Decarbonization of Buildings in Canadian Cities: Using Property Assessed Clean Energy Financing to Attract Private Capital

By: Robert Stewart

Reducing emissions from buildings is key for major Canadian cities to tackle climate change. Funding building decarbonization through property assessed clean energy (PACE) financing allows property owners to access long-term financing for energy efficiency upgrades, secured through a lien on their property taxes. This paper argues that privately administered and financed programs can support the scaling up of PACE financing to bring significant private capital to decarbonization efforts while also reducing the public administrative burdens associated with program delivery in cities.

Recommendations for municipalities to deliver PACE financing:

- Institute GHG reduction commitments for buildings by establishing policies to mandate a decrease in emissions.
- Establish financing mechanisms for energy efficiency, such as PACE financing for both residential and commercial properties.
- Scale up PACE financing programs with quasi-private or fully private PACE administrators that can provide centralized, turnkey service delivery for greater efficiency.
- Consider mechanisms to reduce reliance on public capital through specialized financing vehicles for PACE financing projects and attract dedicated private capital to these endeavours.
- Use sustainability-linked debt, which would link emission levels with bond investment returns, to attract private capital to fund PACE programs and incent building decarbonization.

Read the full report: https://uoft.me/PACE