TAF The Atmospheric Fund

Ministry of Municipal Affairs and Housing
Municipal Finance Policy Branch
777 Bay St
Toronto, Ontario
M7A 2J3

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Re: Exploring Commercial Property Assessed Clean Energy (C-PACE) Financing in Ontario – ERO 026-0700

The Atmospheric Fund (TAF) is a regional climate agency serving the Greater Toronto and Hamilton Area (GTHA). We work closely with public and private partners to advance practical urban climate solutions that support affordability, equity, and resilience. Through our work supporting low-carbon building retrofits, clean energy investments, and innovative financing approaches across the GTHA, TAF has seen firsthand how access to capital remains one of the most significant barriers to building decarbonization.

TAF commends the government's effort to enable new financing mechanisms for clean energy projects. Commercial Property Assessed Clean Energy (C-PACE) financing is a proven tool for mobilizing private capital for building retrofits, improving energy affordability, enhancing asset value, and accelerating decarbonization. This is particularly important in the GTHA, where buildings are the largest source of greenhouse gas emissions, accounting for 45% of the region's total emissions. These emissions are driven primarily by natural gas used for heating and electricity generation. Well-designed C-PACE financing can help scale emissions reductions, improve building performance, lower operating costs, and enhance energy resilience. It also has the potential to strengthen Ontario's retrofit and clean construction sector by creating new opportunities for contractors, engineers, suppliers, and other skilled professionals.

Recommendation 1: Expand eligible project categories to support comprehensive building decarbonization and long-term resilience

Expanding eligible project categories

TAF supports the province's proposal to make energy efficiency, renewable energy, and water conservation projects eligible for C-PACE financing. Additional clarity should be provided to ensure the inclusion of projects that are essential enablers of deep retrofits and comprehensive building decarbonization.

Many building retrofit projects require investments in supporting infrastructure before energy saving technologies can be deployed. For example, building electrification measures such as heat pumps often require electrical service upgrades, while renewable energy systems may be paired with battery storage to improve performance and resilience. Similarly, electric vehicle charging infrastructure is becoming an increasingly important part of low-carbon building investments.

TAF recommends that the province explicitly include energy storage systems, electric vehicle charging infrastructure, electrical capacity, and service upgrades among eligible project categories. These investments are often critical to achieving meaningful reductions in energy consumption and greenhouse gas emissions yet may fall outside a narrow interpretation of the proposed eligibility criteria.

In addition, the province should consider including climate adaptation and resilience measures such as cooling systems and flood resilience upgrades that improve building performance and occupant wellbeing. As Ontario experiences more frequent extreme heat events and other climate-related extreme weather impacts, investments that enhance building resilience can help reduce future risks while protecting occupant health and safety. This is consistent with findings from the Financial Accountability Office of Ontario, which estimates that climate hazards will significantly increase infrastructure costs across the province and that proactive adaptation measures can meaningfully reduce these costs while lowering the risk of service disruptions and infrastructure failure. Enabling adaptation investments through C-PACE financing would similarly help property owners manage climate risks before they result in higher costs and more significant impacts to building occupants and community infrastructure.

Expanding eligible project categories will help ensure C-PACE financing supports integrated, future-ready building improvements rather than isolated upgrades. Building owners should be encouraged to take a whole-building approach to project planning, recognizing that energy efficiency, electrification, renewable energy, resilience, and conservation measures often work together to maximize performance. Designing and financing these investments as part of a comprehensive strategy can reduce overall project costs, avoid the need for future retrofits or equipment replacement, and improve long-term asset value. This approach would better position C-PACE financing to deliver lower lifecycle costs, deeper emissions reductions, and buildings that are better prepared for rising energy costs, evolving regulations, and increasing climate-related risks, while improving occupant comfort, safety, and long-term resilience.

Clarifying and expanding eligible building types

TAF supports the proposed list of eligible building types as the scope targets property classes with significant opportunities for energy savings, emissions reductions, and operational cost improvements. However, Ontario should consider adopting a broader and more flexible approach to defining eligible properties and provide clear direction regarding the applicability of C-PACE. With no clear provincial definition of a “commercial” building, a category-based approach could unintentionally exclude properties that are good candidates for the program, including agricultural, mixed-use, and other non-residential properties. **TAF recommends that eligibility be defined broadly to include any property assessed through the municipal property tax system, except for property classes that the province specifically intends to exclude (e.g. single family homes).**

TAF also encourages the province to clarify that all eligible building types may access C-PACE financing for both retrofit and new construction projects. Incorporating energy efficiency, electrification, renewable energy, and resilience measures during construction is often significantly more cost-effective than undertaking similar upgrades after a building is completed. Enabling C-PACE financing for new construction would support the development of higher-performing buildings from the outset, reduce future retrofit costs, and ensure Ontario’s growing building stock is built to last.

Recommendation 2: Enable centralized program administration through qualified third-party administrators

TAF recommends that Ontario establish a framework that enables administration of C-PACE financing through qualified third-party program administrators. Experience from successful C-PACE jurisdictions demonstrates that effective program administration is critical to ensuring market integrity, reducing administrative burden, and facilitating participation by municipalities, lenders, mortgage holders, and property owners.

Program administrators play an important role in many established C-PACE markets by providing specialized expertise and supporting consistent program delivery. Their responsibilities often include developing and applying lender qualification requirements, creating and maintaining standardized documentation, reviewing projects and transactions for compliance with program requirements, coordinating mortgage-holder consent processes, and supporting ongoing program administration.

Municipalities should not be expected to independently develop and administer these functions. Requiring this would create unnecessary administrative burdens, duplicate effort across municipalities, and could discourage participation, particularly among smaller or capacity-constrained municipalities. It would also create challenges for lenders operating across multiple jurisdictions by introducing differing documentation requirements, qualification processes, and transaction procedures.

Ontario’s framework should adopt one of two approaches:

- Designate a centralized provincial administrator responsible for administering C-PACE programs across participating municipalities; or
- Explicitly authorize municipalities, either individually or collectively, to engage qualified third-party administrators to perform these functions on their behalf.

Both approaches offer advantages and would help reduce administrative burdens, improve consistency, and support market participation. A centralized provincial administrator could provide simplicity, standardization, and economies of scale, while a framework that allows qualified third-party administrators could promote competition, innovation, and municipal choice.

Regardless of the model selected, the regulatory framework should also explicitly permit the recovery of program administration costs, including compensation for qualified third-party administrators, through program fees or other cost-recovery mechanisms. Providing a clear pathway for cost recovery will help ensure long-term program viability while minimizing financial and administrative burdens on participating municipalities.

Recommendation 3: Establish a streamlined municipal administration model

While Ontario should establish a consistent provincial framework for C-PACE financing, participating municipalities should retain flexibility to shape local program requirements through the by-laws that enable C-PACE participation.

Municipalities are best positioned to understand local building stock characteristics, housing needs, market conditions, and local priorities. **The province should enable municipalities to establish additional program criteria or requirements that align with local objectives, provided they remain consistent with the broader provincial framework.** Examples include priority project types, building performance requirements, affordable housing considerations, or municipality-specific climate resilience objectives.

This flexibility would allow municipalities to integrate C-PACE financing with existing local initiatives and policy objectives while maintaining a standardized provincial financing framework. It would also increase the likelihood of municipal participation by enabling municipalities to align C-PACE financing with local priorities, market conditions, and community needs. Providing this flexibility would help ensure that C-PACE financing can respond to differing local circumstances without creating barriers to participation, supporting broader adoption across Ontario.

Recommendation 4: Clarify repayment and default enforcement provisions

A key feature of C-PACE financing is that repayment is secured through a property-based charge collected alongside municipal property taxes. This repayment mechanism provides certainty to lenders, supports access to longer-term financing, and helps attract private capital to clean energy projects. TAF supports the use of existing municipal collection and enforcement mechanisms for unpaid C-PACE charges. Aligning repayment enforcement with established property collection practices will provide certainty to lenders while minimizing administrative complexity for municipalities.

TAF recommends that the province explicitly provide in regulation that unpaid C-PACE charges are treated similarly to property tax arrears for collection and enforcement purposes and that C-PACE obligations remain non-accelerable in the event of default. Under a non-accelerable structure, only the overdue payment would become due, rather than the entire outstanding balance of the financing.

Clarity on non-acceleration is particularly important to support mortgage-holder consent and lender participation. Mortgage lenders need certainty that a payment default will not trigger repayment of the full outstanding C-PACE balance. Leaving this principle subject to interpretation could create uncertainty and hinder market participation. Clearly establishing non-acceleration in regulation would align Ontario with established C-PACE markets, preserve the long-term, property-based nature of the financing, while supporting lender and mortgage-holder confidence.

Recommendation 5: Minimize regulatory constraints for participating lenders

TAF supports the province's efforts to establish a clear regulatory framework for C-PACE financing while minimizing unnecessary constraints that could limit participation by lenders and property owners. The regulatory framework should provide appropriate consumer and market protections, while allowing financing terms to be shaped by commercial negotiations between property owners and lenders.

TAF supports the proposed maximum loan to appraised property value ratio of 35%. However, the province should consider allowing this threshold to be determined using Municipal Property Assessment Corporation (MPAC) assessed values, particularly for smaller projects, rather than requiring a third-party appraisal in all cases. Reliance on existing assessment data would reduce transaction costs and administrative complexity, while maintaining a reasonable level of risk management. Property owners seeking additional lending capacity could retain the option to obtain an updated third-party appraisal.

The province should also permit flexibility in financing terms, provided that the repayment period does not exceed the weighted average useful life of the financed improvements. This would ensure that repayment obligations remain aligned with the useful life of the underlying assets, while allowing financing to be structured according to project specifics.

In addition, the regulation should not prescribe minimum savings-to-investment ratios or payback periods. Building owners are best placed to evaluate the business case for eligible projects, which may include benefits beyond utility cost savings, such as emissions reductions, resilience, tenant attraction and retention, asset value enhancement, and risk management. Lenders will also undertake their own assessment of borrowers' ability to repay financing.

Finally, the province should provide municipalities and program administrators with the flexibility to establish lender qualification requirements and prequalification processes, rather than embedding detailed requirements in regulation. This would allow program requirements to evolve over time in response to market experience, industry feedback, and changing market conditions while maintaining appropriate oversight and program integrity.

TAF appreciates the opportunity to provide comments on this proposal and supports the province's efforts to establish a C-PACE framework in Ontario. With expanded project eligibility, standardized oversight, municipal flexibility, and clear repayment provisions, C-PACE financing can be a key tool to accelerate building decarbonization, improve climate resilience, and mobilize private capital to support Ontario's economic objectives. We look forward to continued engagement as the province advances the development of this framework.

Sincerely,
Bryan Purcell

VP of Policy & Programs
The Atmospheric Fund
bpurcell@taf.ca

About The Atmospheric Fund

The Atmospheric Fund (TAF) is a regional climate agency that invests in low-carbon solutions for the Greater Toronto and Hamilton Area (GTHA) and helps scale them up for broad implementation. Please note that the views expressed in this submission do not necessarily represent those of the City of Toronto or other GTHA stakeholders. We are experienced leaders and collaborate with stakeholders in the private, public and non-profit sectors who have ideas and opportunities for reducing carbon emissions. Supported by endowment funds, we advance the most promising concepts by investing, providing grants, influencing policies and running programs. We're particularly interested in ideas that offer benefits in addition to carbon reduction such as improving people's health, creating local jobs, boosting urban resiliency, and contributing to a fair society.