



**Written Submission for the Pre-Budget Consultations in
Advance of the Upcoming Federal Budget**

**WaterPower Canada
August 2, 2024**



Recommendations:

- Recommendation 1:** That the government conclude the implementation of the Clean Electricity Investment Tax Credit previously announced in Budgets 2023 and 2024.
- Recommendation 2:** That the government conclude the implementation of the Indigenous Loan Guarantee Program
- Recommendation 3:** That the government simplify the Clean Electricity Investment Tax Credit and remove extraneous terms and conditions that detract from its operation as an incentive.
- Recommendation 4:** That the government simplify the Clean Electricity ITC Labour Requirements
- Recommendation 5:** That the government expand the scope of its clean energy initiatives to include intraprovincial transmission projects and sustaining capital for existing clean energy facilities.
- Recommendation 6:** That the government ensure that key legislation, including the Fisheries Act and Migratory Birds Convention Act, and associated regulations and policies are amended to facilitate responsible development of clean energy projects.
- Recommendation 7:** Recapitalize the Smart Renewables and Electrification Pathways Program (SREPS) to prioritize important gaps not addressed by the ITCs

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House of Commons
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Written Submission for the FINA Committee 2025 Pre-Budget Consultation

Dear Chair,

Waterpower Canada (WPC) welcomes the opportunity to provide input as part of the 2025 Pre-Budget Consultation process.

As Canada's national voice for hydropower industry, we represent more than 95% of the waterpower installed capacity in Canada and continue to advocate for the responsible development and use of waterpower to meet our present and future electricity needs in a sustainable manner.

Canada's net-zero aspirations will only be met with a substantial build-out of our electricity system, and most analyses have concluded that our electricity system will need to at least double¹ to achieve net-zero emissions.

Significant investment and strategic financing will be necessary to balance affordability for Canadians while executing the most consequential energy build out in a century. The federal government must continue to ensure robust funding support for Canada's clean energy transition so that energy costs remain reasonable for Canadian consumers.

Hydropower, with its ability to provide firm capacity, flexible dispatch, and long-term storage, will be an integral part of our future electricity system, and will be vital to successfully integrating variable renewable energy resources, such as wind and solar, into our future electricity system.

Our industry supports the government's efforts to finance a cleaner future for Canadians through the Clean Electricity Investment Tax Credit (ITC), low-interest government loans, flexible financing options, and capacity funding to support Indigenous participation in energy projects. Each of these components is essential to support additional investment in clean electricity projects.

¹ [Powering Canada: A blueprint for success](#)

Recommendation 1: Conclude the Implementation of the Clean Electricity Investment Tax Credit (ITC) in Budget 2025

While the ITC was originally announced in Budget 2023, its terms and conditions have yet to be finalized. WaterPower Canada advocated for the conclusion of terms and conditions in 2023² and these have yet to be finalized.

Without these final details, the ITC remains a concept that industry cannot rely on as an incentive for much-needed development to meet our net-zero aspirations.

Recommendation 2: Conclude the Implementation of the Indigenous Loan Guarantee Program

Participation in projects by Indigenous groups is an important mechanism for reconciliation and WPC strongly supports this program. We are disappointed that this program has yet been finalized, and we urge the federal government to expedite the implementation of this program.

Recommendation 3: Simplify the ITC and remove extraneous terms and conditions that detract from its effectiveness as an incentive.

In the same submission cited above urging conclusion of the ITC terms and conditions, WPC also provided feedback to Finance Canada on the design and implementation of the Clean Electricity ITC.

Significant issues remain outstanding and detract from the effectiveness of the ITC as an incentive.

The major outstanding points include:

- a) Provincial commitment to net-zero by 2035 as a pre-requisite to eligibility of the ITC.
- b) Lack of clarity on the eligibility of projects that extend beyond 2035
- c) Lack of clarity of pre-construction costs
- d) Lack of definition for large hydro in the applicable Capital Cost Allowance (CCA) category
- e) Lack of clarity regarding eligibility of industrial clean energy projects for the ITC
- f) Lack of clarity on the eligibility of sustaining capital investments on existing projects for the ITC

Given the lack of concrete progress on streamlining project approval and permitting processes, the lack of clarity on the eligibility of project expenditures is a key concern for projects with longer approval and construction timelines, such as hydropower projects.

² [WaterPower-Canada ITC-Submission_Oct-23-2023.pdf \(waterpowercanada.ca\)](#)

Also, as noted in WPC’s report on facility refurbishment and redevelopment³, over 5,000 MW of incremental generating capacity could be realized from the existing hydropower fleet through refurbishment, but that operators are delaying refurbishment for economic reasons. ITC availability will incent the development of this capacity.

Recommendation 4: Simplify the ITC Labour Requirements

Although the labour requirements for the Clean Electricity ITC have not been announced, we expect them to be comparable to those for the Carbon Capture, Utilization and Storage (CCUS), Clean Technology (CT), and Clean Hydrogen ITC’s.⁴

We are concerned with the excessive bureaucratic burden and duplication created with the Labour Requirements, as well as the limitations on eligible collective agreements.

WPC provided feedback on the labour requirements in September of 2023⁵, and several of our concerns remain outstanding:

- a) The definition of an ‘eligible collective agreement’ excludes operating workers who are assigned to construction projects during key project phases, such as commissioning.
- b) The eligibility of a project labour agreement established under provincial jurisdiction is tied to a hypothetical CBTU agreement that does not exist as it was not negotiated.
- c) The ‘most recent collective agreements’ are not enumerated by CRA but rather by reference to external union websites. Given CRA’s plan to enforce these through the *Income Tax Act*, they should be published by CRA directly so there is no doubt about the basis for the requirements.
- d) Notwithstanding our comment in c), there should be no role for CRA in enforcing compliance with a collective agreement. Compliance with the terms and conditions of a collective agreement (including wages and benefits) are already addressed by resolution procedures in the collective agreement, so this proposal by CRA represents a complete duplication by an uninvolved party.
- e) The framework for apprentice targets is misguided, as apprenticeship requirements on a job are not managed by the project owner, who would be the recipient of the ITC. Apprentice targets are included in applicable collective agreements, but workforce composition is established by the construction contractors building the project (not the owner), and workers are supplied by the applicable union(s).

³ https://waterpowercanada.ca/wp-content/uploads/2023/09/H368493-0000-21A-066-0001_final_en-1.pdf

⁴ [Avoid the reduced tax credit rate for clean economy ITCs - Canada.ca](#)

⁵ [WaterPower-Canada ITC-and-Labour-Requirements-Consultation_Sept-8-2023.pdf \(waterpowercanada.ca\)](#)

Recommendation 5: Expand the scope of clean energy initiatives to include intraprovincial transmission projects and sustaining capital for existing clean energy facilities.

Most of Canada’s transmission system exists within provincial/territorial (PT) boundaries. Intra-provincial transmission is relied upon to connect all communities, especially in rural and remote regions, with the clean, reliable, and affordable electricity grid. Support for the continued build-out and expansion of reliable and resilient transmission systems is essential.

There are significant opportunities for re-investment in and refurbishment of existing facilities to sustain or enhance generation levels. Refurbishment should include all sustaining capital expenditures. Without incurring sustaining capital expenditures, hydroelectric generation facilities will not be able to continue to operate at their expected level.

Recommendation 6: Take steps to ensure that key legislation, including the Fisheries Act and Migratory Birds Convention Act, and associated regulations and policies are amended to facilitate responsible development of clean energy development.

The infrastructure required to power Canada’s energy transition does not exist today. WPC members will be responsible for building the generating stations, transmission lines and distribution systems needed to electrify the economy, and all of this will have to be built faster than ever.

The need for clean energy development does not appear to be a consideration for some departments that play a permitting role for clean energy projects. Most notably, Fisheries and Oceans Canada and Environment and Climate Change Canada are taking a stance on permitting that impedes necessary projects. A desire to avoid any environmental impact under any circumstances is leading to avoiding project approval.

As reported by the Canadian Electricity Advisory Council, “***An over-abundance of caution on federal permitting, reviews, and approvals undermines the clean energy transition.***”⁶

To address this, the government must task the Department of Fisheries and Oceans to develop effective compliance options under the Fisheries Act that effectively balance the need for clean energy development against modest impacts on fish and fish habitat, while at the same time protecting the sustainability of fish populations and fisheries.

⁶ <https://waterpowercanada.ca/wp-content/uploads/2024/06/Canada-Electricity-Advisory-Council-Final-Report-2024.pdf>

Certain migratory bird regulations, such as those for the pileated woodpecker, have an outsize impact on projects compared to their benefits on bird populations. These regulations lack a workable compliance mechanism for important work – a deficiency that must be addressed.

The ability to grant permits for important works that are in the public interest should always be available to decision makers.

For project approval, the federal government should focus its attention on informing permitting decisions from information gathered during provincial environmental assessments. The current five-year target for hydro power is not feasible, and streamlining this process is of utmost importance given the extent of provincial jurisdiction compared to the federal role.

**Recommendation 7: Recapitalize the Smart Strategic Renewables
Electrification Pathways Program (SPREP) to prioritize
important gaps not addressed by the ITCs**

This signature funding programs from NRCan has provided crucial support for clean growth projects, and WPC believes this program should be continued and receive further funding as part of Budget 2025.. Providing adequate funding for these projects will help Canada meet its ambitious Net Zero goals.

In summary, WaterPower Canada and its members support the concepts advanced by the federal government. We urge the government to avoid making these programs overly complicated and to advance their implementation at every opportunity. Finally, a whole of government approach to expediting clean energy development is urgently needed.

Thank you for the opportunity to provide these recommendations and I look forward to discussing these important issues with the committee.

Sincerely,



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