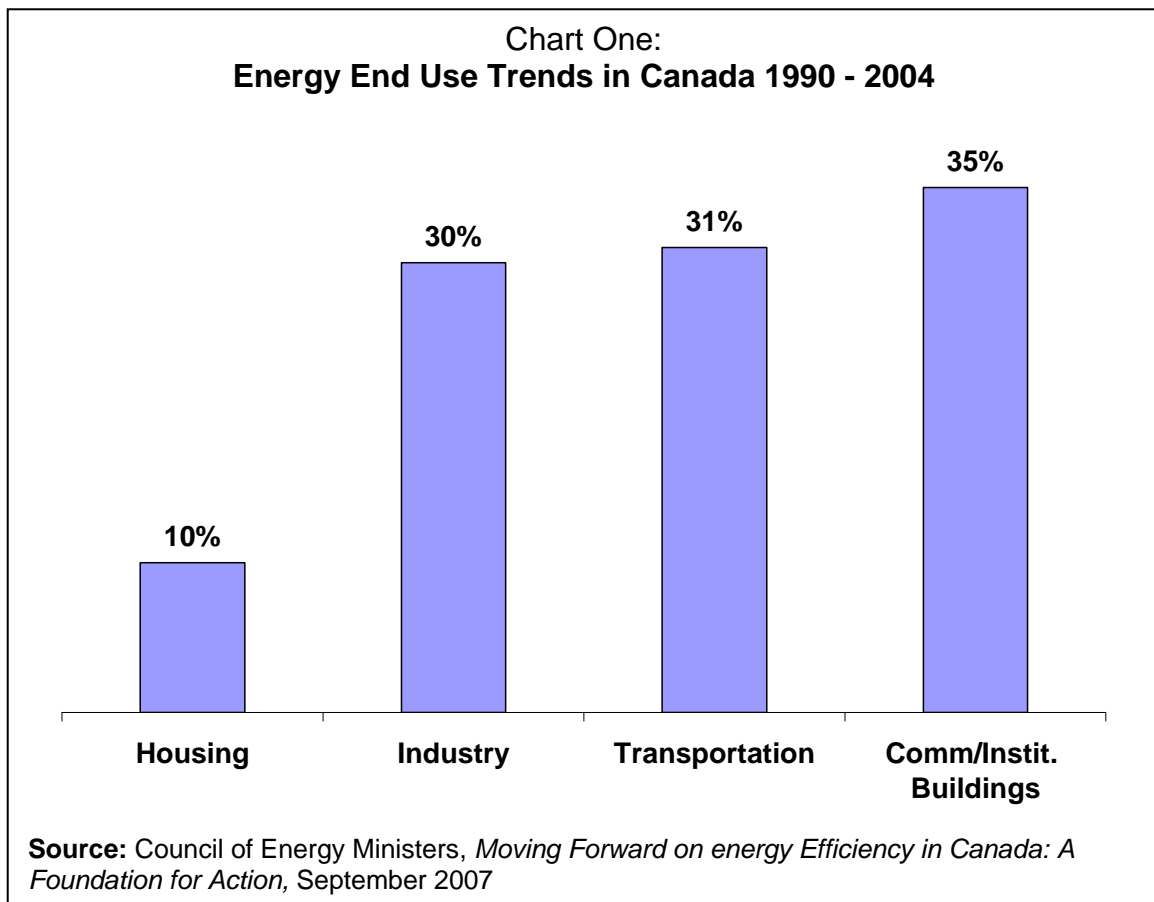


Where Does the Home Building Industry Sit Today?

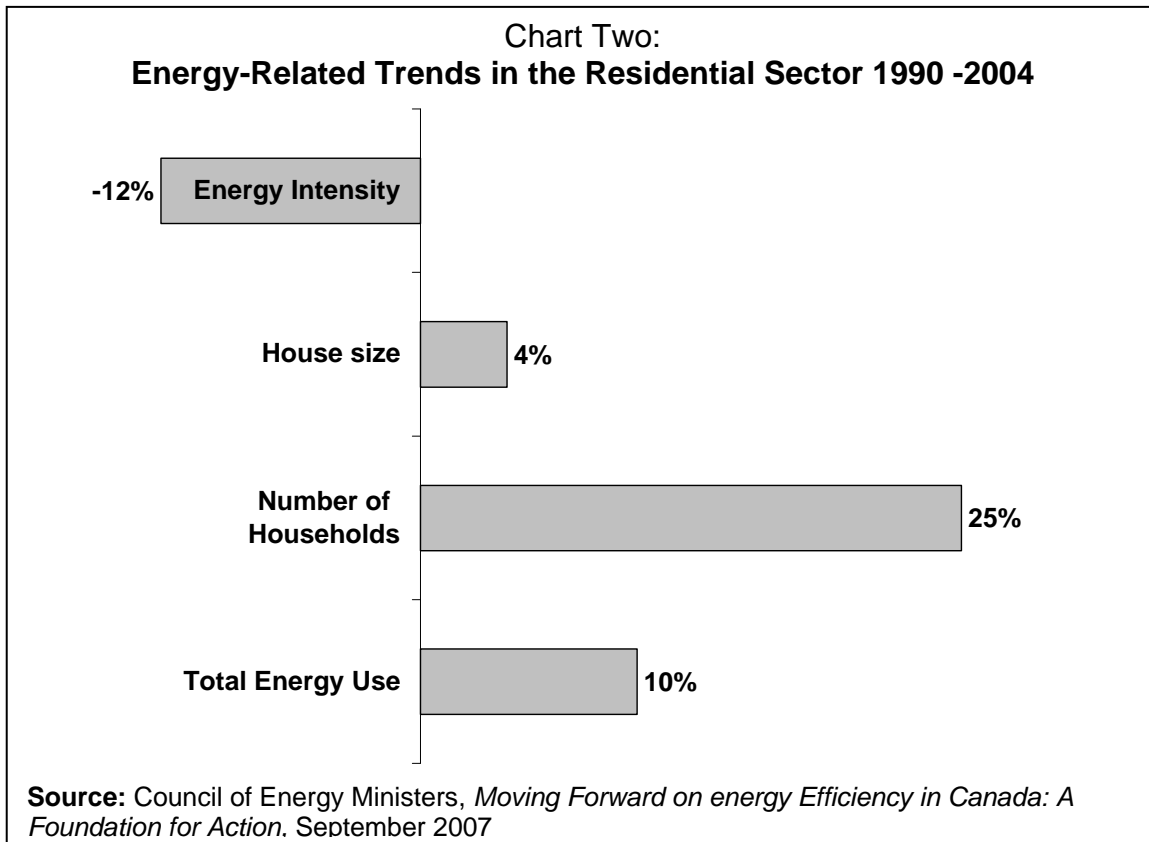
The industry has delivered impressive results since 1990 as shown in the following charts.

Chart One illustrates changes in the amount of energy used by major sectors of the Canadian economy between 1990 and 2004. The housing sector, which enjoyed robust growth during this period, had the lowest rate of end use energy growth. During the same period, Canada's population increased by 15% and our nation's GDP went up by 48%.



A more detailed examination of trends within the residential sector over this time period provides additional insight into some of the key trends involved.

As shown in Chart Two, while the total end-use energy demand by the sector went up by 10% during this period, the total number of households increased more than twice as fast, by a total of 25%. As well, the average size of a home went up by 4%. There was a corresponding decrease of 12% in the energy intensity of the sector, indicating a significant improvement in overall energy efficiency.

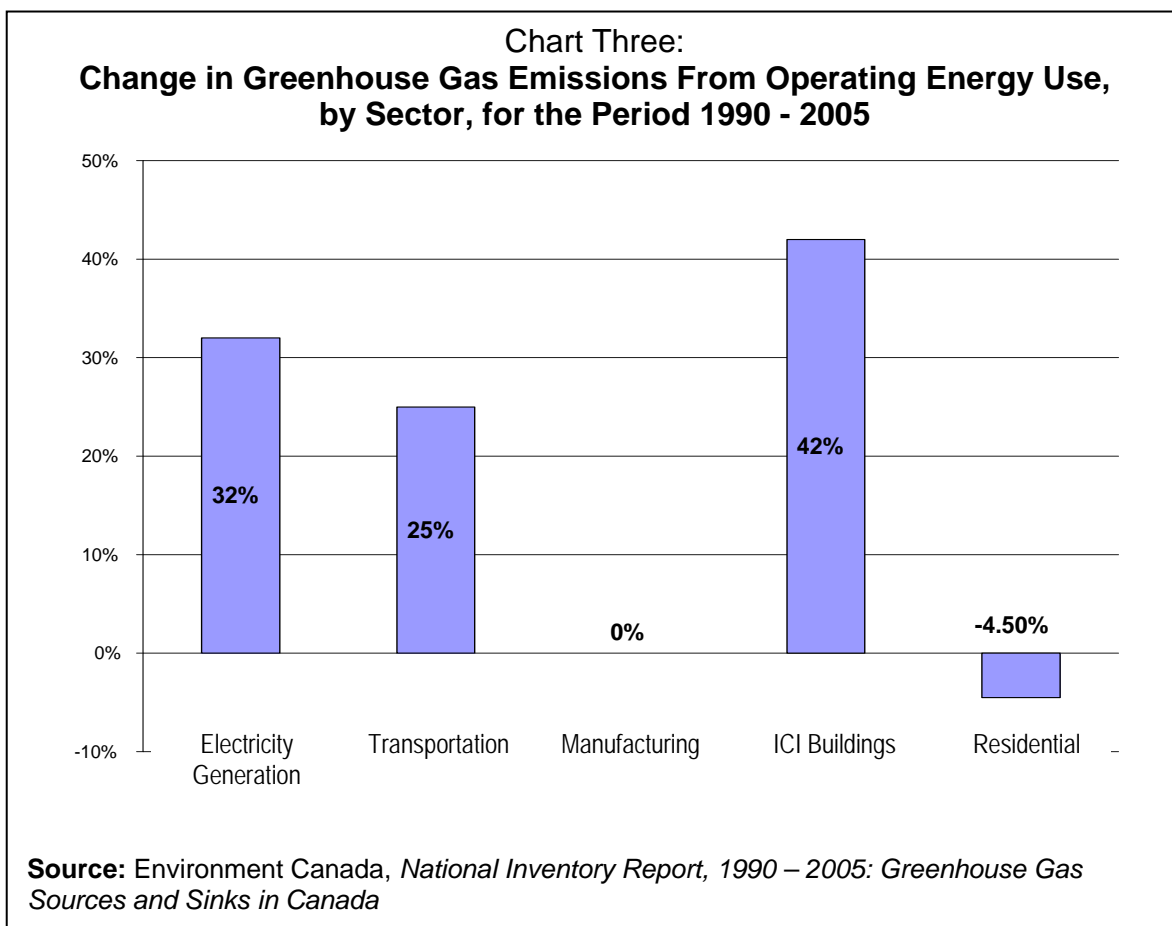


While beyond the scope of this paper, a detailed examination of changes in energy demand within homes shows that the energy efficiency of space and water heating, and of major appliances, has improved steadily over the period. These efficiency improvements have been largely offset by a significant increase in energy use for home electronic devices, and by the greater use of space cooling, particularly in central Canada.

The growth of energy use for space cooling is at least partially related to climatic changes, which have increased the number of cooling degree days in Ontario by some 20% between 1990 and 2004.

Energy use is a key metric in assessing the environmental performance of the residential sector, but it is also worth considering the sector's performance in terms of greenhouse gas emissions. While closely linked to energy efficiency, there are some significant differences between the two measures.

As shown in Chart Three, the housing sector is one of the few areas of the Canadian economy that is currently on-track to meet Canada's Kyoto commitment— a reduction of 6% below 1990 emission levels by 2008 – 2012. This achievement reflects both the increasing energy efficiency of new homes and equipment, and improvements in the efficiency of existing homes through upgrades and renovations.



Most significantly, this net reduction in emissions from operating energy use has been achieved while the number of dwelling units in Canada increased by 25% between 1990 and 2005. This illustrates how impressive the energy efficiency improvements achieved since 1990 have been—while adding over 2.5 million new homes, emissions from energy use in all homes fell by 4.5%.

This significant trend was also noted in the federal government's most recent report of Canada's sustainability indicators.

It is also important to consider the market context within which these energy efficiency gains were achieved. Through most of the period between 1990 and 2005 energy prices were historically low, sharply limiting the consumer's incentive to invest in efficiency.

This overall efficiency gain is tied to both improvements in building envelope construction and in the efficiency of equipment, such as furnaces and windows. It also reflects efforts by new home builders and renovators to actively sell the benefits of energy efficiency to consumers. Given low energy prices, direct savings from increased efficiency were a "tough sell" for builders until quite recently. This forced builders to focus their marketing efforts on other benefits related to energy efficient construction, such as improved indoor air quality, and increased comfort. The results achieved to date show that builders have been relatively successful in their efforts.

This represents voluntary, market-driven change in action, and shows that this approach can deliver impressive results.