

Property Assessed Clean Energy Legislation

For: Honorable Adrian Dix
Minister of Energy and Climate Solutions

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Purpose

To provide the Minister of Energy and Climate Solutions with information on why B.C. should implement Property Assessed Clean Energy (PACE) legislation.

Background

- The CleanBC Roadmap to 2030 identified PACE as an action to decrease household energy bills and emission.¹
- The September 2020 BC Economic Recovery Plan included \$2 million for the province to support the development of a PACE financing tool and the November 2020 Mandate Letters to the Minister of Energy, Mines, and Low Carbon Innovation and the Minister of Municipal Affairs included direction to develop PACE financing.²
- Local governments de-risk PACE programs by using property tax collection to manage financing and secure loan repayments. Tying loans to property tax assessment reduces risks to lenders and investors while providing a reliable repayment structure.³
- B.C.'s retrofit industry – from equipment manufacturers and distributors to energy auditors and construction trades – need a long-term stable market supported by near-term subsidies through to durable financing mechanisms.
- To reach 2050 climate targets and ensure all Canadians have a climate-resilient home, the retrofit rate in BC will need to increase to close to 600,000 dwellings per year.⁴

Context

Changing incentive environment

The government fiscal environment has shifted significantly over the past five years, from using spending as a tool to spur economic growth to increasing austerity. Incentive rich environments

stimulate near-term market development and economic growth. In recent years, rebates for equipment and services – such as heat pumps and energy audits – have increased the number of energy and efficiency retrofits and equipment installations while building industry capacity and strengthening supply chains. As market capacity increases, market-based mechanisms – such as financing – are needed to provide B.C.’s retrofit sector with stability and continued market opportunity.

In the buildings sector, there has been an intentional change in retrofit rebate programs to focus government funding on lower income households and those experiencing energy affordability challenges. Increasing the amount of rebate available per household and changing eligibility requirements ensures that those who have greater challenges or are unable to access capital can undertake improvements that can decrease energy utility bills and increase the performance of the home.

As grant and rebate funds are reduced in availability and limited in scope, low-cost and zero-interest loans become increasingly important tools to ensure home energy and efficiency upgrades continue at the pace and scale needed to meet emissions reductions and resiliency targets and provide market stability for businesses. As fiscal environments shift, the availability of a broad range of financial support tools becomes increasingly important. Governments should be using all the tools in the toolbox to facilitate private sector investment in retrofits, through personal wealth and capital, commercial capital, financial institutions, the insurance sector, and the Canada Infrastructure Bank (CIB).

Expanding PACE programs for resilience

PACE programs are now being used to support homeowners making a broad range of improvements to their homes, beyond energy efficiency. For example, the Better Homes Ottawa Loan Program includes eligible upgrades for health and safety and climate adaptation with measures such as sump pumps, basement waterproofing, and tree planting for shade. With the increase in extreme heat events and air quality advisory days, home improvement actions have shifted to include adaptive measures such as active cooling and indoor air filtration and ventilation.

According to the Heating, Refrigeration, and Air Conditioning Institute (HRAI), residential air conditioning in Canada increased by 135% in the first quarter of 2021.⁵ Heat pumps are increasingly being marketed as a tool to efficiently heat and cool, without adding equipment and utility bill costs. The ability for homeowners and building owners to access financing for climate mitigation, energy efficiency, and climate adaptation upgrades is increasingly important as the impacts of climate change continue to result in negative health impacts, insurable and uninsurable losses to property, and overall declining well-being. In response to the tragic loss of

619 lives during the 2021 heat-dome, the BC Building code was amended in 2024 setting temperature limit of 26 degrees Celsius for a single living space.⁶ While this is a requirement for the construction of new buildings, it speaks to the critical need for building improvements in relation to public health and safety.

PACE programs in Canada

As of 2024, PACE-enabling legislation exists in Prince Edward Island, Nova Scotia, Ontario, Saskatchewan, Alberta, Northwest Territories and Yukon. In Manitoba, Newfoundland, and Labrador, on-bill financing through the provincial utilities support energy and efficiency upgrades. B.C. remains one of the only jurisdictions without legislation required to enable property or utility bill financing programs. Local governments across these provinces have been able to access the \$300 million Community Efficiency Financing (CEF) program administered by the FCM's Green Municipal Fund (GMF), funds that have not been available in B.C.

Select local governments in B.C. have taken the initiative to develop pilot programs, including the District of Saanich and the City of Nanaimo. However, without PACE legislation in place, each household that chooses to participate in the program must go through a property bylaw update and approval process, consuming significant staff time and resources. The few local governments in B.C. who have community utilities can establish on-bill financing programs through electricity utility bills. The City of Nelson established EcoSave in 2012, the first energy efficiency program of its kind in Canada.

Recommendations

Include PACE in Budget 2026

Following the review of CleanBC in the fall of 2025, implementing PACE legislation should be included in Budget 2026 as an action to ensure climate and housing resiliency targets are met and that the tools to bring in private capital and non-government investment are available.

Convene a task force on program design

Bring together a task force to learn from the experiences of local governments who have piloted PACE programs and provided on-bill financing, and utilities and financial institutions that offer home retrofit loans and financing.

¹ Province of B.C., *CleanBC Roadmap to 2030* (2021). https://www2.gov.bc.ca/assets/gov/environment/climate-change/action/cleanbc/cleanbc_roadmap_2030.pdf

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- ² Help Cities Lead, “HCL Briefing Note – PACE Financing.” <https://www.helpcitieslead.ca/contact/resources/>
- ³ Green Municipal Fund, *An Overview of PACE Legislation in Canada* (2024). <https://media.fcm.ca/documents/programs/gmf/gmf-PACE-report-en.pdf>
- ⁴ The Pembina Institute, *Summary: Canada’s Renovative Wave. A plan for jobs and climate* (2021). <https://www.pembina.org/reports/canadas-renovation-wave-summary.pdf>
- ⁵ Made in CA, “HVAC Statistics in Canada,” 2024. <https://madeinca.ca/hvac-statistics-canada/>
- ⁶ B.C. Government Buildings and Safety Branch, *Information Bulletin: Protection from Overheating in Dwelling Units* (2024). https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/construction-industry/building-codes-and-standards/bulletins/2024-code/b24-08_overheating.pdf