

CONSTRUCTION MONITOR

The BC CONSTRUCTION MONITOR is an ICBA publication providing ahead-of-the-curve information and statistics on the BC construction industry and issues relevant to it.

The Monitor draws on analyses and outlooks from various sources, and provides current and substantive insight. This quarterly publication is intended for industry executives, government decision makers, journalists and other opinion leaders.

We welcome your feedback and story suggestions at info@icba.ca.

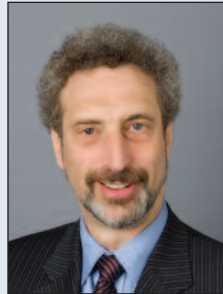
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Green means new opportunities for BC's contractors



Philip Hochstein

There's lots of talk about the "green economy" and the business opportunities that our ever-increasing environmental consciousness could create. But is that reality or wishful thinking? For the construction industry, it's very much reality.

Projects driven by green objectives are already creating a lot of construction work, and will drive even more business for

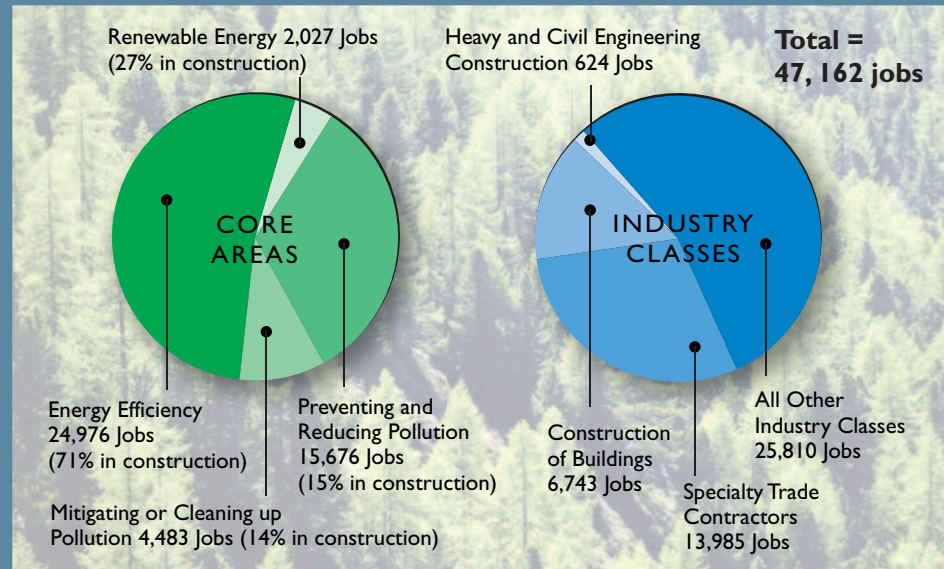
contractors in the future. They're one distinct bright spot at a time when the industry outlook is otherwise very uncertain.

In fact, construction may well be the major industry for which the connection between "green" and "commercial opportunity" is the clearest and most direct.

"Going green" on a meaningful scale, after all, has to be about more than sorting the recycling and turning off the lights. It involves construction-heavy activities like generating more renewable energy and retrofitting existing

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Green jobs breakdown: Construction has a big share



Source: Washington State Employment Security Department

The term "green jobs" may bring to mind images of lab coats and research stations, but construction-related occupations are a big part of the mix. Washington State recently came up with a conservative count of some 47,000 green jobs, and it found that the largest concentrations of them were in construction and agriculture.

New Opportunities

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buildings. And here in BC, the provincial government was quick to establish clear requirements for prompt action.

The province's Climate Action Plan, for example, is cutting-edge and ambitious. BC was the first North American jurisdiction to implement a broad-based carbon tax, has set GHG reduction targets kicking in just three years from now, and through the Pacific Carbon Trust is already purchasing carbon offset credits. And both the provincial government and more than 170 local governments have committed to going carbon-neutral by 2010 and 2012 respectively.

This momentum is now being seen more widely. Most notably, the Obama administration has embraced the notion of a cap-and-trade-based carbon-reduction plan. Our federal government appears keen to coordinate its efforts, and leaders of the eight major industrial countries recently committed to important shared GHG-related targets.

Clearly, we're moving towards a "low-carbon economy", and this will drive many new construction projects and upgrades as industry and individuals adapt to new regulations and realities.

Some numbers released by the Washington State government earlier this year underscore the employment benefits for our sector: Starting with a common-sense definition that green jobs "promote environmental protection", it came up with a conservative count of 47,000 such jobs in the state – with construction-related employment accounting for 45 per cent of them. The picture is likely very similar in BC.

Key among current green-driven construction opportunities here are those created by independent power projects (IPPs). Private entrepreneurs are building a network of mostly small-

scale hydro projects around BC. This is already generating opportunities for construction contractors of varying sizes and the IPP sector has potential for significant further growth.

Energy retrofits and other environmental motivations are also helping drive a resilient renovation market, and this is creating opportunities for even the smallest-scale contractors. Various government incentives, such as those offered through the LiveSmart BC program, are accelerating the pace of renovations and other construction.

The fact that we live in a province that leads in green regulation, awareness and market demand doesn't just mean a large volume of construction opportunities – it also gives BC contractors an opportunity to be on top of emerging trends and techniques.

The growing application of LEED and other certifications shows that many BC contractors are positioning themselves as leaders in the burgeoning green-building market. Recent building code changes may help solidify this leadership position, and the competitive advantage it could represent for contractors who market their expertise outside the province.

ICBA is also working to ensure that the environmental benefits construction delivers are factored into government decisions regarding measurement of and credit for carbon savings.

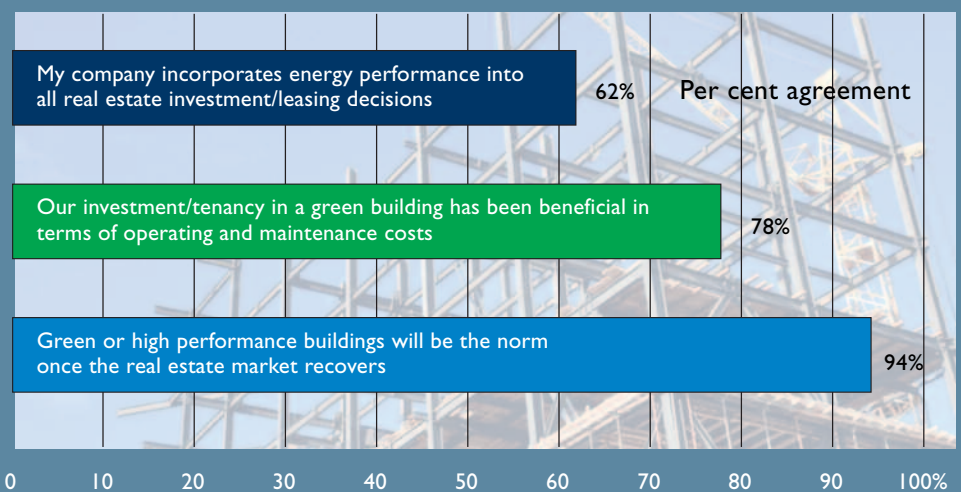
Green construction and related opportunities won't fully take up the slack that the weak economy has created. But it's fortunate that such investments are ramping up so significantly right now. They offer a unique combination of further reductions in society's environmental footprint, and huge commercial opportunity for contractors.



Green Building Demand is Growing

The green imperative is not only increasing the volume of construction work, but also changing the nature of client demand. Various factors – ranging from the conservation incentives and assistance available from BC Hydro, to simple lower operating costs – are driving up demand for buildings with better environmental performance. In some cases, clients are also looking for specific green-building certifications. Contractors who position themselves to meet this demand will likely find a new range of opportunities.

BC COMMERCIAL REAL ESTATE SECTOR SURVEY



Source: Light House Sustainable Building Centre (December 2008 survey)

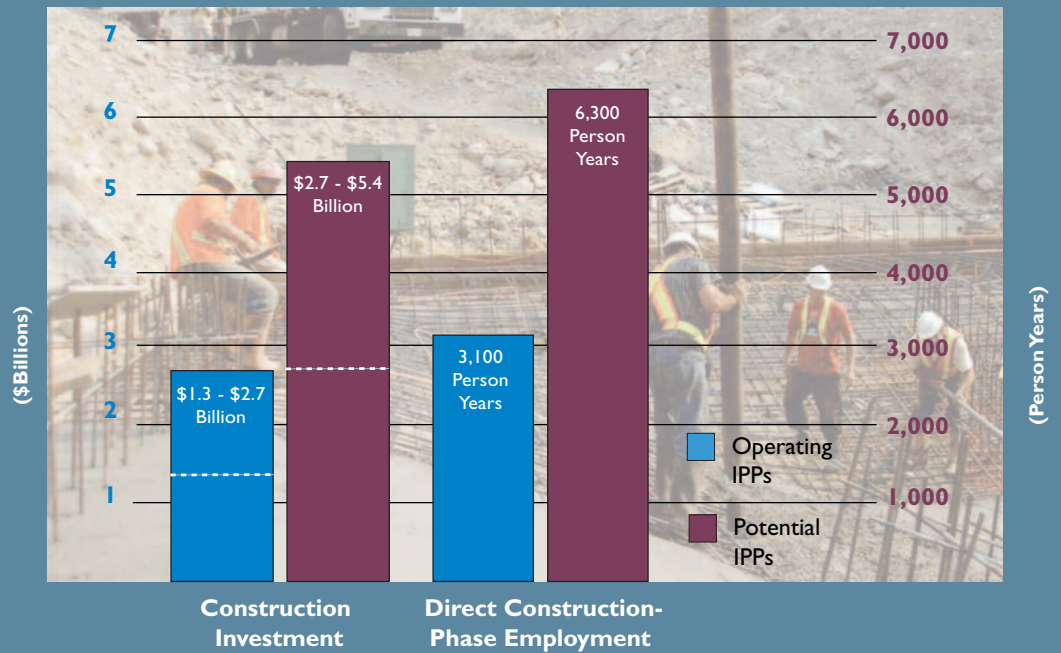
Green Opportunities: From Power Plants...

BC is home to a relatively new and very vibrant independent power production (IPP) industry, focused mainly on run-of-river hydroelectricity. About 1,000 construction workers are currently building 15 new projects at locations around BC. And since these low-impact projects figure prominently in BC's energy supply and climate change plans – with the potential to make BC a key provider of green energy to other markets as well – this sector has the potential to become an even bigger driver of construction activity for a long period of time.

Photos Courtesy Independent Power Producers Association of BC



IPP-RELATED CONSTRUCTION ACTIVITY



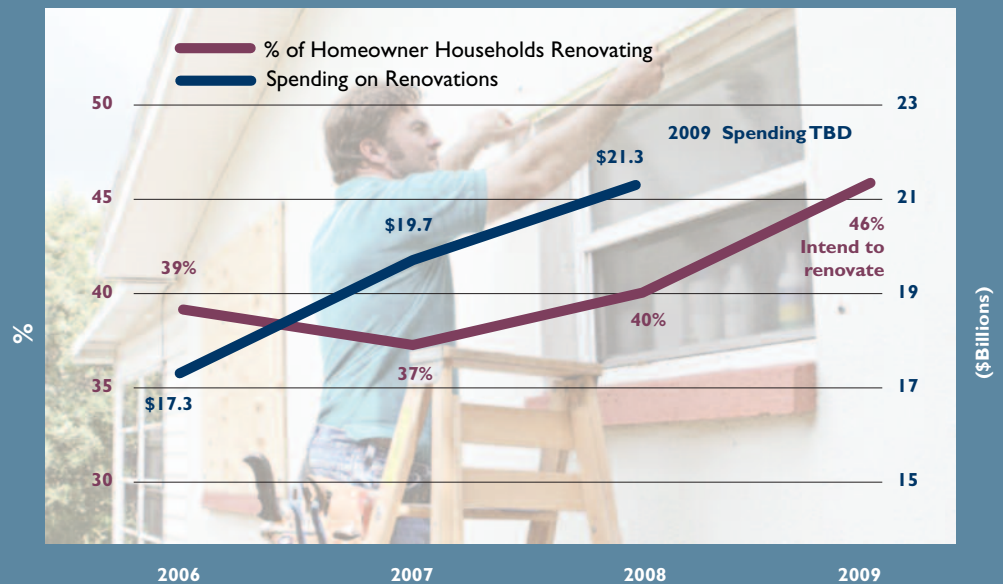
Dollar figures are based on Independent Power Producers Association of BC estimates on a per-megawatt-of-capacity basis. "Potential IPPs" are unconstructed but with signed energy purchase agreements with BC Hydro (as of May 2007).

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Green Opportunities: ... to Home Renovations

Renovation activity and intentions are holding up well even in the current economy, and are generating business opportunities well-suited to smaller contractors. Green considerations increasingly figure into renovation decisions, with 8% of 2008 renovators citing energy efficiency as a motivation, up from 5% in 2007. Very high levels of intent to take advantage of the federal home-renovation tax credit, combined with the impact of additional provincial incentives, will drive more activity in the months ahead.

RENOVATION ON THE RISE



Based on survey of homeowners in 10 major centres

Source: Canada Mortgage and Housing Corporation

Governments Step up on Green Funding and Incentives

The federal and provincial governments are making big investments in energy efficiency and other environmental improvements. A range of direct government spending, as well as rebates and tax incentives, will create significant and varied construction activity.

The top table shows the total investments represented by some current federal programs with an explicit green focus (some of which will be supplemented by other levels of government). The provincial government has also stepped up with big commitments, including \$75 million to retrofit government buildings, \$60 million for LiveSmart BC efficiency incentives, and \$20 million for energy projects in remote communities.

The bottom table shows the potential benefits for a homeowner – representing close to 90% of actual costs – of LiveSmart BC, a program which provides “one-window” access to various federal, provincial and utility-company incentives.

“British Columbia has the longest list of incentives for business to “go green” of all provinces, according to new research by the consulting firm PricewaterhouseCoopers.”
– Vancouver Sun, July 2009

FEDERAL GREEN FUNDING

Initiative	Description	Total Program Funding
Building Canada Fund (BC portion)	Largely for major infrastructure projects such as transit, water treatment and green energy	\$
Social Housing	To address energy retrofit and renovations backlog	\$
Green Infrastructure Fund	Projects such as waste-management, green energy generation, and transmission lines	\$
Pulp & Paper Green Transformation Program	To support improved energy efficiency and environmental performance at pulp and paper mills	\$
ecoENERGY Home Retrofit	Temporary increase in grant amounts for energy-efficiency improvements	\$\$\$

Source: Federal Government

\$ = \$1 billion, \$ = \$100 million

LIVESMART BC: TYPICAL REBATES

Home Upgrades	Costs	Rebates
Assessments	\$300	\$150
High Efficiency Furnace	\$4,200	\$1,560
Attic & Wall Insulation	\$2,850	\$3,215
Weather Stripping	\$100	\$290
Renovation Tax Credit	–	\$925
EnerGuide Rating Bonus	–	\$400
TOTALS	\$7,450	\$6,540

Source: City of Vancouver Estimates



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