Fast FACTS
CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA
there is an alternative.

October 15, 2015

A Real Energy Strategy Can Create Jobs and Save Government Money

The energy strategy debate thus far in the federal election has focussed on the future of the oil sands and pipeline politics. The Federal Tories have trumpeted the economic benefits of oil sands development but the benefits are paltry compared to a comprehensive energy and water retrofit program focussed on low income Canadians.

The vast majority of Canada's low-income families live in older houses, with inadequate insulation in attics, walls and basements. These homes also are higher than average water users due to outdated toilets, showerheads and absence of faucet aerators. While these houses may offer cheaper-than-average rent or require lower down payments than more efficient homes, their upkeep is costlier.

Research by Green Communities Canada (GCC), a national organization which supports community based NGO's doing environmental work, documents the level of "energy poverty". The average "energy burden" – the percentage of household income spent on utilities – of the highest income quintile is only 2%, compared to 7.3% for the lowest quintile. Furthermore, about one million households spend more than 10% of their income on energy costs. Alarming as this figure is, it is actually grossly understated because utilities are often included in rent. "In other words", says the CGC, "rising energy costs are often buried in rising rents, rather than showing up as increased energy burden."

Here is a three point strategy to retrofit 1 million homes in Canada that would create $5 billion in direct investment, save homeowners over $10 billion in energy bills over 20 years and create 78,000 direct jobs with much more indirect stimulus. [1]

1. Focus on renters: Renters have been excluded from energy efficiency programs to date because of what's called a "split incentive" – landlords own the building but don't have the incentive to retrofit because they don't pay the bills. A simple mechanism to trigger these savings would be to require landlords to meet minimum, reasonable, and achievable efficiency standards. Governments and utilities can offer up easy financing terms and expertise to ensure trouble free retrofits and the measures would only be required if there was a good economic payback. This strategy would see $2 billion in investment creating 30,000 person years of direct employment, and save 400,000 renters $200 million annually in utility bills. Landlords would have the added benefit of having their buildings upgraded (such as heating equipment) and not have to replace them at their own cost once life expectancy has been reached.

2.Focus on First Nations: More money is spent on energy costs on First Nations than is spent on housing. An average First Nation with 500 homes will

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have to allocate over $1 million a year to pay utility bills. Aki Energy, a non-profit First Nations social enterprise has retrofitted hundreds of homes in Manitoba with geothermal and solar thermal technologies. Each home sees their energy bills cut in half and local jobs created. A national strategy to retrofit 100,000 First Nation homes would generate $500 million in investment, save $50 million in annual utility bills and create 8,000 person years of First Nations employment.

3. Focus on low income homeowners: There are 1 million Canadian households that allocate 10 percent or more towards paying their energy costs. Retrofitting half of these homes would increase disposable income for the families that need it most – having the same impact as a $500 annual permanent subsidy. These 500,000 household retrofits would generate $2.5 billion in investment, 40,000 person years of direct employment, and $250 million annual reduction in utility bills.

The Canadian Centre for Policy Alternatives did an economic study on the economic impact of governments investing in low income energy efficiency and found a payback of $20 for every dollar invested making it one of the very best investments possible. Retrofits create jobs for home insulation companies, plumbers, and installers of efficient home heating equipment such as boilers, geothermal heat pumps and furnaces. Indirect employment would come by increasing jobs at manufacturers of the equipment and materials needed in the retrofit.

The Federal Conservatives announced that they would spend $1.5 billion a year on home renovation tax credit that largely excludes low income Canadians, renters and leaves on the table the benefits of permanently lowering household annual expenses through utility bill reductions. Also, the vast majority of the home renovations would have been done by homeowner's over time anyway.

This three point plan retrofit plan can be rolled out over five years and would cost just one-third of the Harper Government's plan and have more than 10 times the impact. [2]

Shaun Loney is a Social Enterprise Developer. He has development of a number of successful social enterprises including BUILD Inc., Manitoba Green Retrofit, the Winnipeg Social Enterprise Centre and Aki Energy.

[1] Assumes throughout an average retrofit costs $5,000 and generates $500 in annual utility bill reductions (water and energy). Also assumes $30,000 a year in wages.

[2] Federal government can split the retrofit costs 50/50 and offer landlords, low income homeowners, and tenants financing (attached to building not individuals) to pay the remaining over time. Financing can be arranged with utilities that can collect through bill reductions on utility bills. Bill reductions would far outweigh financing fees.

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