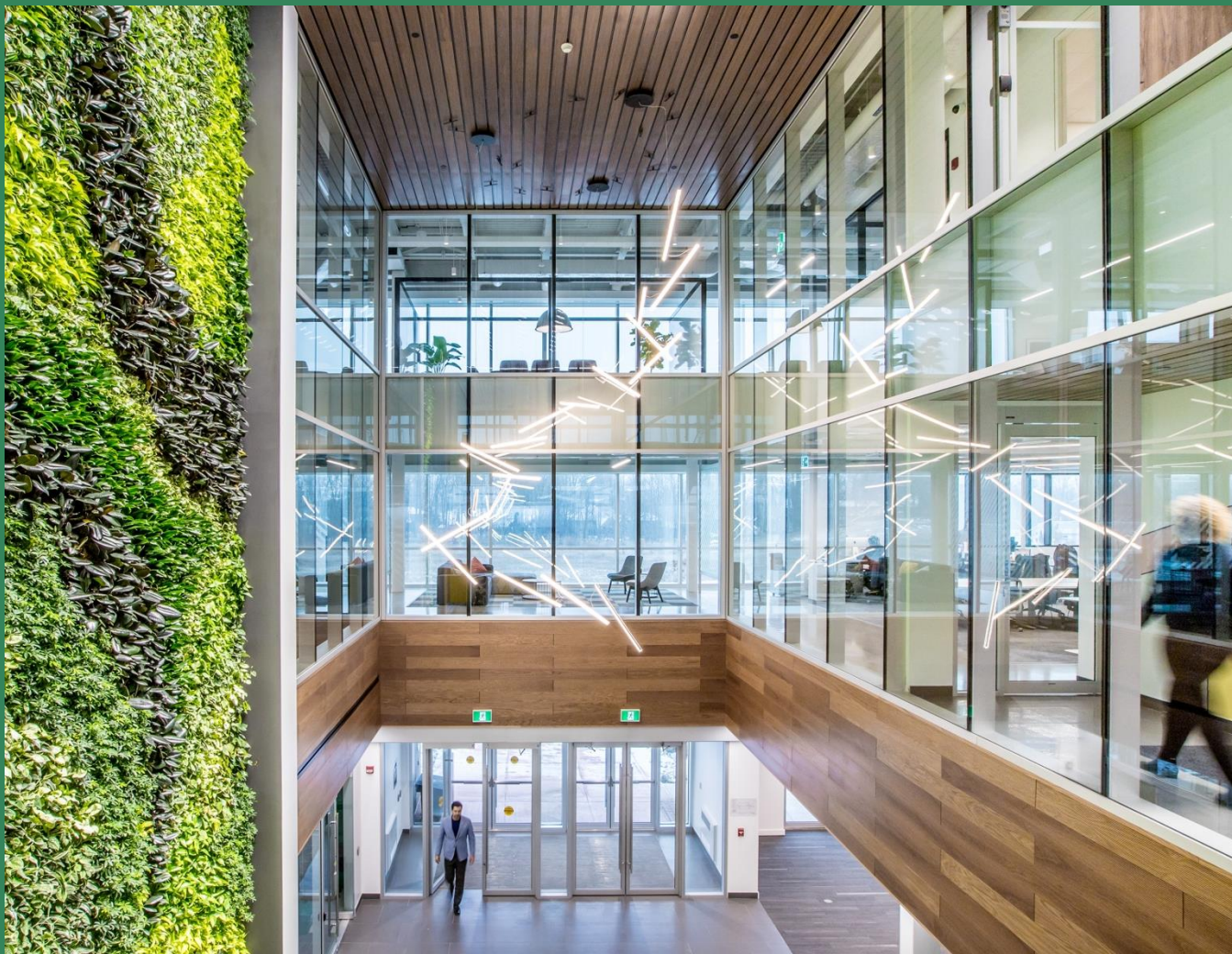


Submission to the prebudget consultation 2025

Finance Canada

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Summary of recommendations

1 To scale up affordable housing that is sustainable, the government should

Allocate at least two-thirds of Build Canada Homes (BCH) funding to energy-efficient and climate-resilient housing that lowers utility costs and withstands extreme weather. BCH should set clear, scalable objectives and practical sustainability requirements to ensure affordability and leverage public-private partnerships.

Recommended investment of \$16 billion over the Build Canada Homes mandate.

2 To strengthen trading ties and attract global capital, the government should

Finalize and implement voluntary, made-in-Canada sustainable investment guidelines for buildings by Fall 2026. These guidelines will provide a credible framework to prevent greenwashing, align building investments with Canada's climate and housing goals, and position Canada as a leader in sustainable finance.

Recommended investment of \$10 million over 2 years to Finance Canada.

3 To advance Canada's goal of becoming a clean energy superpower and strengthen real estate competitiveness, the government should

Ensure the continued operation of ENERGY STAR Portfolio Manager—Canada's primary building performance tool. With the U.S. program at risk, urgent investment will safeguard this platform, which drives energy efficiency, attracts investment, and delivers strong returns for taxpayers.

Recommended investment of \$100 million over 3 years to NRCan.

4 To lower government spending while boosting efficiency, the government should

Focus investments in federal buildings to achieve the Greening Government Strategy's objectives of protecting long-term asset value and reducing climate risk. This ensures taxpayer dollars are used wisely, preserves the worth of government real properties, and strengthens accountability through third-party certifications for owned and leased spaces.

Recommended investment of \$325 million over 5 years to PSPC.

Introduction

Canada's housing and building sectors are facing unprecedented pressures. The demand for affordable housing is rising sharply just as the sector must transition to low-carbon, climate-resilient construction. Meeting these dual challenges requires targeted federal investments that strengthen workforce capacity, mobilize private capital, ensure access to reliable building performance data, and demonstrate leadership through federal infrastructure.

Investment in sustainable, green buildings is a fiscally responsible use of taxpayer dollars. Evidence shows that high-performance buildings protect the long-term value of public assets, reduce utility and maintenance costs, and improve indoor air quality—creating healthier environments for occupants.

The four recommendations presented here build on existing federal priorities and commitments. They align with the government's efforts to futureproof the workforce, expand sustainable finance frameworks, safeguard data-driven efficiency tools, and deliver long-term value from public infrastructure investments. Together, they represent a fiscally responsible, forward-looking package of measures that will reduce costs, drive innovation, enhance accountability, and accelerate progress toward Canada's housing and climate objectives. To this end, the Canada Green Building Council (CAGBC) recommends four priority actions:

1 To scale up affordable housing that is sustainable

Integrating sustainability into affordable housing is both practical and essential to addressing Canada's housing crisis and climate commitments. By embedding clear and scalable sustainability objectives into Build Canada Homes (BCH), the federal government can deliver affordable, low-carbon, energy-efficient, and climate-resilient housing that meets Canadians' needs today and in the future.

Why this matters:

- **Maximizing Public Value:** Investing in energy-efficient, climate-resilient housing protects the long-term value of public assets. High-performance buildings retain or increase their value due to durability, lower operating costs, and future-ready design. In contrast, inefficient buildings depreciate faster and impose higher costs on taxpayers over time. Studies show that green-certified buildings can command up to 11% higher asset value and lower operating costs by 8–9% compared to conventional buildings.¹

¹ World Green Building Council, *The Business Case for Green Building*, <https://worldgbc.org/article/the-business-case-for-green-building-a-review-of-the-costs-and-benefits-for-developers-investors-and-occupants/>

- **Proven and Scalable Solutions:** Successful models already exist across Canada—from Vancouver to Ottawa—demonstrating that sustainable and affordable housing is achievable. CAGBC’s own report, *Two Million Green Homes*, presents multiple case studies that use cost-effective technologies to reduce emissions and achieve affordability objectives.²
- **Lower Lifetime Costs for Residents:** Energy-efficient housing reduces utility bills and maintenance costs, improving affordability over the building’s life cycle. Every dollar invested in energy efficiency yields an estimated \$2.50–\$5.50 in benefits, including energy savings, health improvements, and resilience to extreme weather.³ These benefits matter most for low- and middle-income Canadians, especially those in purpose-built rental or non-market units.
- **Unlocking Private Capital:** Clear sustainability requirements create certainty for investors and developers, enabling public-private partnerships that stretch taxpayer dollars further and accelerate housing delivery.

CAGBC recommends allocating at least \$16 billion over the mandate of Build Canada Homes to energy-efficient, climate-resilient housing that lowers utility costs, withstands extreme weather, and ensures affordability through clear sustainability requirements.

2 To strengthen trading ties and attract global capital

Since 2023, the Sustainable Finance Action Council (SFAC) has recommended the development of a green and transition taxonomy to improve capital allocation and reduce investment risk in Canada’s building sector. In October 2024, the federal government announced that it would develop Made-in-Canada Sustainable Investment Guidelines by Fall 2026, with buildings identified as a priority sector. CAGBC strongly supports this foundational step, which will provide clear definitions for green and transitioning assets, mobilize private investment, drive innovation, and enhance the competitiveness of Canadian real estate.

A sustainable finance framework will give investors and developers clarity on what qualifies as sustainable, ensuring financial flows are aligned with housing affordability and climate objectives. This is particularly critical as more global markets adopt taxonomy approaches, especially in Europe and Asia-Pacific. Without a credible, Canadian-made framework, investors may face uncertainty and Canada risks falling behind. By tailoring guidelines to Canadian conditions, the federal government can position real estate and finance sectors to act proactively and collaboratively while ensuring Canada remains competitive in attracting international capital.

International experience shows both the opportunity and the urgency. In 2025, Australia launched its *Sustainable Finance Taxonomy*, which classifies “green” and “transition” activities, with detailed building criteria based on emissions thresholds. This approach links investment eligibility directly to building performance, creating a clear pathway for sustainable construction and retrofits while boosting investor confidence and reducing greenwashing. The Australian case also illustrates the broader

² CAGBC, *Two Million Green Homes*, <https://www.cagbc.org/news-resources/research-and-reports/two-million-green-homes/>

³ International Energy Agency (IEA), *Energy Efficiency 2023 Report*, <https://www.iea.org/reports/energy-efficiency-2023>

sectoral context: decarbonizing buildings is essential for meeting Paris Agreement targets. Globally, building operations account for approximately 26 percent of energy-related CO₂ emissions, with construction adding another 11 percent through embodied carbon.

The main levers for decarbonization—removing reliance on fossil fuels, retrofitting existing stock, constructing high-performance new buildings, expanding onsite renewable energy, and phasing out synthetic refrigerants—require large-scale, long-term investment. A taxonomy framework provides the clarity needed to guide this investment, encourage energy efficiency and electrification, and overcome financial barriers. For Canada, adopting a similar approach is vital to enable market-driven solutions that accelerate the transition to net-zero, strengthen resilience, and unlock long-term economic value.

CAGBC recommends a \$10 million investment to finalize and implement voluntary, made-in-Canada sustainable investment guidelines for buildings by Fall 2026. This investment will provide a clear, credible framework that attracts capital, prevents greenwashing, and aligns building investments with Canada's climate and housing goals.

3 To advance Canada's goal of becoming a clean energy superpower and strengthen real estate competitiveness

ENERGY STAR Portfolio Manager® (ESPM) is the most widely used tool in Canada for benchmarking building energy performance and serves as the backbone for multiple provincial, territorial, and municipal energy efficiency programs. It offers a standardized national method for comparing building efficiency, enabling owners, tenants, and policymakers to track energy performance consistently. More than 330,000 commercial properties across North America use ESPM, representing more than 30 billion square feet of floorspace, including a large share of Canada's building stock. By maintaining and strengthening ESPM, Canada can ensure that building owners and governments continue to have access to reliable, comparable data to track progress toward net-zero goals.

However, recent reports from the United States indicate that the U.S. federal government may phase out the ENERGY STAR program before the start of its next fiscal year on October 1, 2025, which creates significant uncertainty.

Continued Canadian investment in ESPM is essential to safeguard benchmarking capacity and reduce risk to efficiency programs already tied to the tool. By investing in ESPM, Canada can insulate its energy efficiency framework from external shocks, ensure continuity for programs already dependent on the tool, and reinforce its leadership in transparent, data-driven climate policy. This will provide long-term stability for building performance benchmarking, support energy affordability, and strengthen market confidence in Canada's ability to deliver measurable results on its housing and climate commitments.

CAGBC recommends a \$100 million investment to support the continued operation of ENERGY STAR Portfolio Manager (ESPM), Canada's primary tool for benchmarking building energy performance. With reports that the U.S. federal government may phase out the ENERGY STAR program, urgent investment is needed to ensure continuity of this critical platform, which underpins multiple Canadian efficiency policies and programs.

4 To lower government spending while boosting efficiency

CAGBC encourages the Government of Canada to continue investing in the Greening Government Strategy as a fiscally responsible approach to public infrastructure. High-performance green buildings deliver measurable economic benefits, including lower operating costs, increased asset value, and improved occupant productivity and health. These outcomes represent a strong return on investment for public funds, contribute directly to long-term budgetary efficiency, and elevate the overall quality of federal buildings.

To ensure transparency and measurable progress toward both emissions reductions and enhanced building quality, the federal government should continue to pursue third-party certifications such as LEED® and Zero Carbon Building Standards™ for new construction, major retrofits, and leased spaces. These certifications provide credible, independent verification of building performance and align with global best practices. The [2022 report by the Office of the Auditor General](#) underscored the importance of independent verification, noting significant gaps in consistent and transparent reporting on greenhouse gas emissions from federal buildings. Third-party certifications help address these shortcomings by ensuring accountability, performance validation, and continuous improvement in building quality.

Continued federal leadership in green buildings also strengthens innovation, clean growth, and job creation across Canada's building sector. Certified green buildings deliver lower operating costs and improved resilience and provide healthier, more functional, and more productive spaces for employees and the public. By continuing to invest in the Greening Government Strategy and prioritizing independent certification, the Government of Canada can lead by example and demonstrate that sustainable building practices enhance both environmental performance and the overall quality of Canada's federal infrastructure portfolio.

CAGBC recommends a \$325 million investment to ensure the long-term value of federal buildings by reinforcing its leadership in sustainable building practices and accountability through third-party verifications and certifications for federal buildings and leased spaces.

Conclusion

In a fast-changing economic and policy landscape, Canada's building sector must evolve to become more affordable, competitive, and resilient. Achieving this requires bold, coordinated action on four interconnected fronts: embedding sustainability into affordable housing, setting national investment guidelines for sustainable buildings, improving access to whole-building energy data, and maintaining momentum on the federal government's own climate commitments.

By aligning workforce development with Canada's housing targets, the government can close skills gaps, retain talent, and ensure a diverse, future-ready workforce. By finalizing sustainable investment guidelines, Canada can mobilize capital, prevent greenwashing, and remain competitive internationally. By safeguarding ENERGY STAR Portfolio Manager, policymakers, investors, and owners can continue to rely on transparent, standardized benchmarking that reduces costs and improves accountability. And by reinforcing the Greening Government Strategy with third-party

certifications, the federal government can demonstrate fiscal responsibility, ensure long-term value from public infrastructure, and lead by example.

Together, these recommendations provide a clear, practical roadmap for transforming Canada's built environment. They support inclusive economic growth, attract investment, and ensure that public and private resources deliver durable value in the face of climate, affordability, and energy challenges. By acting now, the Department of Finance can help secure a more affordable, competitive, and climate-resilient Canada for decades to come.