RESERVE FUNDS IGNORE CLIMATE TARGET IMPACTS

CONDOS NOT PREPARED FOR INEVITABLE EFFECTS OF 2030 AND 2050 EMISSIONS GOAL

Canada signed into the Paris climate accord that sets targets for greenhouse gas emissions being 30 per cent lower than 2005 levels by 2030 and net-zero by 2050. Many of us believe this is a high-level statement that has no bearing on how condominiums are managed today. After all, 2030 and 2050 are a long way off and we have to tend to our day-to-day obligations, never mind those far into the future. Right?

Here's the hard truth that many of us have not faced yet: our reserve fund studies with 30-, 45- and 60-year projections for expenses take us past the 2030 targets (just nine years from now) and smack dab into the 2050 net-zero emissions targets. How does this affect condominiums? Good question.

The condominium industry is not taking steps to prepare condo corporations for the inevitable effects of the targets[1]. Buildings are one of the top sources of greenhouse gas emissions[2] in Canada, so there's no way condominiums will escape scrutiny. In 2019, buildings accounted for 12 per cent of emissions— more than the heavy industrial sector.

Net-zero is defined as our economy either emitting no greenhouse gas emissions or offsetting emissions. For condos, we only have to look at boilers for heating and for domestic hot water or any other gas-burning gas appliance to find large emissions contributors. Did I mention the emergency generators?

Recently, we saw carbon taxes applied to natural gas and gasoline. We can only predict that these carbon taxes will increase as we get closer to 2030 and then again as we near 2050, making gas far too expensive for condominiums.

No longer is it reasonable to disregard the post-climate-target economy by choosing to ignore the foreseeable reality that natural gas will simply be too expensive for condominium owners to use as fuel. Today's reserve fund expenses contain "like-for-like" costs that account for end-of-life replacement of various boilers. But looking forward, we can't afford to simply accrue funds for replacing the current heating systems with newer gas-burning appliances. This means that our current projected replacement costs for gas-burning appliances are dreadfully underfunded.

Will it be electric boilers supported by geothermal heat storage? Deep water supply for cooling and heating? Renewable energy sources? It's simply too soon to predict how we will replace our gas-burning, greenhouse-gas-producing appliances. The question we should be asking is, "Is it too early to start accruing funds for the 2030 and 2050 new net-zero world?"

With just 29 years to accrue funds and search out new lower emission appliances and building systems, we should be having these conversations now. I will also bet that not a single reserve fund study in place today has taken the position to accrue funds for what will surely be an expensive change to alternate heating systems.

We should be asking our reserve fund planners to look at the Paris accord target dates and compare the end-of-life replacement of our gas-burning appliances against the target dates. As we near 2030, and again in 2050, we need to ensure that we are accruing funds that will leave us in a good financial position to look at alternate heating sources without placing the full burden on future residents.

Make no mistake, there is large international momentum around reducing greenhouse gas emissions. Close to 200 countries have committed to fighting climate change. Further, economic damage from the COVID pandemic has motivated governments to look at this as an opportunity to create high-value jobs in the high-tech, engineering, and construction sectors. In the fall of 2020, the Canada Infrastructure bank announced a $2-billion initiative as one component of a $10-billion strategy to stimulate green economic growth to help meet Canada's commitment to reduce emissions.

The choices are clear: do nothing and see the devastating effects on condominiums when they are forced to pay large sums of money (not accrued) to switch out gas-burning and greenhouse gas-emitting appliances or live with exorbitant carbon taxes, placing the cost of living in a condominium out of reach for most people. Or, prudent boards of directors can start accruing for the inevitable now so that funds are available when needed, thereby keeping the cost of living and the cost of purchasing a condominium affordable relative to neighbouring buildings today and in the future.

Let's start by asking our reserve fund planners to address the 2030 and 2050 targets in the next reserve fund study update. We all better hurry; time is running out.

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[1] *https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/progress-towards-canada-greenhouse-gas-emissions-reduction-target.html*

[2] *https://www.reminetwork.com/articles/climate-change-fallout-projected-to-be-bleak/*