

Recommendations from Clean Air Council Member Municipalities to EBR posting 012-9270 on the Draft regulation establishing the Ontario Climate Change Solutions Deployment Corporation under the Development Corporations Act

The Clean Air Council¹ (CAC) is a network of 28 municipalities and health units from across the Greater Toronto, Hamilton, and Southern Ontario Area. CAC members work collaboratively on the development and implementation of clean air and climate change mitigation and adaptation actions. More information on the Clean Air Council is available [here](#). The Clean Air Council is supportive of creating an arms-length provincial agency that would be responsible for supporting the implementation of Ontario's Climate Change Action Plan. The Organization's focus on gathering, sharing and implementing best practices from other jurisdictions, increasing deployment of energy efficiency opportunities and low-carbon technologies that will help households, including low-income households, and small and medium enterprises reduce their carbon footprints is well received. As was noted in the Regulation, the residential sector presents Ontario with enormous greenhouse gas reduction opportunities; but it is also important that the commercial (especially smaller to middle sized) sector also be a strong focus for the Organization.

The general principles that the Clean Air Council would like the **Ontario Climate Change Solutions Deployment Corporation** to adhere to in determining its role and actions include, but are not limited to:

- building on and leveraging existing programs and actions;
- partnering with other sectors (especially municipalities and their community partners) to advance successful programs;
- opportunities to reduce duplication and achieve efficiencies of scale;
- identification of program gaps and development of program offers to serve those gaps in partnership with stakeholders active in those sectors; and
- transparency associated with program development, delivery, evaluation and lessons learned that leads to continuous improvement.

In addition to those general principles, there are significant opportunities for the proposed Ontario Climate Change Solutions Deployment Corporation to support and scale up energy efficiency, energy generation, greenhouse gas emission reduction and climate change resilience opportunities within the residential, commercial and industrial sector. The Clean Air Council looks forward to working in partnership with the Organization to advance efforts to these sectors and as a preliminary start would like to provide the following recommendations for consideration by the Organization.

¹ Municipal staff representatives on the Clean Air Council (CAC) were consulted in the preparation of this submission to reflect the feedback of member municipalities but direct endorsement of this submission by municipal councils was not sought as many municipalities are preparing their own independent submissions. CAC representatives are the municipal change agents within leading climate action municipalities and have been working collaboratively across the region for the last 15 years to support and enable progress on clean air and climate change actions. The consultation undertaken were facilitated and are endorsed by the Clean Air Partnership, a charitable environmental organization that serves as the secretariat for the Clean Air Council.

One of the barriers associated with the above referenced energy efficiency retrofit opportunities relates to the up-front capital required to finance the actions that will lead to significant energy and greenhouse gas reduction savings and increased resilience over time. One opportunity for the Organization to address the upfront capital costs barrier and achieve more significant greenhouse gas reductions in a manner that would over the longer term enable public funds to leverage increased private capital; would be for the Organization to be used to support the use of Local Improvement Charges (LICs) at the municipal level.

The Organization's cap and trade funds can be provided to property owners and then attached to the property via a LIC and align the investment via a long term mechanism that would enable the longer term pay back needed to achieve deeper energy and greenhouse gas reductions. Below are some recommendations that Clean Air Council members would like to provide the Ministry of Environment and Climate Change for your consideration as you explore opportunities for the Organization to best enable the scaling up of deep energy efficiency and greenhouse gas reduction actions.

1. **Use the Organization to create a Loan Loss Reserve to back-stop municipal LICs in the unlikely case of default.** There is a very small, but still possible, financial risk to municipalities and/or financial entities providing mortgages for the property associated with the LIC mechanism being used to recoup capital cost repayments. This financial risk relates to the loan repayments between the time period a property goes into default to the time when that property and LIC is taken on by a new owner. To address this unlikely, but possible, financial risk, loan loss reserves are provided in California and Vermont. For example in California in June 2014 the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) enrolled eight PACE programs with a total of 56,137 residential PACE financings valued at about \$1.2 billion under the PACE Loss Reserve Program. As of August 2016, CAEATFA had not received any claims on the loss reserve. This provision of a Loan Loss Reserve fund would go a long way towards de-risking the LIC for the municipality and would be instrumental in increasing LIC offerings by municipalities. It would also address financial concerns on the part of financial institutions providing mortgages on LIC properties. It would also make securitized/bundled LIC loans appealing and secure investments from private financial institutions, thereby enabling public investments to be shared or transferred to the private sector, and provide a mechanism that would recapitalize the public financial funds available to be reinvested by the Organization. In addition this would send the message to municipalities that the Province wants to help and support municipalities to provide LICs for a variety of energy projects.
2. **The Organization should pool funds together to enable the LIC mechanism to be used not only for energy efficiency actions but also for audits, energy generation, fuel switching and climate change resilience actions.** Pooling the funds from cap and trade along with Infrastructure Ontario or other such funds would enable the advancement of actions that serve a number of policy and action priority goals. It would also likely increase municipal uptake and interest in using LICs to increase alignment between various provincial as well as local policy goals (for example policy goals related to the Climate Change Action Plans, Climate Change Adaptation

Plans, Long Term and Community Energy Plans, etc). Increased clarity on the possible menu of actions that would be eligible for the LIC mechanisms would also be of value and that the provision of LICs to the commercial sector would not be considered bonusing and therefore would not be inconsistent with Municipal Act provisions.

3. LICs are simply a finance tool. The need to increase energy literacy and build the market for energy efficiency and greenhouse gas reduction actions requires the advancement of **policies such as the Home Energy Labeling** requirement upon home sale listing and **Energy Disclosure** for large buildings. As was highlighted in the Climate Action Plan policies are also needed to address the challenge of the split incentive problem (where tenants can't make upgrades to reduce their energy use but landlords have no incentive to invest in energy efficiency as they do not face the financial costs of energy use). For example, increased requirements on the part of landlords to publicly report on energy costs of their rental units may be able to increase the market for energy efficient rental units. In addition, policies and programs need to be aimed at ensuring a trained energy efficiency service sector is there to provide high quality energy efficiency retrofit services. **The implementation of these policies will be a significant and necessary step in scaling up the market for energy efficiency and greenhouse gas reduction programs.**
4. **The Organization should create a one stop location/entity that would promote and market home energy retrofits (and other energy and resilience actions to the public) and provide support to customers to help them navigate programs available to them, the incentives, informing them of their options for how they chose to manage and undertake their retrofit.** This one stop shop would provide the best opportunity to achieve the benefit of efficiency of scale and be in a better position to identify and address (with partners and stakeholders) barriers to scaling up the uptake of eligible actions. The Organization could also serve to provide support to municipalities to increase their willingness and ability to attach the loans provided to the LIC (property tax bill) and therefore increase the use of LICs by municipalities by a diversity of populations and capacity. In addition, an LIC toolkit would also be of value to create a level playing field for all municipalities and thereby increase capacity and reduce barriers at the municipal level. In addition to the one-stop shop, the Organization should also work with leading municipalities and their community partners that would like to work with the Organization to support the demand and delivery of provincial programs to their community residents and businesses. This top-down and bottom-up approach has been more effective at bridging the gap between the retrofit opportunity and the uptake of that opportunity.
5. **There is a need to ensure transparency, accountability and checks and balances to find the right balance between opening up the market while still maintaining quality control.** NYSERDA (New York States energy efficiency and renewable agency) has contractor requirements for home energy retrofits in connection with a third-party qualifier, the Building Performance Institute. It ensures contractors who are registered to implement services and installs have business licenses, insurance and installers have been trained and passed certification. Another example includes organization such as Partners in Project Green, Green Saver, Windfall Ecology

Centre, EnviroCentre and E-Renovate for how they utilize member experiences and protocols with contractors to develop qualified vendor lists of reliable service providers. They leverage members as references and provide a list (multiple options) of service providers for clients to consider when evaluating their sustainability/energy efficiency projects and often include the contact information of references from their clients/members for the inquiring client to reach out to for a reference.

Another possibility for facilitating the balance between opening up the market to as many vendors as possible while still maintaining quality control is to increase the accountability and transparency of vendors via a rating web site where only clients that have hired that contractor can provide feedback on vendors (and possibly vice versa as well). Those providing reviews would be limited to individuals participating in the program as well as qualified vendors; but the viewing of the feedback would be accessible to all viewers. This would ensure broad level transparency while retaining accountability by review submitters and eliminate fly-by-night technologies and service providers and highlight good contractors that have been successful with clients.

6. Any increase in incentives would likely increase the uptake but it is important to thoughtfully develop incentives to ensure that they encourage deep retrofits and the largest opportunities for greenhouse gas emission reductions (e.x. measures that focus on the building envelope) to the greatest extent possible (and reduce the possibility of free ridership as well). Those measures that focus on deep energy retrofits and building envelope will also be the measures that will improve the business case for fuel switching from natural gas to electricity for heating requirements.

For clarification on any of the above or for more information on the Clean Air Council please feel free to contact me below.

Sincerely,

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