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Using Infrastructure Finance as a Catalyst to Decarbonize Buildings

On September 9, 2026, Gowling WLG hosted the latest installment of its Energy Innovator Roundtable series, in collaboration with Mott MacDonald and the International Project Finance Association (IPFA). The roundtable brought together experts from the infrastructure, lending and building decarbonization sectors. Participants discussed how infrastructure finance can help move building decarbonization from individual projects to investment at scale. Held under the Chatham House Rule, the discussion generated six key takeaways.

1. Start with the complete investment case.

Building decarbonization should be evaluated on its complete investment economics – not simply its upfront cost. The relevant analysis considers both the capital required and the value the investment is expected to generate, including energy and other operating-cost savings, available incentives, applicable clean-economy investment tax credits (ITCs) and other project-specific economic benefits. Lower-carbon projects are increasingly demonstrating an investment case on economic grounds alone, independent of their emissions-reduction benefits.

Timing matters: aligning decarbonization investments with existing capital-replacement cycles can materially improve the investment case. Buildings, infrastructure and other long-lived assets require periodic replacement of equipment and systems regardless of decarbonization objectives. Where replacement capex is already required, the relevant comparison is the cost and performance of a conventional replacement against a lower-carbon alternative – not the full cost of the lower-carbon investment against a zero-cost baseline. The incremental capex associated with the lower-carbon option can then be assessed against its energy and operating-cost savings, available incentives, ITCs and other economic benefits.

2. Structure the complete financing package.

Making a project financeable requires matching it with the right capital – and structuring different sources of capital to work together. Capital providers have different investment mandates, return requirements, investment horizons, and risk tolerance. Depending on the project, the financing package may combine private debt or equity, Canada Infrastructure Bank (CIB) financing, energy-efficiency incentives, federal clean-economy ITCs and project contracts that support cost recovery. These components should be considered early in project development, as their eligibility, timing, documentation and performance requirements can affect the financing and contracting structure.

Understand what each component contributes to the financing package.

- Private debt and equity provide investment capital in exchange for an acceptable risk-adjusted return.
- CIB financing can provide upfront capital, address financing gaps or risks, and help mobilize private investment.
- Energy-efficiency incentives such as IESO's Save on Energy can reduce the effective cost of eligible investments.
- Federal clean-economy Investment Tax Credits can reduce the after-tax capital cost of qualifying investments.
- Project contracts establish the commercial arrangements for delivery, performance, and risk allocation and, depending on the business model, the mechanism through which invested capital is recovered.

Account for when – and with what level of certainty – incentives become available. An expected incentive or refundable tax credit is not equivalent to cash available at financial close. Where project expenditures precede receipt, the financing structure must address the resulting funding gap, including whether anticipated proceeds can be reflected in financing assumptions and who bears the risk of delay, reduction or unavailability.

Infrastructure financing can bridge the timing gap between upfront investment and future returns. For example, CIB's Building Retrofits Initiative provides financing for retrofit investments made today against energy and operating-cost savings expected to accrue over time. This can convert an opportunity with attractive long-term project economics into a project that can be executed today.

3. Make the project bankable by reducing and allocating risk.

"Too risky" can sometimes be solved through better structuring. Depending on the project, risks affecting bankability may include technology and performance, construction and completion, schedule and cost escalation, contractor and supply-chain capacity, permitting, counterparty risk and projected-savings assumptions. Financing and commercial structures can address these risks by mitigating them where possible and allocating them to the parties best positioned to manage them, leaving capital providers with an acceptable residual risk profile.

Integrated delivery models can provide execution capability as well as capital. Building owners may lack the capital required for a deep retrofit, the internal time or expertise to develop and manage it, and confidence that projected performance will materialize. Financing alone addresses only the first constraint. Integrated models can combine financing with project development, engineering, project management, implementation and performance measurement – reducing the owner's execution burden as well as its capital burden.

Measurement and verification can turn projected performance into evidence that owners, funders and other project participants can rely on. Where project economics depend on anticipated energy savings or other performance outcomes, establishing a credible baseline and measuring actual performance against expected results can support investment decisions, contractual performance obligations, incentive requirements and, depending on the structure, financing or repayment arrangements.

Pilots can de-risk innovation and create a path to commercial deployment. New technologies and delivery models may offer significant cost or performance improvements but lack the track record required for broader investment. A pilot can establish technical performance, credible project economics, and execution capability – reducing uncertainty and creating the evidence needed to support broader financing and deployment.

4. Use aggregation to create scale.

Financial aggregation can turn smaller projects into investable portfolios. Individual retrofit projects may be too small to efficiently attract infrastructure or institutional capital. Pooling projects through an aggregator or investment platform can create greater investment scale, spread transaction costs across the portfolio, diversify exposure to individual projects and potentially attract larger pools of capital. CIB's Building Retrofits Initiative illustrates this approach by financing aggregators that combine multiple retrofit projects into investment portfolios.

Physical aggregation can improve the economics of the underlying infrastructure. Some decarbonization solutions benefit from multiple buildings participating in a common system. District energy, for example, can spread infrastructure costs across a larger customer base and achieve economies of scale – Enwave's Deep Lake Water Cooling system in downtown Toronto provides a successful model. The appropriate scale of investment may therefore extend beyond an individual building to shared infrastructure serving multiple buildings, a neighbourhood, or a district.

5. Look beyond the project to recognize system-level and province-wide value.

An investment at the building level can affect the amount of infrastructure required at the system level. Electrifying buildings increases demand on the grid, whereas improving energy efficiency reduces it. At scale, reducing demand can reduce or defer the need for additional generation and grid infrastructure. The IESO estimates that new and expanded energy-efficiency programs will contribute to an overall demand reduction of 8 per cent by 2050 and save $12.2 billion in system costs. Evaluating decarbonization investments at the system level can therefore reveal economic value that is not captured by building-level project economics alone – including the value of infrastructure that can be avoided or deferred.

Ultimately, evaluating building decarbonization through a system-wide lens provides a reasonable basis for understanding its full value proposition. As the roundtable discussion highlighted, targeted retrofits at the individual building level likely aggregate to create material system-level impacts, such as reducing peak demand and potentially deferring the need for broader grid infrastructure generation. By leveraging infrastructure finance models, stakeholders may be better positioned to capture these distributed benefits. Structuring capital to account for both local operating savings and broader provincial grid efficiencies generally aligns with the overarching goal of scaling these investments in a measured, economically viable manner.

6. Accounting for deep institutional conservatism within the building power sector.

The building power system and its related infrastructure have historically operated under well-established, highly regulated paradigms. This inherent conservatism appears to create a natural resistance to rapid technological or structural change, which may occasionally extend the timeline for deploying novel decarbonization solutions. When developing these projects, it is generally prudent to anticipate this institutional inertia. Structuring investments to align, where possible, with existing operational comfort zones—or introducing innovations incrementally—likely provides a more reliable pathway to widespread adoption.

Acknowledging this baseline early in the development phase may help sponsors and capital providers design frameworks that gradually bridge the gap between traditional engineering practices and newer, lower-carbon technologies.

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