BUILDING PERFORMANCE STANDARDS

RECOMMENDATIONS FOR CANADIAN POLICY MAKERS

Leadership.
Influence.
Impact.

REALPAC

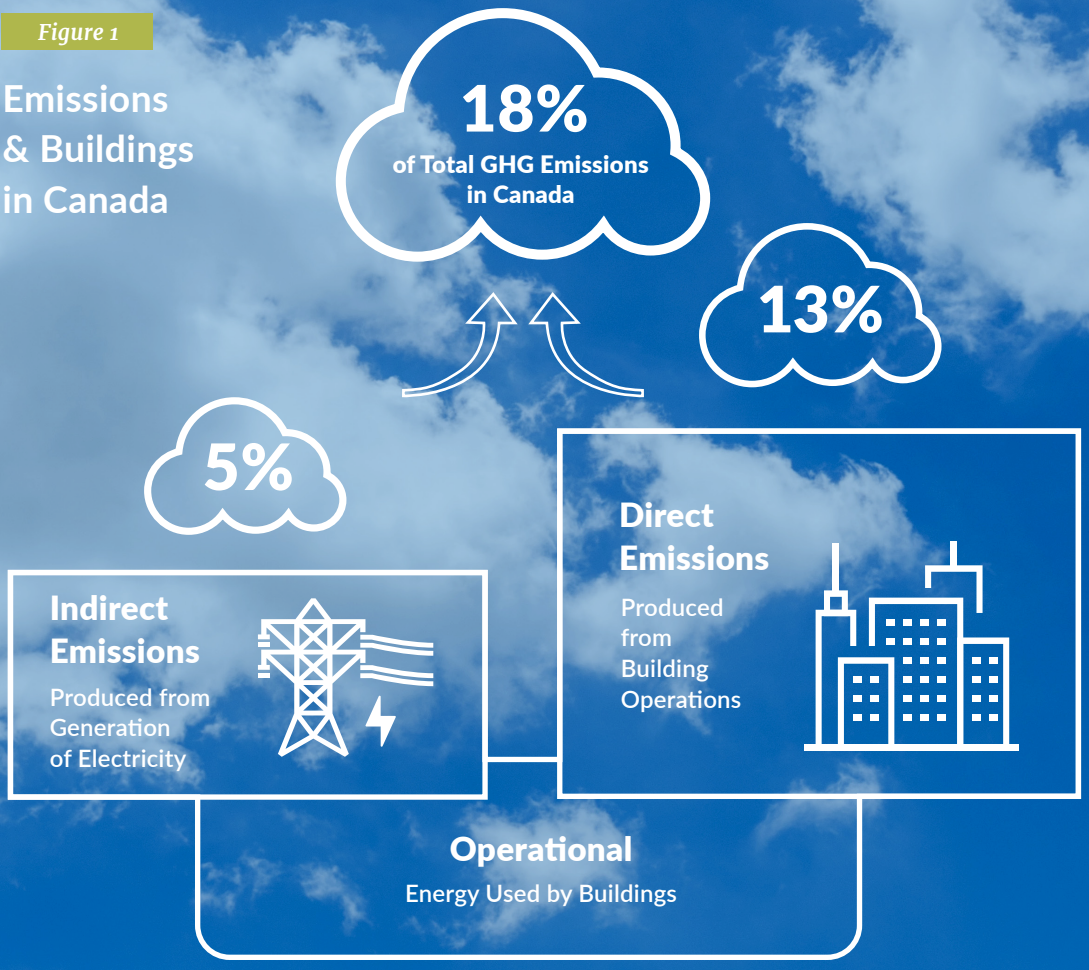
01 INTRODUCTION

Most provinces and municipalities across Canada have committed to reducing greenhouse gas emissions and are on a path to net zero by 2050 or sooner.

They are looking to the building sector as they create policies to action these commitments, because operational emissions from buildings are a meaningful proportion of emissions.

Figure 1

Emissions & Buildings in Canada



Onsite combustion (under direct emissions) is the primary source of operational emissions for most buildings across Canada (e.g., Toronto, Vancouver, Calgary and Montréal).

Sources: Purpose Building, Analysis on Commercial Building Emissions from Natural Gas, May 2024.
Canada Green Buildings Strategy, 2024.

The Commercial Real Estate industry (CRE) is taking action to reduce emissions.

75% of REALPAC members report on Scope 1 & 2 Emissions.

43% have set a net zero carbon target.[1]

42,000 buildings in Canada use Energy Star Portfolio Manager.

Staying on a path to contain warming to below 1.5°C, or even 2°C, requires additional and accelerated emissions reductions from the building sector. Municipalities (and in some cases, provinces) are increasingly looking to Building Performance Standards (BPS) as the most impactful policy tool they have to drive this action at existing buildings.

What is a BPS?

A BPS policy is a set of standards designed to reduce carbon emissions in existing buildings. These standards should become stricter over time, driving continuous, long-term improvement in the building stock.

To support successful BPS laws, it is critical that the barriers identified in *Decarbonizing Canada's Commercial Building: The Owner & Investor Perspective*,[2] are considered. A proliferation of different BPS in jurisdictions across Canada will add complexity and cost to the already challenging task of decarbonizing existing buildings. Considering these challenges will create more favourable conditions for owners and investors to scale meaningful decarbonization efforts.

REALPAC prepared this report to provide guidance for municipalities, provinces and other regulators on behalf of the commercial real estate industry.

[1] REALPAC, Member Indicator Scan, Aug 2025.

[2] REALPAC, Place Centre, Smart Prosperity Institute, CAGBC. *Decarbonizing Canada's commercial buildings: The Owner & Investor Perspective.* Retrieved from: decarbonizebuildings.ca, 2024.

02 GUIDING PRINCIPLES

All Canadian jurisdictions, when creating building performance standards (BPS) to support achieving their emissions reduction targets should establish the following as guiding principles for policy design:

Control

Jurisdictions should target emissions sources that are controlled by building owners.

Materiality

Jurisdictions should target the most material sources of emissions from buildings.

Impact

Jurisdictions should understand and consider the economic impact of their BPS laws on building owners.

Predictability

Jurisdictions should publish clear interim and final targets and requirements.

Balance

Jurisdictions should ensure that the costs and benefits are equitably shared by all impacted (e.g., governments, utilities, CRE companies and building tenants/ residents).

03 CONDITIONS FOR SUCCESS

Based on the guiding principles above, the CRE industry sees the following as essential conditions for the success of BPS in Canada.

3.1 Alignment should be prioritized over customization.

a) The CRE industry values consistency and simplicity in BPS requirements because it enables the industry to efficiently scale decarbonization action across jurisdictions and reduces the administrative cost pertaining to compliance.

b) Over 15 jurisdictions in North America have already developed and implemented BPS policies. There are many lessons learned about the process of developing policies, including who should be involved and how the policy should be administered.

Lessons on what has worked and what hasn't are captured in resources so mistakes can be avoided by others developing new policies (see Appendix 1).

c) Policy makers should:

- i Engage other jurisdictions to learn from their experiences.
- ii Align policy objectives, rationale, expected outcomes and requirements with what other jurisdictions in Canada are already doing.
- iii Engage stakeholders, including those from the real estate industry, throughout the development and implementation stage.
- iv Understand and allocate the resources, both staff and funding, necessary to deliver the policy's expected outcomes.

CASE STUDY

Vancouver BPS Law

SUMMARY OF KEY REQUIREMENTS

Applicability

The by-law applies to large office and retail buildings (Group D/E occupancies) over 9,290 m^2 (100,000 ft^2), with phased-in requirements starting in 2026. Other large non-residential buildings ≥ 4,645 m^2 (50,000 ft^2) must also report annually.

Reporting & Compliance

Owners must submit annual energy and carbon reports by June 1 each year and obtain a Carbon Emissions Operating Permit starting in 2027, with third-party data verification every four years.

Emissions Scope & Metrics

The limits cover on-site combustion of natural gas and district energy use; electricity is excluded. Compliance is measured using Greenhouse Gas Intensity (GHGi: kg CO_2e/m^2) and Heat Energy Intensity (HEI: GJ/m^2).

GHGI & HEI Limits

From 2026, office and retail buildings must meet prescribed GHGi and HEI thresholds (declining over time toward 2030), with penalties of up to $350 per excess tonne of CO_2e if limits are exceeded.

Enforcement

Non-compliance can lead to fines, permit issues, or operating restrictions.

3.2 The key BPS metric should be Greenhouse Gas Intensity (GHGi) - onsite combustion only.

a) GHGi is a standardized approach for assessing the operational emissions performance of buildings.

b) Onsite combustion is the primary source of operational emissions for most buildings across Canada (e.g., Toronto, Vancouver and Calgary).

c) Owners control standards and decision-making around onsite combustion equipment used at their buildings. This includes landlord equipment (e.g., office, retail, multi-residential) and tenant equipment (e.g. open-air retail, industrial assets).

d) The key BPS metric should be Greenhouse Gas Intensity (GHGi) - onsite combustion only.

$$\text{GHGi (Onsite Combustion)} = \frac{\text{Total GHG emissions from onsite combustion (kg } CO_2e)}{\text{Gross Floor Area (m}^2 \text{ or ft}^2)}$$

e) Focusing on GHGi (onsite combustion only) as the key BPS metric would provide one of the strongest incentive to building owners (and their tenants) to prioritize the most critical actions to decarbonize their buildings.

f) Policy makers should:

- i Regulate GHGi (onsite combustion) through BPS laws.
- ii Recognize and rely on the role of other regulators in the system and their approaches to reducing GHG emissions (e.g., provinces reducing emissions from the grid).
- iii Use absolute targets for interim and final GHGi, but consider relative percent improvement targets as an alternate option for lower performing buildings.

3.3 Targets should be set using actual data and provide long-term clarity.

a) Using real data to inform policy decisions creates confidence across the CRE industry that targets are credible and achievable with commercially available products/equipment.

b) Knowledge of clear, stable policies over the typical lifespan of building equipment (20+ years) also enables CRE companies to make informed and climate-credible investment decisions.

c) Policy makers should:

- i Set targets using data collected over several years from the buildings to be regulated. When such data is not available, the CRE industry can be engaged to establish this data set.
- ii Avoid “one-size-fits-all” targets. An office building, a warehouse, and a hospital have different energy needs, different emissions profiles, different potential for reducing emissions, and different equipment life cycles. Therefore, they should have different targets.
- iii Publish interim targets and final targets for at least the next 20 years.
- iv Periodically review targets and adjust based on market progress and technical innovation that is likely to occur in the future.

3.4 Building owners should have access to whole-building energy data.

a) Access to accurate and complete energy data for buildings, including tenant consumption, allows owners to measure, improve and report on whole building performance.

b) Jurisdictions can use whole building energy performance data (Energy Use Intensity or EUI) to better understand the emissions profile from buildings.

c) Policy makers should:

i Ensure that regulations are in place that require utilities to share whole building energy data with building owners in a timely, standardized manner.[3]

ii Support utility data sharing through Energy Star Portfolio Manager® web services API or other digital platforms so that utilities can deliver consistent data to building owners.[4]

3.5 Local utilities should have a long-term plan to invest in infrastructure and programs required to support low-carbon buildings.

a) To reduce carbon emissions from buildings, the core goal of a BPS, the CRE industry requires reliable supplies of low-carbon, competitively priced electricity and thermal energy.[5]

b) This low carbon supply of energy can come from new, centralized infrastructure investments as well as investments in distributed energy resources (DERs) such as rooftop solar and battery storage.

c) Demand side solutions from building owners, such as energy efficiency, conservation and load shifting, are important and can help reduce the need for new infrastructure.

d) Policy makers should:

i Ensure that long-term investment plans for new infrastructure, DERs and energy efficiency programs are in place and publicly available.

ii Include utility stakeholders during BPS policy development and during updates/revisions to the policy during implementation.

iii Increase funding for energy efficiency, conservation and load shifting incentive programs.

iv Create a more predictable and favourable business environment that drives investment in DERs such as rooftop solar and battery storage.

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[3] Adapted from: REALPAC, Place Centre, Smart Prosperity Institute, CAGBC. *Decarbonizing Canada's commercial buildings: The Owner & Investor Perspective.* Retrieved from: decarbonizebuildings.ca, 2024.

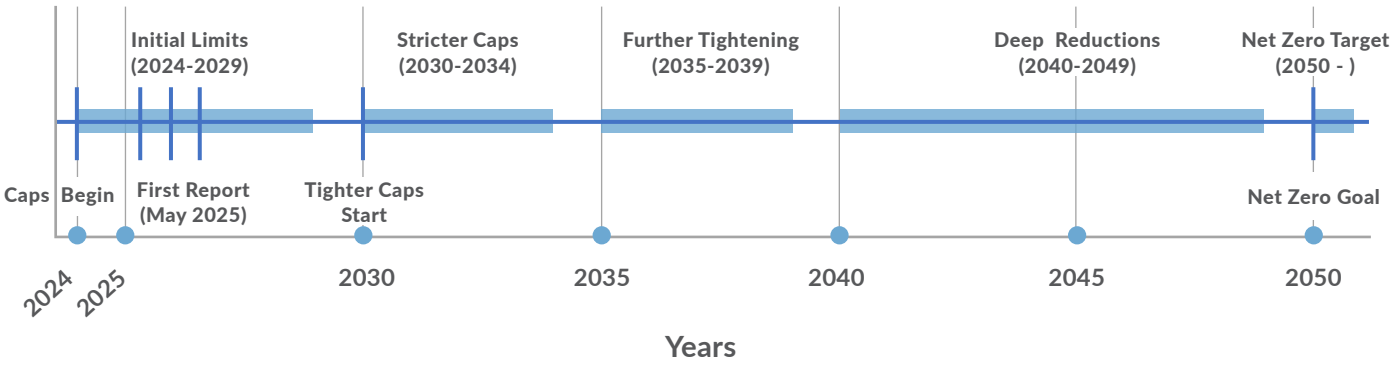
[4] Adapted from: NRCan. Guidance for Utilities on Providing Whole-Building Energy Data to Enable Benchmarking in ENERGY STAR® Portfolio Manager®, 2025.

[5] In this context, thermal energy refers to heating and/or cooling usually produced outside the building and delivered to the building via a network of pipes. Adapted from: Building Decarbonization Coalition. Thermal energy networks definitions. Retrieved from buildingdecarb.org/resource-library/ten-definitions, 2025.

CASE STUDY

New York City - Local Law 97 (BPS)

PHASED IMPLEMENTATION TIMELINE



2024–2029: Initial emissions limits start applying to covered buildings (≥25,000 ft²). First annual reports for 2024 emissions were originally due May 1, 2025, with an extension available to Dec 31, 2025. "Good-faith effort" penalty-mitigation pathways are available during this first period.

2030–2034: Stricter limits begin; a much larger share of buildings are over caps without upgrades.

2035–2039: Further tightening of limits.

2040–2049: Deep reductions continue toward 2050.

2050 & Beyond: Net-zero goal for covered properties.

Sources: NYC DOB LL97 overview & limits, reporting and deadlines, and rule packages (good-faith pathway, beneficial electrification credits), plus NYC Accelerator and Urban Green updates.

3.6 Implementation should be phased to support market capacity building.

a) This approach ensures a smooth transition, giving all participants (regulators, building owners and service providers) time to adapt, adjust based on data and build capacity, rather than face the immediate risk of punitive action.

b) It provides a path for jurisdictions to focus on where they have real data to inform policy and gather data to inform future phases in parallel. Sequencing data reporting, compliance and disclosure programs might depend on jurisdictional authority.

c) Policy makers should:

   i Focus on reporting BPS metrics and supporting compliance in the initial years, before any risk of punitive action.

   ii Focus on a more limited scope BPS metric to start (e.g., GHGi - onsite combustion only) before considering a broader scope BPS metric (e.g., GHGi onsite combustion + district energy).

   iii Establish phasing so buildings with the most opportunity to improve are encouraged to act first. This recognizes efforts of building owners/managers that have already addressed the “low-hanging fruit” in energy/carbon reduction and allows time for them to plan larger capital investments.

3.7 Incentives and other programs should be available to help building owners comply with BPS requirements.

a) Financial incentives help building owners create a viable business case for the projects they need delivered to comply with BPS.

b) Programs that build capacity in the market, such that market players can identify and deliver decarbonization projects, are also essential to building owners’ ability to comply with BPS.

c) Together, thoughtfully designed incentives and programs can protect affordability, prevent displacement, and support inclusive economic growth.

d) Policy makers should:

   i Establish financial incentives and market capacity building programs, including those designed for small businesses and to support housing affordability.

   ii Continuously evaluate and update incentives to encourage early action and address evolving affordability challenges.

   iii Provide clear communication and straightforward pathways to access incentives and support programs.

   iv Prioritize use of funds collected to support housing/small business affordability, where a BPS requires payments by owners of buildings that do not comply.

3.8 Alternative compliance paths (ACPs) should provide options for buildings with unique conditions.

a) Each building exists within a unique set of conditions, many of which are not in the owner/manager's control. BPS requirements should recognize this by providing suitable flexibility through Alternative Compliance Paths.

b) Examples where ACPs may be appropriate include financial hardship, recent construction or equipment replacement, or a significant change in building type or operations.

c) Policy makers should:

- i Define the set of scenarios where ACPs will be considered.
- ii Minimize complexity in the evidence, analysis or documentation required for an ACP and provide standard templates for use by building owners/managers.
- iii Include a mechanism in the policy to adjust a building's interim target or compliance timeline based on an ACP.

3.9 Building owners should be able to reasonably share or recover compliance costs from building users/tenants.

a) To deliver the projects that are needed to comply with a BPS, a building owner will almost certainly need to invest capital beyond what is covered by any available incentives.

b) Lease agreements and rent control legislation (already in force for many jurisdictions) already provide mechanisms whereby costs for improvements to a building, or payments to comply with local regulation, can be reasonably shared or recovered from building users/tenants. It is essential that the BPS does not preempt these existing mechanisms.

c) Policy makers should structure the program to support cost sharing between the municipality, building owners, and tenants to ensure a balanced outcome/burden.

3.10 Jurisdiction should establish fair and effective remedies to encourage compliance, not punishment.

a) Some building owners will be unfamiliar with BPS metrics and the projects that are needed to comply with a BPS.

b) To address this uncertainty and encourage building owners to comply, the jurisdiction should provide advance notice that a particular building may be non-compliant and provide building owners with a reasonable chance to correct the situation before punitive action. This includes actively connecting owners with incentives and other support programs or providing alternative compliance options so there is a path towards compliance.

c) If a BPS requires payments by owners of buildings that do not comply, these funds should support BPS compliance and help owners avoid infractions altogether.

d) Policy makers should:

- i Incorporate "fair notice" and "opportunity to cure" provisions in their BPS regulations.
- ii Direct any funds collected to support incentives and other programs for BPS compliance.

APPENDIX

Resources for building performance standard development and implementation:

Institute for Market Transformation. (2025). What Defines a Building Performance Standard (BPS)? Retrieved: imt.org/resources/what-defines-a-building-performance-standard-bps

Majersik, C., & Hart, Z. (2022). Building Performance Standard Implementation Guide. Institute for Market Transformation. Retrieved: imt.org/resources/building-performance-standard-implementation-guide

Natural Resources Canada. (2024). Toolkit for Implementing Benchmarking and Building Performance Standards in Canada. Retrieved: natural-resources.canada.ca/energy-efficiency/building-energy-efficiency/energy-efficiency-existing-buildings/toolkit-implementing-benchmarking-building-performance-standards-canada

The Real Estate Roundtable. (2024). Lessons Learned to Shape Fair and Reasonable Building Performance Standards (BPS). Retrieved: rer.org/wp-content/uploads/RER-BPS-POLICY-GUIDE-OCT-2024.pdf

Tzekova, E. (2023). Building Performance Standards: A Policy Primer for Municipalities in the Greater Toronto & Hamilton Area. The Atmospheric Fund. Retrieved: taf.ca/custom/uploads/2023/10/TAF-BPS-Primer_202310.pdf

Simon, S. (2024). Advancing Mandatory Building Performance Standards: A Roadmap for Local Government Action. Efficiency Canada, Carleton University, Ottawa, ON. Retrieved: efficiencycanada.org/wp-content/uploads/2024/05/Advancing-Mandatory-Building-Performance-Standards_Roadmap-Report.pdf

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