

Toronto BEPS for macroeconomic value creation

Memo 1 of 3

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BDA



Toronto's BEPS motion to report back to Council in Q1 2027

- City of Toronto is developing **Building Emissions Performance Standards (BEPS)** bylaws that would phase in greenhouse gas (GHG) limits on larger Commercial (offices and retail) and multi-unit residential buildings (MURBs) by archetype and size.
- Programs and resources will be available to **support compliance**.
- **BEPS are a substantial action** under the TransformTO Net Zero Strategy **to reduce emissions from buildings**.
- BEPS have the potential to **unlock significant economic value in Toronto**.
- Motion from the City's Infrastructure and Environment Committee (IEC) to **report back in Q1 of 2027** with updated policy recommendations.





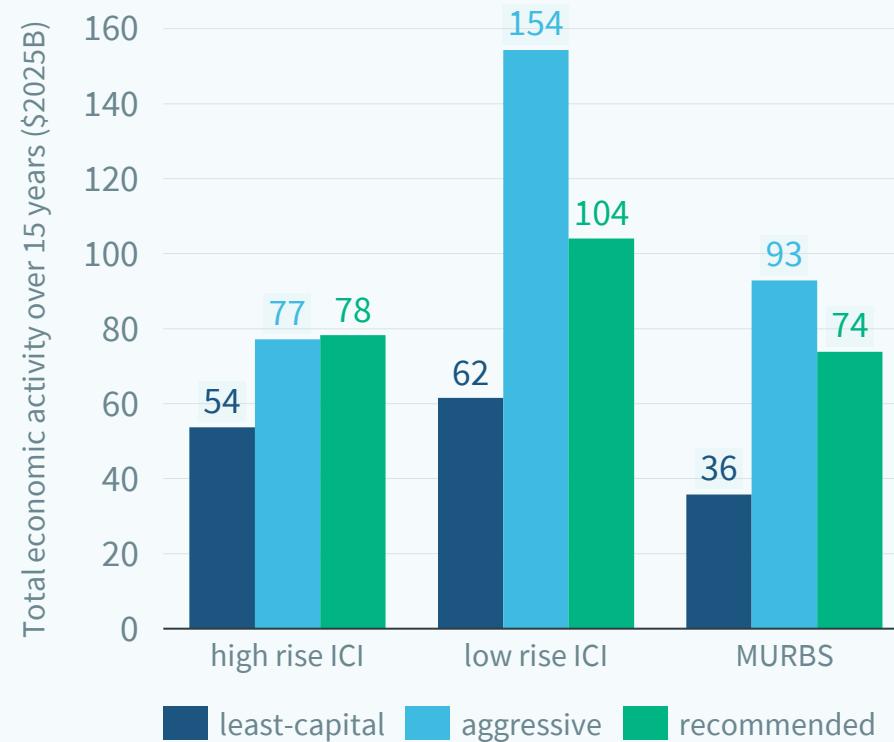
The economic case for BEPS

1. BEPS can unlock \$256 billion in new economic activity over 15 years for Toronto
2. BEPS could increase annual retrofit investments from \$5.4B/yr to \$10-22B/yr in Toronto
3. BEPS could generate over 13,000 new direct full-time jobs in Toronto over 30 years
4. Initial targets focus on the 15-20% worst performing buildings
5. Investment to meet targets is intended to be modest.
6. BEPS provides other benefits to building owners, tenants and society
7. Building energy and emissions reporting and target compliance is high in other cities

1. BEPS can unlock \$256 billion in new economic activity over 15 years for Toronto

Scenarios range from \$152B (least-capital) to \$325B (aggressive)

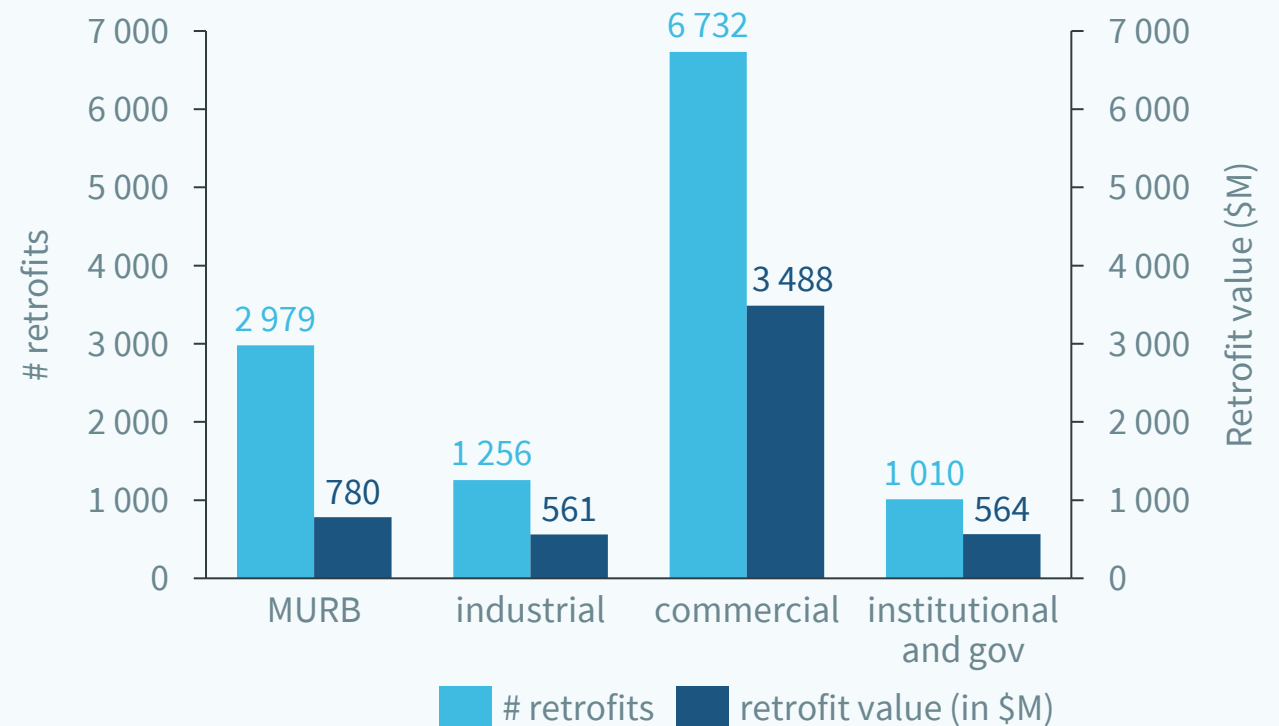
- City-wide total
 - Least-capital: \$152B
 - Aggressive: \$325B
 - **Recommended: \$256B**
- Investments in retrofits
 - Increase energy efficiency
 - Increase resilience to extreme weather
 - Reduce emissions
- BEPS to apply to ICI buildings and large MURBs only (no single-family homes or low-rise MURBs)



2. BEPS could increase annual retrofit investments from \$5.4B/yr to \$10-22B/yr in Toronto

BEPS can ensure easy wins for energy and emissions with these retrofits.

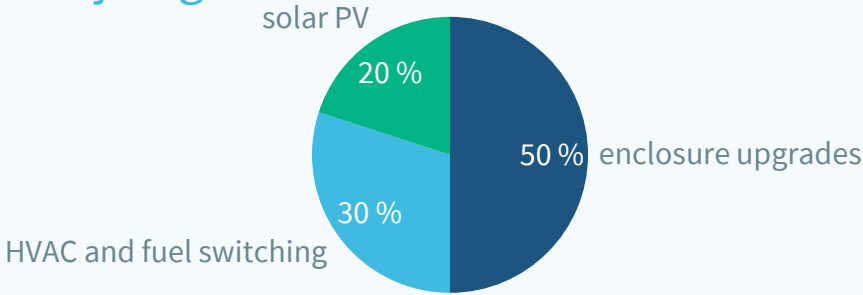
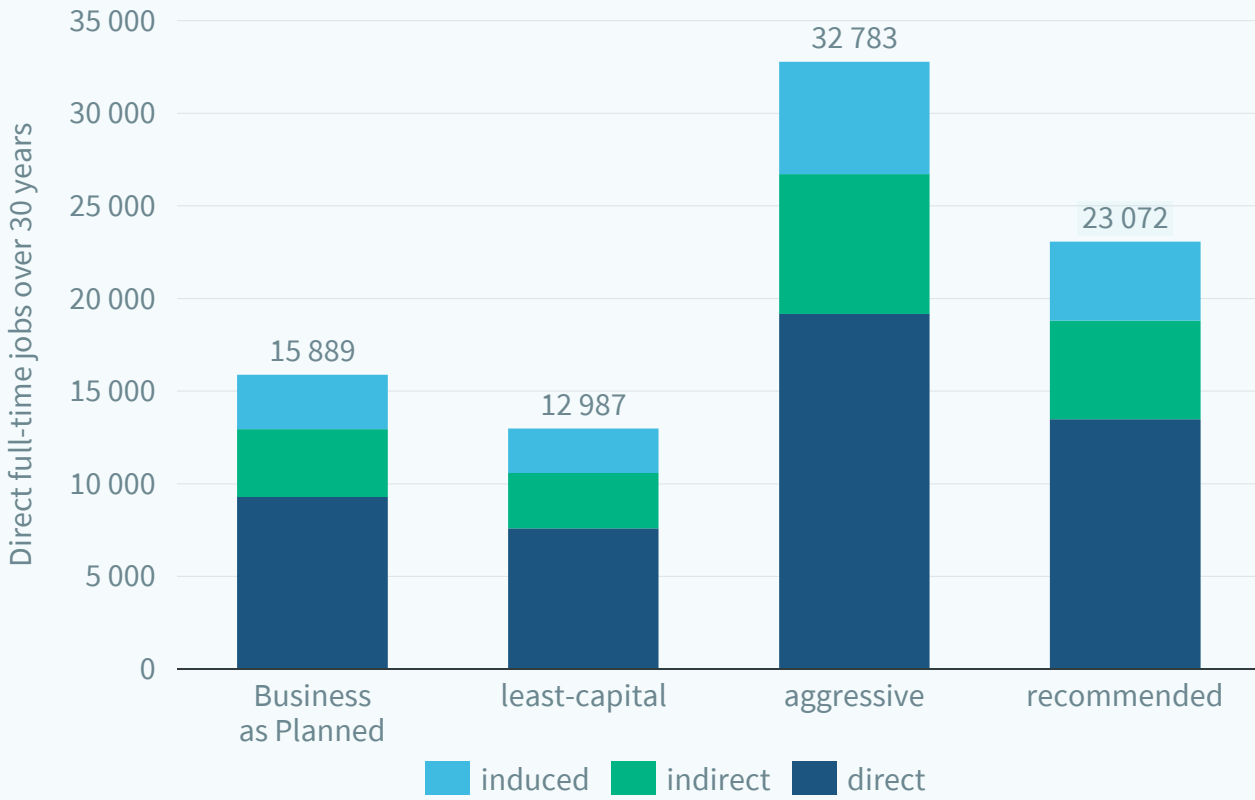
- Total Toronto permits in 2025
 - 211,977 retrofits, \$5.4B
- Value/retrofit in 2025\$
 - **Commercial: \$518K**
 - **MURBs: \$262K**
 - Institutional/gov: \$558K
 - Industrial: \$447K
- Retrofits are an ideal time to improve energy and emissions performance
- Investments could increase to \$10-22B/yr with BEPS



3. BEPS could generate over 13,000 new direct full-time jobs in Toronto over 30 years

Direct jobs range from 7,590 to 19,160 depending on the pathway

- Full-time direct jobs over 30 years
 - Business as planned: 9,286
 - Least-capital: 7,590
 - Aggressive: 19,160
 - **Recommended: 13,484**
- These numbers are based on City of Toronto analysis that may underestimate total job gains*



Source: City of Toronto [Net Zero Existing Buildings Strategy](#)
Note: Based on [Resource Innovation estimates for the IESO](#), we assumed 0.39 indirect jobs and 0.32 induced jobs for every full-time retrofit job created.
*Pembina reports 9.5 jobs per \$B invested which translates to 116,000 direct jobs under the recommended scenario

4. Initial targets focus on the 15-20% worst performing buildings

About 10% of the worst performing buildings need only low-cost operational improvements

- Proposed initial targets aim for inflection points that **affect the 15-20% least efficient buildings**
- ~**3/4** of these (10%) will require only **low-cost operational improvements** to comply



5. Investment to meet targets is intended to be modest

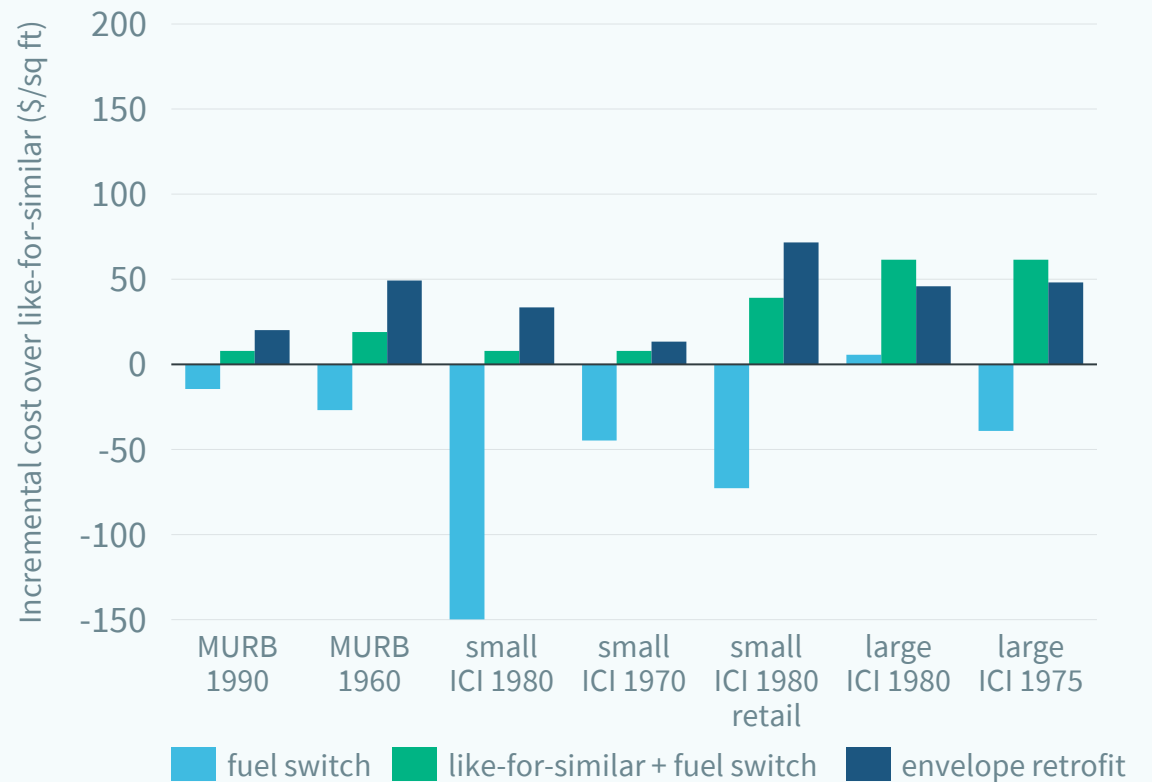
Incremental cost is smaller when done alongside planned upgrades

- Incremental capital cost over like-for-similar \$2025/sq ft
 - Fuel switching** costs less than like-for-like replacement
 - For many buildings, **only a small incremental cost when fuel switching is done with like-for-similar upgrades**

“Fuel switching and a clean electricity grid are the two most significant technical requirements for achieving net zero emissions.” TransformTO

Notes:

- Current lifecycle costs are not available as CoT published values include the carbon tax
- Low-cost financing and incentives are available, more in memo 2



Source: City of Toronto [Net Zero Existing Buildings Strategy](#), adjusted for inflation to report 2025 values. Actual values may be higher as [construction costs have risen faster than inflation](#). [TransformTO Net zero strategy](#)

Note: Envelope retrofits consists of a package with enclosure upgrades needed to ready the facility for future fuel switching as well as HVAC delivery upgrades (including heat recovery)

6. BEPS provides other benefits to building owners, tenants and society

Health, comfort and market premium are moving to the forefront

Building owners

- Increased competitiveness
- Lower operating costs
- Green premium and avoiding brown discount
 - Vancouver zero carbon certified buildings had 11% higher rent
- Lower vacancy rates
 - Vancouver zero carbon certified buildings had an average 16% lower vacancy rate
- Less exposure to rising construction costs
- Predictable targets support long term asset management planning

Tenants

- Lower operating costs
- Increased work productivity from better air quality
- Greater comfort and resilience to heat events and extreme weather

Society

- Reduced health impacts from extreme heat:
 - BC recorded 619 heat-related deaths in 2021, 98% of them indoors
- Reduced emissions and associated climate change
 - 58% of the City of Toronto's 2024 emissions were from buildings
- Job creation and economic activity



7. Building energy and emissions reporting and target compliance is high in other cities

High compliance rate from the first year. Only the worst performers need to act

- **NYC 2026: 93%** of covered privately owned properties have filed compliance reports
 - 91% are compliant with 2024 limits (up from 82% in 2019)
 - 43% are compliant with 2030 limits
- **Denver 2026:** 83% compliance to date for energy use intensity, **90%** in 2025
- **Washington DC 2026: 52%** compliance for energy use intensity (**deadline is 2032**)
- **Vancouver 2025: 98%** compliance with reporting on emissions intensity



BEPS in Toronto

"...there is an opportunity via BEPS to draw capital into Toronto for climate action while stimulating our local economy."

Bryan Purcell, TAF

Memo 2: Toronto BEPS: Risks and opportunities for housing affordability

Memo 3: Benchmarking and disclosure for Toronto BEPS



Source: [TAF - Open letter to Mayor Chow and Members of the IEC](#)

Appendix: key terms used

Full descriptions of the following terms can be found in [City of Toronto Net Zero Existing Buildings Strategy](#)

- **Business as planned scenario (page 55)**
- **Least capital scenario (page 55)**
- **Aggressive scenario (page 56)**
- **Recommended scenario (page 58)**
- **Economic activity:** This aggregated metric reflects the sum of all upgrade package capital costs expended during the period of 2016 to 2030 for a given reduction scenario. Energy-related cost, maintenance and renewal costs are excluded from this metric.
- **Direct, full-time jobs: (page 10)**
- **MURBs** Mostly MPAC designations 340, 341 for multi-unit residential buildings with seven or more units that are not row housing (i.e. typically fall under Part 3 of the building code).
- **Like for similar (page 8)**
- **Fuel switch:** shift to heat pumps for space heating and electric domestic hot water, can include natural gas support/backup
- **Envelope retrofit** (aka enclosure upgrade) includes air-sealing, insulation, and window upgrades to exterior walls, windows, doors, roof and foundation



Thank You

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