A clean energy program is on the horizon for Albertans. Will it work?
New School of Public Policy report

For Immediate Release April 4th, 2019

Calgary – A 2018 survey reported that 68 per cent of Albertans believe the provincial economy would benefit by transitioning to lower carbon energy sources. The Property Assessed Clean Energy program (PACE) has worked in several jurisdictions in the U.S. as well as Canada and with newly enacted legislation, Alberta is poised to implement its own PACE program.

PACE can help Albertans by providing financing for clean energy upgrades to their properties. The funding would take the form of a loan repaid through an annual amount added to their property taxes.

Today, The School of Public Policy with author Mukesh Khanal released a report that examines PACE and experiences with similar programs in both the U.S. and Canada. The report also offers a solid framework for creating an Alberta model.

According to Khanal, "Alberta is in an ideal position to develop regulations that address the program's main issues. Still at square one with newly enacted legislation, the Alberta government must address such issues as the size of PACE loans, eligibility requirements for property owners, what types of environmental upgrades will be permitted and even the interest rate on loans funding the program.

The mayors of Calgary and Edmonton along with officials of smaller Alberta municipalities have expressed their enthusiasm for a provincial PACE program. However, Alberta will face a number of unique challenges first. The downturn in the provincial economy, combined with the decline in household income, the highest personal debt levels in Canada and the highest unemployment rate in the country, may make Albertans averse to taking on more personal financial obligations. Finding trustworthy contractors, getting estimates and researching the products available for the desired upgrades can also add up to an exhaustive effort that could deter busy homeowners."

Clarity around the terms of the PACE lien will be a key factor for the program's success in Alberta, as the lien has proven problematic elsewhere. The lien is supposed to be attached to the property and not the owner, but the U.S. has seen numerous instances in which buyers insisted the PACE lien be paid off before the sale closed or demanded that the seller lower the asking price to account for the loan's outstanding balance.

The Alberta government will need to find a way forward that combines best practices from other jurisdictions with a regulatory framework that addresses PACE's shortcomings. The research offered in the report is a starting point from which the Alberta government can fashion a strong and equitable PACE program that would be a model for other jurisdictions.

The paper can be downloaded at https://www.policyschool.ca/publications/

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