

April 17, 2026

House of Commons Standing Committee on Finance (FINA)

Comments from the Hydropower Industry in Advance of the 2026 Budget

As the national trade association representing Canada’s hydropower industry—including 70 public and private power producers, equipment manufacturers, and engineering firms—WaterPower Canada’s members represent over 95% of Canada’s installed waterpower capacity and operate more than 600 facilities nationwide.

Hydropower alone provides more than half of Canada’s electricity, forming the backbone of one of the cleanest and most reliable electricity grids in the world and enabling the integration of variable renewable energy sources.

As our sector prepares to add 10 gigawatts of capacity to the grid in the next 10 years, requiring over 100 billion dollars in investments, access to capital and affordability for consumers are foremost preoccupations for our members. **The Clean Electricity Investment Tax Credit (CEITC), if structured adequately, could be a key tool to allow hydro projects to move forward and to reduce their impact on rate payers** in the context of a rapidly rising demand and electricity shortages in certain areas.

While financing is crucial, successful and timely project rollout depend on a legislative and regulatory framework that aims to both protect ecosystems and encourage investments in projects of national interest. **The hydropower industry’s main hurdle in the past 7-10 years has been the significant regulatory barriers, delays, and high costs associated with permitting.** Billions of dollars are currently being spent by our members on the studies, monitoring and offset plans associated with permitting processes. Legislative changes could provide significant financial relief for producers and reduce project completion timelines.

We actively participated in both Red Tape Review consultations, as well as in the review of the *Fisheries Act* undertaken by the FOPO Committee¹, and hope that some of our recommendations can be included as legislative measures in Budget 2026.



Summary of Recommendations

1. Extend the eligibility of the CEITC to 2040 or later, as was announced in Budget 2025 for the CCUS ITC, or allow eligible expenditures incurred by that date to be claimed once a project enters service.
2. Remove labour requirements from the ITCs' conditions.
3. Make commercial trusts eligible by developing an exception mechanism that would enable the minister to authorize the CEITC on a case-by-case basis for structures not included in the regulations but created in good faith.
4. Confirm the availability of the CEITC for *intra*-provincial transmission lines that are required to interconnect a generating facility to the transmission grid.
5. Amend the definition of “qualified interprovincial transmission equipment” to include high-voltage direct current (HVDC) transmission equipment.
6. Include plural forms of assets listed in the English definition of hydroelectric facility to mirror the French definition.
7. Replace ‘overflow spillway’ with ‘spillway’ in the definition of *hydroelectric facility* to ensure gated spillways qualify.
8. Do not introduce domestic content requirements under the CEITC. If pursued, structure measures as a voluntary adder or bonus rather than a condition of eligibility.
9. Amend the Act’s Purpose Statement and subsection 34.4(1) to focus on fish populations instead of individual fish.
10. Add public interest to the decision-making factors in subsection 34.1(1) of the Fisheries Act.

Priority Recommendations for Budget 2026

The Importance of the Clean Electricity Investment Tax Credit (CEITC)

WaterPower Canada welcomes the CEITC and proposes the following improvements to ensure a level playing field for all technologies. The CEITC structure limits the eligibility of hydropower projects, and introducing a domestic content requirement would reduce the CEITC's usefulness as an incentive.

1. Address Timing and "Available-for-Use" Constraints

Given the planning, approvals and construction intervals for large-scale projects, the expiry of the CEITC on December 31, 2034 reduces the utility of the CEITC: it is unlikely that large hydro projects could be permitted and completed within this time horizon.

Moreover, new facilities are not generally available for use (time of acquisition) until assets are commissioned; if project commissioning is delayed because of permitting or construction delays, the value of the CEITC could be forgone.

Recommendation #1: Extend CEITC eligibility to 2040 or later, as was announced in Budget 2025 for the CCUS ITC, or allow claims for eligible expenditures to be claimed once a project enters service.

2. Eliminate Labour Requirements

The labour requirement may be challenging to meet given the significant labour shortage in the sector. This challenge will be particularly acute for projects where procurement processes are already underway, but will affect all projects by creating unnecessary red tape.

Hiring apprentices is the responsibility of contractors and unions, not project owners. These parties to construction collective agreement are not involved with claiming the CEITC. The CEITC's labour requirements will prove difficult to implement and are therefore an unnecessary distraction from its objective as an incentive to get clean electricity projects built. Given the current and forecasted labour shortages, the CEITC should be designed to enable the establishment of productive and efficient worksites.

Recommendation #2: Remove labour requirements from the ITCs' conditions.

3. Expand Eligibility to Include Commercial Trusts

Limiting the CEITC to common business structures, with limitations on limited partnerships and commercial trusts, undermines its utility. This is particularly the case for large energy projects, where flexibility is required to address financing and regulatory requirements, or to enable the participation of Indigenous groups in a project. While we understand the desire to avoid unintended tax planning

consequences through the implementation of the CEITC, we do not believe this is a sufficient reason to prevent the participation of commercial trusts, project finance for a limited partnership, or leaseback arrangements, all of which are currently used in Canada for large scale projects.

Given the diversity of potential financing structures for clean electricity developments, we recommend adding an exception to permit approval of bona fide entities as eligible for the CEITC on a case-by-case basis if they don't fit within the structures contemplated for the CEITC.

Recommendation #3: Make commercial trusts eligible and develop an exception mechanism for the minister to authorize CEITCs on a case-by-case basis.

4. Strengthen Transmission Eligibility

While large-scale upgrades to *intra*-provincial transmission and distribution systems will be required to achieve our capacity development and net-zero aspirations, the current CEITC is focused on *inter*provincial transmission systems. Given the significant requirements for new transmission lines to connect resource developments and new energy projects into provincial electricity grids, the CEITC should also apply to *intra*provincial transmission systems.

We also reiterate our recommendation to include 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 certainty for this high value transmission asset. HVDC connections are becoming more frequent internationally and are currently used in Canada.

Recommendation #4: Confirm the availability of the CEITC for *intra*-provincial transmission lines required to interconnect a generating facility to the transmission grid.

Recommendation #5: Amend the definition of “qualified interprovincial transmission equipment” to include high-voltage direct current (HVDC) transmission equipment.

5. Definition of Hydroelectric Facilities

While the definition of hydroelectric facilities provided in Class 43.1 of Schedule II of the Income Tax Regulations is suitable for small facilities, it currently does not include essential features often found in larger facilities, such as gated spillways, diversion works, tunnels, geotechnical improvements, or mandated safety equipment.

Paragraph (d) (ii) (B) refers to 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, [...].

The definition should include plural forms of these assets.

This limitation does not exist in the French version of the definition, where the plural form is used. Gated spillways are frequently used rather than or in addition to overflow spillways, so the general term 'spillway' should be used for clarity.

The definition of pumped hydroelectric energy storage facilities in Class 43.1 is more appropriate than the current definition of small hydroelectric facilities.

Recommendation #6: Explicitly include more than one of the assets listed in the English definition of hydroelectric facility to mirror the French definition.

Recommendation #7: Replace 'overflow spillway' with 'spillway' in the definition of *hydroelectric facility* to ensure gated spillways qualify.

Domestic Content

WaterPower Canada recommends not to include a proposed disposition on domestic content unless structured as an adder or bonus credit.

The introduction of a domestic content requirement¹ would add red tape to an already heavily burdened industry and duplicate existing policy tools available to the federal government, such as duties and tariffs, as well as provincial buy-Canadian policies. A domestic content requirement reducing CEITC accessibility could further reduce its utility due to sourcing limitations and administrative constraints.

Since supply decisions are based on many factors, including availability, conformance to technical specifications and operational requirements, it would be unreasonable to negate the eligibility of a project based on its inability to completely meet domestic content requirements. Moreover, Canada does not currently have sufficient cost-effective domestic capacity at scale to meet all the needs of Canada's hydropower industry, particularly in the case of very specialized equipment. A domestic requirement will almost certainly increase costs for developers, diminishing the potential benefit of the CEITC.

¹ https://waterpowercanada.ca/wp-content/uploads/2026/04/FIN_WPC_Domestic-Content_March2026.pdf

Implementing domestic content requirements under the CEITC would require developers to track the domestic and foreign content of supplies and services included in project costs with limited ability to control the origin of a variety of components.

This is primarily because imported products used by contractors can be incorporated into other products before being sold to a project developer. For example, a construction company could incorporate imported Portland cement or reinforcing steel in their dam. The pay items in the contract between them and the owner claiming the CEITC do not necessarily reflect those imported goods or details on their domestic or foreign origin. Also, indirect supplies consumed by the contractor in the performance of their work (e.g. diesel fuel) are not billed directly to the project owner.

To ensure the CEITC achieve its stated goals, measures to encourage greater domestic purchasing should be designed as an “add-on” or bonus credit (similar to the U.S. model), rewarding developers who are able to source from Canadian suppliers and provide necessary supporting information.

We support the implementation of a 10% bonus above the 5-15% CEITC for proponents able to produce proof of Canadian origin. A domestic content add-on would support build-out and leverage Canadian supply chains while ensuring the overarching objectives of the CEITC are still met.

Recommendation #8: Do not impose domestic content requirements under the CEITC. If pursued, such measures should be structured as a voluntary add-on or bonus rather than a condition of eligibility.

Legislative Changes

Despite the critical importance of access to capital for hydro projects, an efficient and balanced regulatory and legislative framework is equally key in enabling timely and cost-effective project deployment.

While future new builds are important for Canada’s electricity future, much of the near-term opportunity lies in upgrading and expanding existing facilities. These projects are often more cost-effective with lower environmental impact yet face the same regulatory burden as new developments. That misalignment limits one of the most practical pathways to expanding capacity.

Our association has engaged in many processes aiming to cut red tape via regulatory means. We remain hopeful that these processes will deliver the efficiencies they promise.

However, certain improvements in the permitting process hinge on legislative change without which significant regulatory and administrative changes are not possible.

Key for our industry is amending the Fisheries Act. This one change could significantly accelerate project deployment and spur investment. Hydro producers have endured years-long delays and been forced to spend billions of dollars in studies, offset plans and monitoring for minor works that have no material impact on fish populations, fisheries or species at risk, because the Act's language is interpreted as applying to any individual fish.

WaterPower Canada participated in the House Standing Committee on Fisheries and Oceans (FOPO) Committee's review of the Fisheries Act². The following are the most urgent recommendations:

Recommendation #9: Amend the Purpose Statement and subsection 34.4(1) to focus on fish populations instead of individual fish.

Recommendation #10: add the consideration of public interest among the decision-making factors in subsection 34.1(1).

We urge the Government to consider these recommendations carefully as the FOPO committee tables its report and recommend their inclusion in both its response and in further legislative actions. Legislating these changes promptly would enable improved regulations, changes to DFO policies, and more reasonable risk assessment tools.

Conclusion

WaterPower Canada urges the Committee to recommend targeted refinements to ensure the CEITC delivers timely, meaningful support for clean, reliable, and affordable electricity infrastructure across Canada and recommends making amendments to the Fisheries Act part of the 2026 budget bill.

About WaterPower Canada

Founded in 1998, WaterPower Canada is the national association representing the waterpower industry. Its members span the breadth of the sector and include publicly- and privately-owned hydropower producers, manufacturers, developers, engineering firms and other organizations.

Operating over 600 facilities across Canada, WaterPower Canada members represent more than 95% of the country's waterpower installed capacity, advocating for the responsible development and use of waterpower to meet our present and future electricity needs in a sustainable manner.

Waterpower provides more than half of Canada's electricity, ensuring our electricity grid is one of the cleanest globally.

² https://waterpowercanada.ca/wp-content/uploads/2025/11/WPC_FOPO_Brief_Fall_6Nov2025.pdf