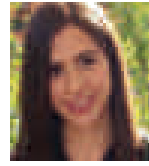
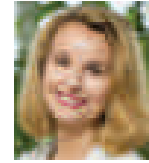


# Preparing for Climate Change





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# Adapting to a Changing Climate with Efficient, Resilient Buildings

With climate change increasing weather variability and associated risks, many people recognize the need to adapt to a new reality. More frequent and less predictable weather events make buildings vulnerable to damage and financial loss. Climate-related impacts can range from deteriorating indoor air quality to flood damage and increased risk of building collapse. More generally, common events like heat waves and droughts will also increase the demand for air conditioning and water, resulting in higher utility costs.

Climate risk and poor energy performance are prompting more condominium corporations and unit holders to protect against these liabilities. Energy efficiency upgrades reduce utility bills along with the greenhouse gas (GHG) emissions that contribute to climate change, while enhancing building resilience and property value. Performance contracting offers an innovative approach to pay for these

improvements with no upfront cost, as governments roll out policy and regulation to encourage climate resilience and energy conservation.

## **Insurance and Capital Access and Affordability**

As climate risks increase over time, vulnerable buildings will face the threat of reduced access to building insurance and higher costs due to more frequent claims.

According to Jason Thistlethwaite, an expert in extreme weather and insurance at the University of Waterloo, “As damage from weather increases, insurers are likely to increase rates to compensate for those additional costs. Scrutiny on qualifications for coverage to condominiums will be increased, and conditions are likely to be more restrictive.”

Thistlethwaite, an assistant professor at the School of Environment, Enterprise and Development, warns buildings that

fail to address climate risk may also face a cash crunch. “Sources of capital will be restricted and investment in commercial development is likely to be threatened as more investors do institutional risk analysis on buildings and structures. Investors will be less likely to invest in particular buildings and scrutiny will likely largely increase there.” Higher insurance rates with reduced access to capital would put significant pressure on reserve funds.

## **Risk and Financial Management**

Condominium boards are wondering how they can prepare for and manage climate risks. One area to consider is adding energy planning and resilience metrics in the scope of building condition assessments and reserve fund studies.

Boards can also take advantage of certain programs to protect against climate risk and improve building



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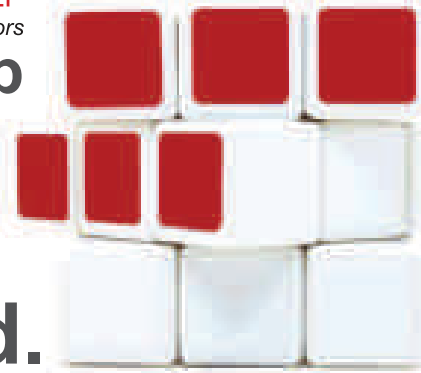


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performance without dipping into their reserve funds. Performance contracting is an innovative approach to financing comprehensive energy efficiency upgrades with no upfront cost. This leaves reserve fund capital available for other priorities. Originally piloted and launched by The Atmospheric Fund (TAF.ca), their Energy Savings Performance Agreement™ program has been successfully implemented in 40 buildings around Toronto.

### New Regulations and Policy to Address Climate Change

All three levels of government have a strong interest in improving building energy efficiency, starting with our national carbon-pricing framework. Ontario's Cap and Trade system is part of this framework, imposing a charge on the natural gas we use to heat our homes, since this is a key source of building emissions. The Ontario government has also proposed an amendment to the Ontario Building Code to include energy efficiency requirements during other renovations. If approved, when a condominium corporation applies for a permit to renovate, they would also have to meet minimum energy efficiency standards related to the renovation. If replacing a roof, for example, new insulation would have to be added unless insulation levels already met the standard.

The provincial government's new Energy and Water Reporting and Benchmarking (EWRB) regulation is both an information tool and an incentive to act. Starting next year, all multi-residential buildings over 100,000 square feet must publicly report on the previous year's consumption and benchmark against the performance of similar buildings. As of 2020, buildings over 50,000 square feet will also have to report. Benchmarking data helps identify opportunities to improve energy and water performance for utility savings, improved resilience, and to help high performing buildings stand out from the crowd. Greener buildings have been shown to command a higher market price in jurisdictions where benchmarking makes energy performance transparent.

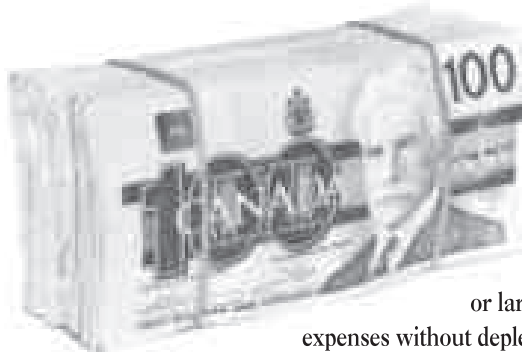
Municipalities are also keen to encourage climate resilience. The built environment is one of the largest sources of GHGs in Ontario and urban areas like Toronto can be responsible for almost

half of those harmful emissions. The third and most ambitious version of the Toronto Green Standard launches in May with a "resilience checklist". Many Ontario municipalities have programs designed to encourage energy and water efficiency and there is the prospect of penalties related to poor building performance in the future. New York City recently announced a cap on GHG emissions for existing buildings, with annual financial penalties that increase with building size and the degree to which emissions exceed the cap. ■

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