

THE FRAME

IN CONVERSATION WITH CAROLE SAAB

Ehren Cory: Thanks for participating in our inaugural edition of *The Frame* to talk about a subject that is preoccupying so many people: Infrastructure, particularly those projects that support the sustainable outcomes and quality of life Canadians' desire.

When you speak to municipal leaders, what are some of the challenges and opportunities they see in renewing and upgrading their infrastructure? How can the CIB help Canadian municipalities with needed infrastructure projects?

Carole Saab: The need for infrastructure renewal is staggering. Based on the latest data from Statistics Canada's Core Public Infrastructure Survey, the Federation of Canadian Municipalities has estimated that the cost of rehabilitating or renewing all the assets listed in "poor" or "very poor" condition is in the range of \$175 billion.

Every day I hear from municipal leaders who must balance the need to renew existing infrastructure assets with the construction of new assets. Population growth, the need to increase housing supply and additional pressures such as climate change and natural disasters have brought new stresses on public infrastructure. Through FCM's federally funded suite of programming like the Municipal Asset Management Program, Municipalities for Climate Innovation Program, and of course the Green Municipal Fund, we've been able to support the development of ambitious climate plans and feasibility studies in pursuit of innovative solutions.

The CIB could help by continuing to explore new financing models for infrastructure renewal that create new value and a return on private investment.

The asset classes that tend to be more conducive for private finance are in sectors like electricity, telecom (broadband), trade infrastructure, public transit and, to some extent, water infrastructure where there are user fees already associated with the asset. The CIB could help by continuing to explore new financing models for infrastructure renewal that create new value and a return on private investment.



L TO R: Ehren Cory CEO, Canada Infrastructure Bank, Carole Saab, CEO, Federation of Canadian Municipalities

And where private finance is showing promise, like we are seeing with zero-emission public transit buses and energy retrofits for large buildings, the CIB can help municipalities by partnering to support them through the project development phase and by exploring new ways to bundle smaller projects together to get them to investment scale.

We need to evolve our approach to how infrastructure is built in Canada, and municipalities need to be part of those discussions from the start. (continued next page)

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IN CONVERSATION WITH (CONTINUED FROM PAGE 1)



GREEN INFRASTRUCTURE Avenue Living Energy Retrofits

EC: Carole, the FCM is doing some great work, but we know the need for infrastructure investments in Canada is so big. How can governments at all levels, the CIB and the private sector collaborate and use alternatives to advance the development of impactful infrastructure?

CS: It's true that the need for investment in public infrastructure is massive. No one order of government can do it alone. Partnerships are essential, and we need to continuously find new ways of delivering the infrastructure that Canadians expect and that will position Canada for success over the long-term.

Municipalities are making the most of the limited revenue tools they have available to them, namely property taxes, user fees and transfers from other orders of government. In that fiscal context, and while the need for significant public investment remains, private finance is also an option that municipalities are exploring, including in partnership with the CIB.



Long-term federal investment in these areas, where appropriately leveraged by private finance, could have a real impact in the lives of all Canadians.

We're also seeing through FCM's Green Municipal Fund, that we can be thoughtful about how programs are designed, and the financing gap can be filled to catalyze private sector investment in infrastructure. The fund has helped drive private investment in ambitious projects like the Zibi Net Zero Waterfront development (in Ottawa-Gatineau), which brought together two cities, Hydro Ottawa, the developer in a partnership to reuse industrial heat waste, generate hydro power, and cool buildings in the summer with a fully net zero heating and cooling district energy system.

We have real success stories to build on and a big opportunity for governments to do more, through the CIB and other partners, to leverage investment toward the scale of investment our country needs. To be clear, it will never displace the need for public investment, but we can and must be smart about the outcomes we should expect from that investment, and I'd argue maximizing its catalytic potential must be one.

Investing in infrastructure is essential to Canada's long-term economic prosperity, to our quality of life, to combating climate change and to increasing social and economic inclusion. The CIB's investment priorities align with a number of key municipal priorities, including clean water, broadband connectivity, public transit and building retrofits. Long-term federal investment in these areas, where appropriately leveraged by private finance, could have a real impact in the lives of all Canadians.

IN CONVERSATION WITH (CONTINUED FROM PAGE 2)

EC: We shared the stage at the GLOBE Forum last spring where we discussed the importance of municipalities addressing resiliency and adaptation. How are municipalities thinking about and addressing climate adaptation? What types of investment are needed, and how are municipalities approaching these?

CS: There's a reason that every local broadcast about a devastating flood or storm event will feature the mayor. Local governments are located at the front lines of the damage from increasingly extreme climate and weather events. From wildfires to coastal surges, local leaders are responding as new climate extremes force families from their homes and cost our economy billions each year in property damage and lost productivity.

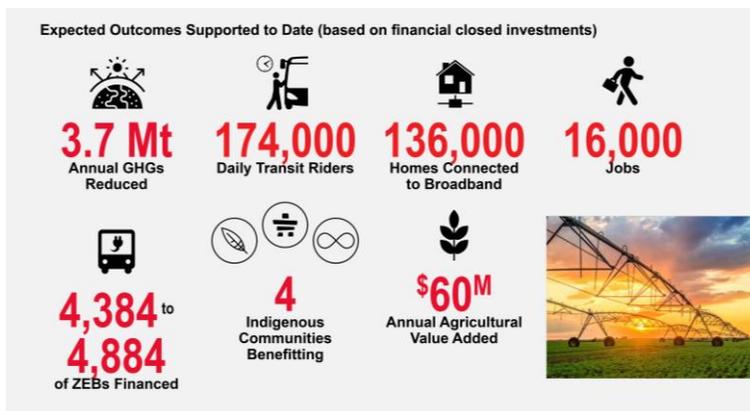
From wildfires to coastal surges, local leaders are responding as new climate extremes force families from their homes and cost our economy billions each year in property damage and lost productivity.

municipalities to adapt their infrastructure. And there's more to do, particularly about natural infrastructure. If we invest wisely, we can better stabilize landscapes and mitigate climate hazards, and we can enable municipalities to purchase forests, wetlands, and green spaces to create or expand parks and protected areas – supporting local conservation, urban biodiversity, low-carbon resiliency and access to nature.

Municipalities are approaching this, as they do with most things: pragmatically, doggedly, and with the interest of their community members foremost. As the order of government closest to Canadians they can't afford to wait until other orders act. So, they need real partners and need to be fully included as such. Both because of their local expertise and because it's what Canadians need and so rightfully expect.

There are some important tools, like the Disaster Mitigation and Adaptation Fund, that are helping communities work ahead and stay prepared for the effects of a changing climate. But that fund desperately needs to be scaled up to meet the scope of the climate problem and we need to build the capacity of

OUTCOMES AND KEY METRICS



Charging and Hydrogen Refuelling Infrastructure Initiative



\$500M to accelerating new investment in zero-emission vehicle infrastructure across Canada



Charging and Hydrogen Refuelling Infrastructure
Getty Images

FOCUS ON: Building Retrofits



GREEN INFRASTRUCTURE Dream Retrofits

CIB tackling large source of GHG emissions with building retrofits program

The Canada Infrastructure Bank is tackling one of the country's the largest sources of greenhouse gas emissions by supporting companies that want to tackle large-scale building retrofits.

It's a key priority of the CIB's efforts to accelerate the decarbonization of the real estate sector across Canada. To date, the CIB has committed \$800M toward building energy retrofits with the program recently expanding into the hotel industry.

The initiative offers public and private sector real estate owners and aggregators low-interest loans that are paid back from energy and carbon tax savings accrued from the retrofits.

The Canada Green Building Council says all types of buildings need to be upgraded, retrofitted and decarbonized so the country can achieve its 2030 and 2050 climate targets.

The Canada Green Building Council vice-president Mark Hutchinson said CIB's retrofit initiative is spurring a lot of interest because it's a program built specifically around carbon emissions rather than energy efficiency. And it has aimed high by requiring participants to realize double-digit emissions reductions.

"It's gotten a lot of attention because of that and because there are financial advantages for participating in the program," he said in an interview.

Real estate firm Dream was one of the most recent companies to turn to the CIB for help to realize its decarbonization aspirations.

CIB's investment of \$136.6 million is catalyzing the decarbonization and modernization of 19 office and residential buildings across Dream's portfolio in Ontario and Saskatchewan, creating about 1,500 jobs and healthy workplaces for 15,000 office employees.

"The decarbonization and modernization of our assets is an integral part of Dream's net zero transition. This investment will have a positive and lasting impact on communities and the environment," said Michael Cooper, President and Chief Responsible Officer.

CIB's financial contribution will allow us to reduce our GHG emissions in some buildings by an approximate additional 20 to 30 per cent over what would have been achieved without CIB financing. Michael Cooper, President and Chief Responsible Officer.



GREEN INFRASTRUCTURE Dream Retrofits

Contributions from CIB's residential program, along with the **Canada Mortgage and Housing Corp. MLI Select** program is allowing Dream to decarbonize while also creating and preserving 189 affordable residential units, Cooper added.

"This also provided proof of concept for a partnership model which ultimately demonstrated how through valuable government, private sector, and not-for-profit (Dream Community Foundation) partnerships we can address issues of climate change, affordability and inclusivity."

The Fairmont Royal York is CIB's latest Canadian building retrofit investment. The others include Avenue Living, Efficiency Capital, SOFIAC, Algoma Steel, University of Toronto and Toronto Western Hospital.

"The CIB's customized investment solution will help decarbonize a historic Canadian landmark, paving the way forward for future green retrofits within the hospitality sector," said CIB chief executive Ehren Cory. (continued next page)

FOCUS ON: Building Retrofits (CONTINUED FROM PAGE...)

Hotel guests who increasingly want environmentally focused accommodations will welcome the upgrades even though they will largely be relegated to the guts of the 1929 structure. Steam-based systems will be replaced to curb the use of fossil fuels for heating, ventilation, air conditioning, hot water and hotel operations.

Hotel owner KingSett Capital previously obtained Zero Carbon Certification for Scotia Plaza in Toronto, which in 2020 was the largest Zero Carbon office building in Canada.

KingSett CEO Jon Love said the ambitious scale of the Royal York Hotel project required a significant capital investment that was only made possible with CIB support.

“There’s no gift here. There’s no free lunch. This is hardcore business on both sides of the table and I think it’s generating a really constructive outcome for Canada,” he said in a Canadian Club panel discussion.

Although hotels are interested in cutting carbon emissions, COVID-19 struck a brutal blow to the sector, says Rebecca Bartlett-Jones, business development director for GreenKey Global, a sustainability certification program owned by the Hotel Association of Canada.

“I believe there is a wish and a need to do this, they’re just being held back by money and not knowing really who to turn to.”

But Bartlett-Jones said the Royal York proceeding with this change will “definitely make a difference” as will the hotel association’s certification program.

“I believe in the next year or so it’s going to be top of mind for all hotels, so I’m really encouraged.”

PARTNERSHIPS



DARLINGTON SMALL MODULAR REACTOR

- Once built, the SMR will reduce carbon emissions by an average of 740 kilotonnes annually between 2029 and 2050
- Project will spearhead other Canadian SMR projects being considered in Saskatchewan, New Brunswick and Alberta



FAIRMONT ROYAL YORK HOTEL

- Greater energy efficiency by electrifying the hotel’s energy sources and eliminating its reliance on the current steam-based systems
- Significant reduction in carbon emissions, with the aim of reducing the hotel’s emissions by more than 80 per cent
- To date, the CIB has committed more than \$800 million toward building energy retrofits



MODERN NIAGARA

- Reduce carbon emissions by more than 80 per cent or approximately 2,000 tonnes annually
- Replace aged operating and heating systems for greater energy efficiency
- Transform the commercial space into a leading energy efficient and sustainable innovation hub



LULU ISLAND DISTRICT ENERGY

- Create a long-term reliable, efficient and cost-effective energy distribution network
- Expect to help reduce GHGs emissions by an average of 34,000 tonnes / year
- Provides residents with a reliable energy source

COMMUNITY OF CIB: Sabaah Choudhary



Meet Sabaah, Manager, Corporate Planning and Reporting at the Canada Infrastructure Bank. Sabaah supports the team in developing quarterly financial reports and annual reports, which evaluate how we track our corporate goals and relays our strategic vision. Her work requires a healthy mix of creativity, determination and leadership.

But there is a particular file which she is most passionate about and occupies most of Sabaah's time – our first-ever Sustainability and Impact Update.

Working on this project combines her passion for sustainable finance and strategy. As a tool for accountability and transparency, the Sustainability and Impact Update will outline how we are investing in a greener and brighter future for Canadians. It will detail how we are maximizing our impact and positive outcomes and will strive even further to become a leader in sustainability.

While working at a nimble and future-focused organization, Sabaah finds she can bring her entrepreneurial spirit and collaborative nature to the table. With every meeting, she tries to see outside the status quo to strive for better.

Sabaah's passion for the environment can also be found in how she spends her free time – getting outside and into nature. To support her physical and mental health, Sabaah will always choose to travel by foot when given the choice.

ENGAGEMENT: Lisa Raitt with Ehren Cory at The Canadian Club

The Canada Infrastructure Bank is hitting its stride as the Crown corporation ramped up investment announcements with the launch of its \$500 million electric vehicle charging and hydrogen refuelling initiative, CEO Ehren Cory told a business luncheon.

"We're in a place now where we've managed to work with project proponents in the public and the private sector for the last few years and figured out what are the things that are getting in the way of infrastructure projects in our country from getting built and how can through our risk-taking and patient capital, how can the CIB help ignite projects that are stuck."

Cory said the CIB is just one tool in a kit that's focused on delivering the vast infrastructure requirements Canadians want but can't afford to get done just through traditional means of government grants or the private sector cherry-picking just the most profitable projects.



L TO R: Lisa Raitt, Vice Chair and Managing Director, Global Investment Banking, CIBC, Ehren Cory, CEO at CIB, Jon Love, CEO at KingSett



There's a big chunk of really important infrastructure that's not quite economic for the private sector to do and the public sector can't afford to do it alone. And it's there that the CIB can make a real **difference**. Ehren Cory at the Canadian Club

ENGAGEMENT: CONTINUED FROM PREVIOUS PAGE



L TO R: Ehren Cory, CEO at CIB, Lisa Raitt, Vice Chair and Managing Director, Global Investment Banking, CIBC

Cory said the bank now has examples across all of its sectors to start to show how it can accelerate the infrastructure build and fill that gap. As of the first quarter, the CIB has earmarked \$7.6 billion on 34 investments or investment commitments that has unlocked about \$22 billion of infrastructure projects that wouldn't otherwise be built.

"So I think we found our footing, we're much clearer now on that gap. And we're clear in the sectors that we're playing in and and how we can work with partners."

The prime goals of any investment is greenhouse gas emissions reduction, better connectivity of Canadians through both transit and broadband or access to infrastructure to indigenous communities.

However, there's a lot of risk and uncertainty right now from high inflation, supply chain disruptions and rising interest rates that stand in the way of projects. So the CIB can partner with the private sector to absorb some of those challenges by offering long-term investments.

"In many ways that says that the need for the CIB is greater than ever, because again, the gap we're filling in the projects is getting more acute," he said. "So in many ways, our financing is more crucial now to help projects bridge that gap."



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