

Walking Your Decarbonization Pathway

Across the commercial real estate sector, many owners have already taken the important first step in their decarbonization journey: completing a carbon pathway study. These studies provide a clear, data-driven roadmap for transitioning building systems toward lower carbon intensity over time. Yet too often, these reports risk becoming little more than office adornments — sitting on a shelf, collecting dust, rather than driving real investment. The critical question is not whether to develop a pathway, but how to follow it.

In Ottawa, the primary barrier to moving from strategy to implementation is often financial. Lower-carbon technical solutions can carry a capital cost premium relative to conventional like-for-like equipment replacements, and electrification pathways may introduce upward pressure on operating costs where electricity pricing exceeds that of natural gas. As a result, even well-developed carbon pathways can stall at the transition from planning to execution. Overcoming this challenge requires a structured approach — one that combines incentive optimization, careful sequencing of efficiency and electrification measures, and thoughtful financial engineering to ensure projects are not only environmentally effective, but economically attractive.



Fortunately, building owners need not act alone. A wide ecosystem of financial and technical support exists to help translate strategy into implementation. Incentive programs from organizations such as the Independent Electricity System Operator (IESO) and Enbridge are designed to offset the capital cost of energy efficiency upgrades, system optimization, and decarbonization. When properly structured, these programs can materially improve project economics and reduce the incremental cost of lower carbon technologies.

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Moreover, the federal government's Clean Technology Investment Tax Credits offer a fully refundable tax credit amounting to between 20-30% of total project costs for the installation of low-carbon technologies like heat pumps, battery storage, or solar PV. These tax credits can be leveraged in addition to any prescriptive or custom incentives opportunities with IESO and Enbridge. Taken together, the net installed cost of heat pump systems can approach — or even undercut — the cost of traditional like-for-like equipment replacement, fundamentally changing the investment equation.

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In Ontario, decarbonization typically requires electrification — replacing fossil-fuel-based heating systems with electric alternatives such as air source heat pumps. However, electrification can sometimes introduce higher operating costs, particularly where electricity rates exceed natural gas on an energy-equivalent basis. The solution lies in sequencing. When electrification is paired with other conservation measures — reducing heating and cooling loads, improving building automation systems and building intelligence, generating your own electricity through on-site renewables, and even low-cost efficiencies in water consumption — the resulting operational savings can create room within the operating budget to support further electrification. In this way, efficiency becomes the enabler of decarbonization.

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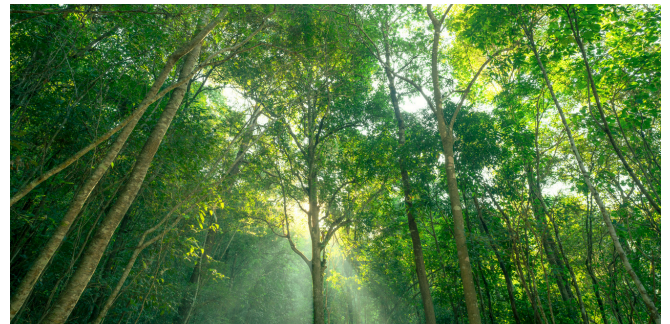
The most significant acceleration, however, often comes through innovative financing structures. Energy performance contracts, delivered through energy-as-a-service models, enable organizations to implement decarbonization projects with limited upfront capital and without placing additional pressure on operating budgets, while providing long-term performance assurance. In parallel, the Canada Infrastructure Bank offers access to low-cost capital at below-market interest rates, although direct participation typically requires projects or portfolios exceeding \$25 million. To bridge this gap, a growing network of CIB-aligned aggregators can finance smaller-scale initiatives at similarly competitive rates. Access to capital in the range of 3–4% not only improves project affordability but also creates strategic flexibility — preserving internal capital and enabling reinvestment into higher-return opportunities, often generating internal rates of return in the range of 7–10%.

This shift in financing structure can dramatically alter project economics. Over a 15-year term, it is not uncommon for a project once viewed as marginal — with a negative net present value — to become strongly value-accretive, generating millions in positive financial impact alongside measurable carbon emissions reduction.

A carbon pathway study should never be viewed as the end of a process. It is the starting point of a coordinated strategy — one that integrates technical planning, incentive optimization, financial structuring, and phased implementation. When these elements are aligned, the pathway moves from paper to practice, turning long-term ambition into measurable progress.

Our responsibility is not simply to plan for a lower-carbon future, but to actively build it.

If you're still interested in starting to chart your decarbonization pathway, you can find more information about the [Ottawa Retrofit Accelerator Program, here.](#)



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