



**The Canadian
Institute of
Plumbing and
Heating
(CIPH)**

**Pre-budget Submission for the
2024 Federal Budget**

Presented to:

**The House of Commons
Standing Committee on
Finance**

August 4th, 2023

CIPH's Budget Recommendation:

That the federal government create three integrated regulatory and planning pathways to harmonize departmental and jurisdictional plans for the transition to net-zero and a low-carbon economy. The three streams should focus on:

- Training workers;
- Technological development; and
- Consumer awareness and adoption.

About CIPH

Founded in Montreal in 1933, the Canadian Institute of Plumbing and Heating (CIPH) is a not-for-profit trade association that is committed to providing members with the tools for success in today's competitive environment. More than 283 companies are members of this influential Canadian industry association. They are the manufacturers, wholesaler distributors, master distributors, manufacturers' agents, and allied companies who manufacture and distribute plumbing, heating, hydronic, industrial PVF, and waterworks, and other mechanical products. CIPH wholesalers operate more than 800 warehouses and showrooms across Canada. Total industry sales exceed \$10 billion annually and CIPH members have more than 20,000 employees from coast to coast.

Market Transformation Statement

CIPH supports market transformation towards a sustainable and effective lower carbon economy that allows consumers comfort and affordable choices while safeguarding health and safety. Our members' and industry's ability to provide practical and innovative solutions for present and future generations will assist Canadian governmental bodies in achieving climate change objectives, the conservation of our natural resources, and the preservation and the protection of our existing built environment.

Government and industry benefit when working together. Industry works best when:

- We are consulted early in developing policies, pilot and incentive programs, data gathering, standardization and regulation;
- Our collective strength is harnessed to create a collaborative and coordinated approach;
- We are given clear, manageable timelines, with appropriate commitment and advance notice;
- A necessary regulatory framework balances costs and measurable benefits using validated empirical data to support initiatives;
- We consider the entire building as a system; taking into account not only the heating and cooling technologies, but how they interact with all systems in the structure;
- We understand the full business/supply chain infrastructure; and
- Effective approaches are included for new and retrofit/replacement.

The Problem

In the coming years, Canada's plumbing and heating industries will face increasing regulatory and labour pressures as we continue our work to advance decarbonization and reach net-zero by 2050.

Canada's built environment includes almost 16.5 million buildings between homes and public and commercial buildings. The operation of these buildings is responsible for 18% of Canada's greenhouse gas (GHG) emissions. To meet the net-zero goals set by the federal government, product manufacturers, distributors, wholesalers, and trade contractors in our sector will need to successfully navigate a rapidly transforming market.

Nearly 80% of building emissions come from heating spaces and water. Adapting to systems that use cleaner fuels and run more efficiently requires a rapid increase in the efficiency of new builds, and a long-term strategy to perform deep retrofits on Canada's existing building stock.

Addressing the increase in emissions will create business opportunities for many companies in the mechanical, plumbing and heating sector. At the same time, these rapid changes have the potential to lead to confusion and regulatory bottlenecks that will slow adoption among Canadian households, businesses, institutions and builders. Our sector is requesting support to navigate this transition through the creation of three distinct but integrated regulatory and planning pathways to ensure a harmonized plan across departments and jurisdictions.

The federal government has made positive steps over the last several years towards supporting the plumbing and heating industries. *Canada's 2030 Emissions Reduction Plan*, the *National Adaptation Strategy*, the *Pan-Canadian Framework on Clean Growth and Climate Change*, and the introduction of *Bill C-50, the Canada Sustainable Jobs Act* have all helped set the path towards net-zero. Additionally, the federal government has created several supports aimed at providing resources to industry and organizations working within the sector, including the *Deep Retrofit Accelerator Initiative*, the *Codes Acceleration Fund*, additional funding within the Canada Infrastructure Bank's Green Priority area, and the *Sectoral Workforce Solutions Program*.

To meet Canada's climate goals, our industry must undergo dramatic regulatory updates, and will be expected to adapt quickly to uncharted territory. The upcoming release of the *Canada Green Building Strategy* is highly anticipated by the sector and will likely continue to bring us closer to a defined regulatory framework. However, if the strategy does not clearly define pathways our industry will be held back from doing its essential work to ensure a safe and sustainable future for all Canadians.

As the federal government works towards the goals outlined in its above-mentioned frameworks, the plumbing and heating industries continue to be actively involved and engaged with the federal government and other key stakeholders. This includes, but is

not limited to, Natural Resources Canada (NRCan), National Research Council of Canada (NRC), Treasury Board Secretariat (TBS), and Standards Council of Canada (SCC).

CIPH remains ready to work collaboratively with these parties and others to develop and implement regulations that will help us create new builds and retrofit existing buildings to meet our decarbonization and GHG emissions reduction goals. These relationships and dialogues must be undertaken consistently and fairly, with emphasis placed on information acquiring and sharing to determine what is needed and what is achievable not just for our industry, but for the consumer as well.

Our Solution

CIPH has organized and participated in several roundtable discussions with stakeholders across the sector, as well as civil servants from NRCan, NRC, TBS, and SCC. These conversations have highlighted that one of the key issues facing our sector is the lack of regulatory harmonization across jurisdictions. The transition to a net-zero economy requires a level of integrated collaboration across federal departments, across levels of government, and between industry and government.

This transition is being developed and implemented with assistance from numerous key players approaching the project from multiple angles. As such, there is a high likelihood of significant difficulties in terms of regulatory harmonization and technology implementation. Additionally, the sector is facing a significant labour shortage, which is only expected to worsen in the coming months and years due to forecasted retirements and growth in worker demand. To achieve our net-zero and climate resilience commitments, we need three distinct but integrated pathways that will address each of the three main avenues towards a climate resilient built environment: training, technology, and the consumer.

Regulatory Harmonization Pathways for Training, Technology, and Consumer Streams

Government and industry benefit when working together. In order to achieve the government's net-zero commitments, we need these three distinct but integrated pathways of training, technology, and the consumer. These pathways will allow us to address the three major issue areas slowing the transition to net-zero and will ensure that all levels of government and industry are operating with the same goals, the same tools, and with adequate labour supports.

Training

Like other industries, Canada's plumbing and heating sector faces acute labour shortages across the country. Shortages, coupled with rapid prioritization of - and shift towards - net-zero policies in the built environment, have led to a perfect storm of pressures across the industry. The economic impacts of these pressures are clearly indicated within survey data collected across CIPH membership:

- 62 per cent of respondents had lost contracts, been forced to turn them down, or had paid late delivery penalties due to a lack of skilled workers over the past year, generating an estimated \$13 billion in economic losses
- 43 percent of respondents had cancelled or deferred planned investments due to insufficient skilled labour
- Twice as many survey respondents reported difficulty finding skilled labour compared to five years prior.

According to most estimates, these difficulties will only deepen. BuildForce Canada data suggests that by 2032, overall hiring requirements in the industry will exceed 299,000 due to the retirement of approximately 245,000 workers (20% of the 2022 labour force) and growth in worker demand exceeding 54,000. Without proactively addressing these employment gaps, industry will continue to be dragged down, economic growth will stall, and jurisdictions across Canada will be unable to adequately hit their climate targets.

A pathway to address labour shortages and training will help fill labour gaps by recruiting new workers and upskilling existing workers to ensure their training is up-to-date with advancements in climate resilience and net-zero. The plumbing and heating industry is at the forefront of our shift to net-zero, and highlighting the importance of our work throughout the process will allow us to fill the gaps.

A training pathway should focus on highlighting the importance of our industry in the net-zero transition by:

- Highlighting the skilled trades as legitimate, respectable career choice;
- Bringing trades education into grade schools; and
- Building out existing trades to ensure that all are net-zero-ready;

Technology

The development of new technology is a key factor in our industry's work towards net-zero, and regulations often don't keep up. To keep the industry sustainable and adapt to more long-lasting components and structures, regulations must be modernized alongside technology's continuous improvements and shift towards environmentally friendly methods.

This stream should work in partnership with a consumer stream to ensure that the technology is accessible, affordable, and effective. The best, most-efficient heating and cooling systems and appliances cannot help achieve the energy transition if they are prohibitively expensive for consumers, businesses and institutions. The federal government needs to anticipate demand from consumers over the long-term and prepare the marketplace for increased adoption.

A technology pathway should focus on bringing all stakeholders to the table to share their experiences and expertise in order to:

- Ensure that we are creating a long-term, sustainable solution;
- Leverage international best practices; and
- Provide financial support to the industry to support research and development (R&D) to enable the transition.

Consumer

Consumer buy-in is key to achieving our climate goals. Education, alongside incentives and deterrents, are key to encouraging consumers to adopt the more environmentally friendly plumbing and heating technologies that are available to them. High costs and lack of knowledge are often cited as the key deterrents to making the change to environmentally friendly technologies. Providing education and economic incentives - including creating and implementing supports that will make new technologies cost neutral compared to current costs for water and space heating needs - to support Canadians in the long-term as they make these significant decisions will allow our industry to provide them with the on-the-ground support that they need, and with the best technologies to see us to Canada's goal of net-zero by 2050.

A consumer pathway should focus on providing incentives and deterrents to encourage the consumer shift to low carbon by:

- Presenting the information accessibly and early;
- Addressing the realities of cost in the short- and long-term;
- Changing the current culture around plumbing and heating technologies; and
- Outlining realistic timelines and the required technologies to increase the likelihood of a successful transition.

Our Recommendation

That the federal government create three integrated regulatory and planning pathways to harmonize departmental and jurisdictional plans for the transition to net-zero and a low-carbon economy. The three streams should focus on:

- Training workers;
- Technological development; and
- Consumer awareness and adoption