

# Wrong Move at the Wrong Time

## Economic Impacts of the New Federal Building Energy Efficiency Mandates

by Ross McKittrick

As part of the 2030 emission reduction plan, the federal government is planning to decarbonize the building sector by enhancing the energy efficiency of new and existing buildings. In the Building Energy Efficiency (BEE) components of the *2030 Emissions Reduction Plan (ERP)*, the government has proposed new building codes with the goal of achieving a 65% reduction in energy consumption for new residential buildings and a 59% reduction for new commercial buildings by 2030, compared to 2019 levels. This report provides a quantitative economic evaluation of the economic consequences of these changes from 2020 to 2050 and makes use of a large, detailed macroeconomic model of the Canadian economy specially adapted to track the effects of the policy.

While the BEE requirements are initially minor, they quickly ramp up in the middle of this decade and will increase home construction costs by an average of about 8.3% by 2030, potentially adding an estimated \$55,000 to the average cost of new homes in Canada. The costs vary by province, ranging from a low of \$22,144 in New Brunswick up to \$78,093 in British Columbia. These requirements are expected to impose annual direct and indirect economic costs that sum to over \$1,700 per worker beginning in the post-2026 period.

National GDP will initially decline to about 2% below the base case and maintain much of that gap through 2050. The GDP loss against the base case as of 2030 ranges from a low of 0.9% in Prince Edward Island to highs of 2.6% in British Columbia and 2.5% in Ontario. Nevertheless, the effects on GHG emissions are small (a reduction of about 1% below the base case) and on a per-unit basis cost about 50 times the carbon-tax value as of 2030. As a result of the large loss of GDP relative to reductions

in GHG emissions, emissions intensity of the Canadian economy actually rises slightly due to the regulation.

Overall the proposed Building Energy Efficiency package is a very costly addition to the federal carbon tax. It will impose substantial costs while contributing relatively little to Canada's greenhouse gas reduction targets. Additionally the rules will affect mainly purchasers of new homes. Since older, higher-income households tend already to own their homes, the costs discussed in this study are likely to fall disproportionately on younger and lower-income people trying to enter the housing market.



*Wrong Move at the Wrong Time: Economic Impacts of the New Federal Building Energy Efficiency Mandates*

by Ross McKittrick

Click here to read  
the full report



