



September 29, 2022

Natural Resources Canada
580 Booth Street,
Ottawa, ON
K1A 0E4

Re: consultation on the “Canada Green Building Strategy”.

We are writing to provide feedback on the government’s “Canada Green Building Strategy”. We do so on behalf of The Canadian Real Estate Association (CREA), and its membership of more than 155,000 REALTORS® in every community across the country.

REALTORS® have long advocated in support of drastically increasing the supply of housing, available to Canadians, across the entire housing continuum. REALTORS® believe that housing is not only a long-term asset that provides a safe, sustainable, and quality living environment for families, but it also helps improve their social, psychological, and cultural well-being. It helps create communities.

As this government acknowledged in Budget 2022, a range of initiatives are required to ensure Canadians can find a home they can afford to live and thrive in. From supports for the unhoused, to affordable rentals, to market housing, Canadians need more.

CREA’s advocacy has focused on initiatives that acknowledges the scale of the housing crisis, with a focus on leveraging the federal government’s convening power on a national scale through a National Housing Roundtable, and the use of federal infrastructure dollars to incent the creation of more housing supply. In our view, this is where significant progress can be made on behalf of Canadians.

However, we also understand that along with a housing crisis, Canada (along with the rest of the world) is also facing a climate crisis. In the housing sector, there is a need to reduce carbon footprint of residential housing to help Canada reach its 2030 and 2050 environmental emission goals. Therefore, recognizing the two ongoing crisis the government needs to design such policies and regulations that help improve energy efficiency and address climate change while ensuring that more affordable homes are created to meet the needs of all Canadians.



CREA continues to support government's efforts to address climate change. In 2016, CREA collaborated with Natural Resources Canada to develop *'A Homeowner's Guide to Energy Efficiency'*, an information publication aimed at providing buyers and sellers with useful material about energy efficiency upgrades they can make to their homes. Since 2021 CREA has supported government's Canada Greener Homes Grant and Deep Home Retrofit program and believes these supports are powerful tools to help homeowners upgrade the climate resiliency of their homes. Currently, CREA is developing a "Green" designation for REALTORS® which will allow REALTORS® to better assist their clients with home improvements that make their homes resilient to climate change and more energy efficient.

Moving forward CREA believes that the government needs to evaluate the effectiveness of potential green initiatives using a holistic lens so that any new polices/programs designed do not create barriers to housing supply and achieve their intended climate/ energy efficiency outcome. In this letter we would like to take the opportunity to caution the government particularly about potential, unintended consequences of 'making energy labelling mandatory at time of sale' as stated in "The Canadian Green Building Strategy". They are as follows:

- Barrier to housing supply
Mandatory energy labelling if introduced at 'the time of sale' could potentially act as a barrier to increasing housing supply. Any additional regulations applied at the time of listing a house for sale could frustrate the onboarding of resale housing supply as there is not an adequate supply of energy auditors to practically implement this idea. Currently some Canadian homeowners are waiting up to a year to obtain the EnerGuide evaluation needed to obtain a (voluntary) label. This delay will especially impact homeowners who find themselves in vulnerable situations, selling a home due to sickness, divorce, moving due to job loss. Furthermore, when faced with the cost of an audit or the cost of improvements that an audit may recommend, some homeowners may decide not to sell their homes; and for those who need to sell their homes quickly, mandated audits and disclosure requirements could delay transactions. All these factors could further reduce housing market supply.
- All real estate is local
Real estate transactions fall within provincial and territorial jurisdiction therefore we believe it is important that all governments work collaboratively to determine the design, policies and impact of any programs that may impact real estate. For example, the concept of mandatory energy labelling should be addressed with all stakeholders through discussions at a National Housing Roundtable to determine the best way forward and to ensure there is no overstepping of roles.
- Increased sprawl
Mandatory energy labelling could unintentionally encourage urban sprawl by promoting exurban homes over urban ones leading to an even higher carbon footprint. As newer homes are likely to be more energy efficient than older ones, a mandatory energy labelling rule could encourage Canadians to move away from walkable neighborhoods to suburbs. It is important to consider that while an



older home may have a low energy rating, their total GHG emissions may be lower as most occupants of these homes can walk, bike, or take public transit everywhere. New builds, on the other hand, are more energy efficient but their net GHG emissions are higher because most of these properties are in the suburbs, requiring homeowners from to drive to work, school, and get groceries. Therefore, when considering green initiatives, it is important the government considers holistic policies that help achieve reduced emissions both through homes and transportation.

Given the above-mentioned concerns, we believe the government should take them into consideration and proceed with caution. CREA does not recommend mandatory energy labelling at the time of sale and suggests the following to minimize unintended consequences should such a measure be enacted. They are as follows.

Recommendations

- 1. CREA recommends a cost-free, phased approach for EnerGuide labelling of homes before time of sale to enable consumers to make informed choices, while ensuring current and potential homeowners are not faced with further affordability and supply challenges.**

As noted above, mandatory time of sale energy labelling may have unintended consequences on Canada's housing supply. As such, a cost-free, phased approach for EnerGuide labelling would allow all Canadians, regardless of income bracket, to participate and identify the energy efficiency improvements that can be made to their home. Offsetting the cost of energy auditors would allow homeowners to invest that money in energy efficiency improvements.

- 2. To be successful, an energy labelling system must follow a clear set of design principles.**

CREA understands and supports the importance of enabling consumers to make informed decisions by promoting transparency. Energy efficiency data can help homebuyers easily compare properties or determine which retrofits or rebates might be worthwhile. To understand the situation better and determine what principles could help make this initiative a success, CREA commissioned a study from an independent think tank, Smart Prosperity Institute. By looking at examples from European Union and the United Kingdom, along with Ontario's cancelled Home Energy Rating and Disclosure (HER&D)¹ program for best practices (and pitfalls) they identified the following five design principles that must be met for a successful Energuide label initiative:

- 1. Accurate:** The Energuide audits and labels must accurately assess the home's energy efficiency and carbon footprint. Inaccurate or misleading labels will erode public confidence in energy efficiency labels. Therefore, onsite inspections should not be eliminated to save costs.

¹ Government of Ontario (2016)



2. **Actionable:** Providing an efficiency rating is insufficient; homeowners must be given information and recommendations on improving their homes' energy efficiency. It is the retrofits which drive energy efficiency improvements and emission reductions, not the labels themselves.
3. **Attainable:** Homeowners must be able to obtain an audit and label in a reasonable amount of time if it is a requirement to sell a home. Requiring Canadians to wait several months or a year to sell a home is unreasonable and would create a backlash among Canadians who would otherwise support energy efficiency initiatives. Therefore, the government should investigate a phased approach over the next few years to ensure all resources are set in place to handle the demand of audits before making it mandatory, so no homeowner is unfairly penalized.
4. **Affordable:** Currently, home energy audits can cost from \$300 to \$1,000. Well-designed programs can keep the out-of-pocket costs low or, preferably zero, to help seniors and other homeowners on a fixed income.
5. **All-Inclusive:** To provide homeowners with holistic details on their expected energy usage and greenhouse gas emissions, labels should also include expected energy usage and greenhouse gas emissions from transportation, as where a home is located is a critical factor in a family's energy use and GHG emissions from transportation.

The above-mentioned principles would generate high-quality audits and tailored recommendations but will naturally be labor intensive and therefore expensive. Policy makers might be tempted to cut costs but, international research from E.U shows that compromising on cost can damage both the accuracy of labels and their ability to drive energy efficiency renovations.

3. To ensure the accuracy of an energy label, CREA recommends energy labelling not be replaced by an automated, computerized system.

CREA does not recommend using AI alternatives to deliver energy labelling at a faster rate. The label generated by AI does not take an accurate measure of the renovation and changes homeowners might have made to their home. In addition, an AI system will not accurately measure heat distribution in a home like a blower door test will. The federal government needs to discourage this type of practice. For Canadians to comply and engage in energy retrofits, audits need to be done on site. According to the Buildings Performance Institute Europe, 12 of the EU countries and the UK who have adopted an energy labelling system that is solely based on quantity rather than quality, have found that the "cookie cutter" approaches they have taken have limited the effectiveness of an energy label in retrofitting and driving down emissions.²

² SPI, energy labelling (2022)



Conclusion

CREA appreciates the opportunity to participate in this consultation and would like to emphasize that if mandatory labelling is to be implemented, the government should ensure it is a robust system that drives real change, so the right outcomes are achieved. It should be easy for Canadians and not add complicated barriers to homeownership, purchasing or transfer. REALTORS® will always be committed to assisting Canadians in finding homes and look forward to discussing policy solutions.