

Intelligence MEMOS



From: Benjamin Dachis
To: The Hon. Catherine McKenna, Minister of Environment and Climate Change Canada
Date: October 20, 2016
Re: **HOME ENERGY TAX CREDITS ARE NOT THE RIGHT WAY TO REDUCE EMISSIONS**

Your government has plans to re-introduce incentives for home-energy retrofits. If so, this will follow a [long line of policies](#) that have provided hundreds of millions of dollars to subsidize people and businesses in hopes that they will reduce activities that cause carbon dioxide emissions. These subsidies tally into the billions when biofuels are included. However, past evidence shows that these subsidy policies have done little to reduce emissions – and at great cost.

The previous government's ecoENERGY retrofit program provided grants to homeowners and commercial, institutional and industrial buildings to implement energy saving projects.

There are multiple reasons why energy-efficiency retrofits get very little bang for the buck. Studies of past similar programs found that around half the people who receive government retrofit grants would have done the retrofits regardless of government incentives. Governments pay for what homeowners would have done anyway.

The reason people retrofit their homes, independent of government subsidies, is to reduce their monthly heating bills. When homes become cheaper to heat, people tend to keep their houses warmer, offsetting some of the otherwise available emissions reductions. So, a retrofit program can have the countervailing effect of making people want to consume more energy than the initial savings from technical schematics of retrofits would suggest.

The Commissioner on the Environment and Sustainable Development estimated that, of the \$104-million spent on the nearly identical EnerGuide for Houses implemented by a previous government, only 35% of that went to efficiency grants with 25% spent on government administration and 40% spent on audits. The program cost around \$150 in federal subsidies per tonne of emissions offset. That's more than five times the cost of British Columbia's carbon tax.

What's different now is that the government is serious about carbon pricing. Because of a looming carbon price, businesses and people now have a bottom-line incentive to buy energy-efficient home and renovate. Any new federal subsidy program should only apply to instances in which people or businesses would not make the decision to invest in low-emissions technology. For example, businesses do not have enough incentive to invest into the basic research into low-emissions technology that only has benefits far in the future, and benefits their competitors. These are the kinds of subsidies Ottawa should provide limited support to.

Grants and credits to homeowners for energy efficiency retrofits have not been a cost-effective way to reduce emissions. There are better ways to encourage investment in low-emissions technology.

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