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François-Philippe Champagne
Minister of Finance and National Revenue
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By email: francois-philippe.champagne@parl.gc.ca

**Subject: Comments from the hydropower industry for urgent consideration
in regard to the proposed framework for Clean Electricity Tax Credits in Bill C-15**

Dear Minister Champagne:

As the national trade association representing Canada's hydropower industry, including 70 public and private power producers, equipment manufacturers, and engineering firms who collectively account for over 95% of Canada's waterpower capacity, WaterPower Canada (WPC) is pleased to see that the Canadian federal government is planning to move ahead with the Clean Electricity Investment Tax Credit (CEITC).

We are writing to offer our feedback and guidance on the implementation of this tax credit, as described in Budget Implementation Bill (C-15).

One of Canada's greatest strengths is that hydropower accounts for more than 60% of the national electricity grid. We believe the CEITC has the potential to encourage further development of our industry and could be a critical tool to enable the development of clean energy development in Canada, thus supporting economic growth and energy security for all Canadians.

We are encouraged that some of the recommendations we communicated since the first iteration of the CEITC framework and during the pre-budget consultations in August 2025 were incorporated in the latest version of the framework¹. In particular, we are pleased that all provinces and territories, as well as Crown corporations, are eligible for the CEITC, and that the start of the eligibility period has been made retroactive to April 2024.

The purpose of this letter is to highlight some essential points raised in our earlier correspondence that have not yet been incorporated in the CEITC framework but that are critical to hydropower producers.

While we hope that all our previous recommendations can be made part of the framework for the CEITC eventually as it is rolled out and tested, the following are key to enable clean electricity projects across Canada in the short term:

1. Timing Issues and Eligibility Period

We are concerned with the Time of Acquisition provision contained in paragraph 127.491 (7). As drafted, the CEITC will not be available until the property is available for use, and it must be available on or before December 31, 2034.

This restriction undermines the value of the CEITC for long-lead capital-intensive projects such as hydropower and transmission developments.

These facilities are not generally available for use until the majority of the asset is commissioned and if project commissioning is delayed because of a permitting or construction delay, or some other unforeseen event, the value of the CEITC could be forgone.

As we previously recommended, this could be addressed either by:

- Extending the availability of the CEITC as was announced in Budget 2025 for the CCUS ITC; or
- Alternatively, the CEITC could be calculated on eligible capital expenditures up to December 31, 2034 and then carried forward to a date after December 31, 2034 when the project is placed into service.

2. Financing Vehicles – Commercial Trusts

The CEITC eligibility currently includes real estate trusts but excludes commercial trusts. This will impact business competitiveness via the inequitable treatment of certain business structures.

By excluding commercial trusts from claiming the Clean Technology ITCs, the framework fails to cover a common structure that commercial parties utilize for legitimate business purposes. Taxpaying companies that operate through trusts will have to undergo restructuring to be eligible for the ITCs, which would impose significant cost burdens on those advancing the clean technologies that the federal government is seeking to support.

Instead of exclusion from the Clean Technology ITCs, commercial trusts should be included with clear rules and restrictions to address any tax-planning concerns that the federal government may have. This will allow for major clean energy projects to move forward more quickly, and with more certainty than is currently the case.

3. Qualifying Corporations

Progress has been made to provide flexibility on financing vehicles. The definition of a designated provincial Crown corporation now addresses subsidiaries of provincial Crown corporations and corporations owned by two provincial Crown corporations.

However, the definition of a **qualifying corporation** does not appear to include a corporation where the shareholders are an aboriginal government or a similar Indigenous governing body and a designated provincial Crown corporation. This could be addressed by including the following in the definition of clause c) of a qualifying corporation:

iv) a designated provincial Crown corporation

4. Transmission and Distribution

We previously recommended specifically including high-voltage direct current (HVDC) transmission equipment in the list of eligible transmission assets. Given the value of HVDC converters relative to other listed transmission components, including HVDC equipment would provide additional certainty of eligibility for this high value transmission asset. HVDC connections are becoming more frequent internationally. Encouraging the growth of this technology will provide Canada with another potential method of expanding its national grid, in a relatively short time frame.

We would also reiterate the value of allowing the ITC to apply to *intraprovincial* transmission systems (in addition to *interprovincial* ones), given the significant requirements for new transmission lines to connect resource developments and new energy projects into provincial electricity grids. Affordable transmission expansion will be critical to enabling economic growth and the timely connection of new and expanded electricity generation projects, such as those currently planned in British Columbia, Manitoba, Ontario and Quebec.

5. Definition of Hydroelectric Facility

We also feel that the current definition of **hydroelectric facility** as described in the *Income Tax Act* creates unnecessary uncertainty about which hydroelectric installations would qualify for the ITC.

Paragraph (d) (ii) (B) refers to a number of hydroelectric installation components in the singular, but many larger facilities have multiple dams, spillways, penstocks, and powerhouses:

(B) is the electrical generating equipment and plant (including structures) of that producer including a canal, a dam, a dyke, an overflow spillway, a penstock, a powerhouse (complete with electrical generating equipment and other ancillary equipment), control equipment, fishways or fish bypasses, and transmission equipment, [...].

Instead, the definition should explicitly include more than one of these assets.

This limitation does not exist in the French version of the definition, where the plural form of these components is used:

(B) elle constitue le matériel et l'installation générateurs d'électricité (incluant les constructions) de ce producteur, y compris les canaux, les barrages, les digues, les canaux de trop-plein, les vannes hydrauliques, les centrales électriques (incluant le matériel générateur d'électricité et le matériel auxiliaire), le matériel de commande, les passes ou échelles pour le poisson et le matériel de transmission, [...].

We also note that gated spillways are frequently used rather than or in addition to overflow spillways, so the general term 'spillway' should be used for clarity.

Additional Considerations and Comments

Domestic Content Requirements

Budget 2025 notes that the federal government is planning to consult on the possibility of introducing a domestic content requirement under the Clean Technology and Clean Electricity investment tax credits.

We believe that the introduction of domestic content requirements would further delay and complicate implementation of the ITC, and recommend this concept not be advanced.

The federal and provincial governments are already implementing policies – such as tariffs and incentives – to increase the use of domestic content in energy projects. Imposing requirements on the ITCs would be duplicative of these efforts and reduce the intended incentive provided by these credits to attract and accelerate investment in electricity system growth. The hydropower industry recognizes the importance of supporting Canadian manufacturing and is already supporting local suppliers with a supply chain that is over 90% Canadian.

Moreover, implementing domestic content requirements would require the development of reporting and accounting systems to track domestic content through contractors and owners, adding unnecessary red tape to an already complex regulatory ecosystem

Labour Requirements

We have already commented extensively on the unnecessary complexity of the labour requirements established for all ITCs, and in the interest of red tape reduction, we recommend provisions that overlap existing collective agreement terms and conditions be eliminated.

Given the rate of change in the global investment environment, our industry looks to governments to avoid complicating regulation with duplicate programs to achieve the same goal. Since alternate measures exist to address Domestic Content and Labour Requirements, they should not be duplicated in the ITC programs.

We thank you in advance for your consideration of these time-sensitive matters and remain available to discuss these issues in further detail. Encouraging the growth of

Canada's energy infrastructure is fundamental to creating the conditions for increased investment and economic prosperity that will benefit Canadians for generations to come.

Sincerely,

A handwritten signature in black ink, consisting of a stylized 'L' followed by a horizontal line.

Lorena Patterson
President and CEO
WaterPower Canada