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*The Heating, Refrigeration
and Air Conditioning
Institute of Canada*

Economic Recovery through Efficient Investments in the Built Environment

A Written Submission for Consideration for the 2021 Federal Budget

August 2020

HRAI Recommends:

1. That the federal government introduce a national incentive program for building owners, managers and businesses to invest in industrial, commercial and institutional (ICI) retrofits of heating, ventilation and air-conditioning systems to reduce greenhouse gas emissions while improving air quality and comfort.
2. That the federal government explore the potential of delivering an incentive program to encourage investments in household energy savings and carbon emission reductions through new heating and cooling equipment.
3. That the federal government immediately implement the Canada Apprenticeship Service, outlined in the mandate letter of the Honourable Carla Qualtrough, to bring more skilled trades people to the Heating, Ventilation, Air-conditioning and Refrigeration (HVACR) sector.
4. That the federal government invest in a workforce training and adjustment fund to assist industries in retraining and re-deploying their personnel to meet the challenges of the new economy.

BACKGROUND

Over the coming years, Canada will recover from the most significant decline in economic activity since the Great Depression. Though short-lived, the affects of the early stages of the pandemic will linger in the economy and will almost certainly affect small and medium-sized enterprises for years to come. The Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI) believes the federal government should act decisively to ensure recovery efforts help Canadians by supporting legacy improvements in homes and workplaces that reduce greenhouse gas (GHG) emissions produced by the built environment.

The federal government should also focus on ensuring workplaces that have had to adapt to the COVID-19 pandemic are adequately supported in efforts to keep their employees safe while on the job. In a world affected by COVID-19, there is a new interest from Canadians in healthy indoor environments and the HVACR industry has the technology and know-how to create and maintain healthy, sustainable conditions through proper treatment of air (via ventilation, filtration, humidity control and air cleaning).

Ensuring businesses that are open can remain fully functional and adequately resourced is vital to preserving economic activity, and turning a corner quickly when the pandemic finally subsides. This includes HVACR sector businesses that will be an important source of employment when addressing indoor health concerns while simultaneously deploying new technologies to combat GHGs in all settings in the built environment.

In May 2020 it was found that over 67% of businesses in the HVACR sector had seen a reduction of over 30% in year over year revenues from the beginning of the pandemic. Over one quarter had realized reductions over 60%. As in other sectors, many businesses were forced to lay off staff, but HRAI quickly pivoted to provide training opportunities in partnership with the federal government to upskill workers during these challenging times. New projects, particularly retrofits for existing building stock will help get Canadians back to work and fuel the economic recovery.

ABOUT HRAI

The Heating, Refrigeration and Air-conditioning Institute of Canada (HRAI) is the national voice of contractors, manufacturers and distributors of products used in the heating, ventilation, air-conditioning and refrigeration (HVAC-R) industry, which employs nearly 50,000 Canadians while contributing over \$12 billion to the economy each year. Our members are playing an increasingly important role in realizing the aims of governments to address the climate emergency.

Establishing a national retrofit incentive program for industrial, commercial and institutional buildings

In advance of the anticipated 2020 budget, the Heating, Refrigeration and Air-conditioning Institute of Canada (HRAI) put forward recommendations aimed at ensuring environmental outcomes are matched to the best economic opportunities for Canadian families and businesses. We continue to support that objective. Recovering from the economic slowdown caused by the COVID-19 pandemic will take investments in multiple sectors. Lower energy costs and better performance of heating and cooling systems will benefit businesses in nearly all sectors. At the same time, workers will benefit from greater comfort, productivity and health in workplaces that are better ventilated and have more efficient heating and cooling systems.

Driving down costs for business owners and institutions is an important part of the economic recovery. It is one of the most compelling reasons to invest in our sector and in the performance of Canada's built environment. Improved performance will also help Canada reach our national climate goals.

Canada's built environment contributes 17% of our total GHG emissions, or the equivalent of 111 million tonnes of greenhouse gases per year.

One of the most significant barriers to investments in new equipment and more efficient systems are education and costs. Simply put, it is harder to sell an upgraded, more energy efficient heating or cooling product, or ventilation system to business customers when a less expensive but less efficient alternative is available. HRAI has repeatedly made this case to committees and the challenge to move businesses from fossil fuels like natural gas to low carbon technologies persists.

Industrial, commercial and institutional (ICI) property owners would benefit from significant cost savings over the long-term if they could be incentivized to overcome the higher up-front costs of more efficient systems.

Readying the marketplace is critical, and our members are prepared to deliver significant facilities improvements. We are asking the federal government to support making investments that will help them overcome these up-front barriers for the benefit of workers, residents, families and the environment. The returns to businesses would be significant over the long-term while creating jobs and reducing emissions in the short-term.

HRAI recommends:

That the federal government invest in a national incentive program for building owners, managers and businesses to invest in industrial, commercial and institutional retrofits of heating, ventilation and air-conditioning systems to reduce GHG emissions from Canada's built environment.

Development of a household incentive program to encourage adoption of new technologies for heating and cooling in Canada's residential building stock

Homeowners in Canada face similar market barriers to ICI owners when it comes to choosing greener household heating and cooling technologies. Managing cost is the primary motivator for homeowners making decisions about where to do maintenance and what amenities should be upgraded. New building projects that meet very high building certification programs like LEED help improve the performance of the buildings of tomorrow, but their potential impact pales in comparison to the benefits that would be realized from encouraging major improvements to the efficiency and carbon output of existing structures.

Over 75% of the buildings that will be standing in Canada in 2030 are already built. Older homes are more expensive for owners to maintain, but they also provide the biggest opportunity for efficiency improvements.

The government has acknowledged the importance of upgrades and retrofits for households by announcing its intention to give interest-free loans to homeowners to make their homes more energy efficient. Bringing forward a program like this in the next budget will no doubt spur growth in the HVACR sector, but it is important to ensure all homeowners have the opportunity to benefit from it.

HRAI is concerned that this approach will only benefit homeowners who are willing to take on debt to make upgrades to their homes. The goal of policy should be to encourage positive behaviours; interest free debt might be an effective tool where access to low-cost financing is a concern but in general it is unlikely to unlock the kind of new investment that will be needed. HRAI applauds the government's intent to stimulate household upgrades, but we recommend strongly that funds be directed to more impactful measures such as tax credits.

The government's proposed approach will disproportionately benefit households that have higher incomes and, unless a progressive system based on income can be applied, the government should instead opt for another approach. This concern is amplified by the COVID-19 pandemic, which has caused many people to lose their jobs and still others to realize lower employment. We advise the government to implement a program so that as many Canadians as possible can take advantage of it.

HRAI recommends:

That the federal government explore the potential of delivering a household incentive program (e.g. a tax incentive) for investments in household energy savings through new heating and cooling equipment.

Investing in connections between apprentices and employers for better transitions into the labour force

In the 1980s, the average age of a construction worker was 36. The average age now is 57. Canada will need 167,000 new apprentices over the next five years to meet demand as projects continue to ramp up and more tradespeople retire. This demographic crunch is vitally important to address if the government hopes to reach its infrastructure targets over the years to come. Bringing forward infrastructure investments rapidly should be a significant part of the economic recovery, but can only be successful with an available and trained workforce.

Canada's unemployment rate is beginning to edge back down from the highs experienced during the COVID-19 pandemic. However, many sectors will never return to what they once were. In other cases, the recovery of employment will be protracted as demand for services and goods slowly comes back. Education and training initiatives provide an important solution to the scarring effects in the labour force. This is especially valuable given that youth, women and low-wage workers have seen slower rebounds; all should be encouraged to pursue careers in the skilled trades which offer stable, well-paying employment over the decades ahead.

The federal government has indicated an intention to launch the Canadian Apprenticeship Service. The stated aim is to provide Red Seal apprentices with sufficient work experience opportunities to finish training on-time and provide well-paying jobs. Providing employers with funding to train and transition apprentices is an important opportunity to add capacity to sectors anticipating a major workforce transition.

These initiatives need to start delivering new participants to the skilled trades now in order to be effective. Adding a new apprentice or recently-minted journeyman to a project or team does not adequately replace a retiring tradesperson with decades of experience. We must ensure overlap to ensure the transition of knowledge from one generation to the next.

In this context, Canada will need every tradesperson to be more adaptable. Businesses will have to adjust quickly as new technologies are approved, codes are updated, and consumer demands change. By preparing proactively to quickly re-skill or up-skill workers who already have a common foundation of training Canada will be more competitive and more productive. During the pandemic, HRAI has quickly delivered educational modules for best practices in ventilation and healthy air circulation in buildings. Providing employers with funding to offer workers an opportunity to access new knowledge would be an effective investment that ensures businesses are confidently promoting the newest, most efficient technologies, acting as a proxy for government promotion of the cleanest equipment.

HRAI Recommends:

- a. That the federal government immediately implement the Canada Apprenticeship Service, outlined in the mandate letter of the Honourable Carla Qualtrough, to bring more skilled trades people to the Heating, Ventilation, Air-conditioning and Refrigeration (HVACR) sector.**
- b. That the federal government invest in a workforce training and adjustment fund to assist industries in retraining and re-deploying their personnel to meet the challenges of the new economy.**