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Natural Resources Canada  
Government of Canada

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## Engagement: Canada's National Electricity Strategy - Funding and Financing for Electricity Infrastructure

Dear Sir/Madam:

WaterPower Canada is pleased to provide input on behalf of the Canadian hydroelectricity industry regarding the Government of Canada's national electricity strategy<sup>1</sup>.

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. Hydro is not just one source of electricity among others. **Hydroelectric assets provide firm, non-emitting generation, grid reliability services, long-duration energy storage, and system flexibility that will be essential as Canada works toward the objective of doubling electricity infrastructure by 2050.** Canada's hydropower fleet is also cost-effective, with the oldest facilities in Canada generating electricity for over a century; As we have seen from the last major buildout in the second half of the last century, legacy hydropower facilities are a major contributor to lower rates in British Columbia, Manitoba, Quebec, and Newfoundland and Labrador today.

The scale of investment required for this new buildout, estimated between \$1 and \$2 trillion<sup>2</sup> by mid-century, demands a coordinated approach to financing that mobilizes public and private capital while maintaining affordability for Canadian households and businesses. WaterPower Canada supports the federal government's objective of optimizing existing financing tools and identifying areas where targeted intervention can accelerate investment, reduce financing costs, and support long-term affordability.

With electricity generation and electricity markets being primarily under provincial jurisdiction, the federal government can play a valuable supporting role by providing efficient regulatory processes, facilitating access to large-scale financing, and partnering with provinces to advance initiatives that strengthen economic growth, enhance reliability, and deliver social benefits for Canadians.

Our comments reflect the perspectives of hydropower utilities, Crown corporations, independent power producers, and developers operating across Canada. Further details will be outlined in our responses to the questions posed in the discussion paper.

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<sup>1</sup> <https://natural-resources.canada.ca/energy-sources/electricity-infrastructure/powering-canada-strong-national-strategy-electrified-canadian-economy#a4>

<sup>2</sup> <https://www.rbc.com/en/thought-leadership/energy/the-2-trillion-transition/>

## Summary of Recommendations

- Recommendation 1:** Develop federal incentives and standards to increase electricity demand as a driver for increasing supply.
- Recommendation 2:** Support large-scale, intergenerational projects and affordability through tailored financing tools and programs that supplement capital available provincially.
- Recommendation 3:** Encourage greater regulatory certainty and reduce risk for project proponents by reforming *Fisheries Act* authorizations, ensuring export permit decisions are made according to consistent criteria and implementing the regulatory changes included in Appendices 1-4.
- Recommendation 4:** Review federal programs to evaluate their effectiveness in reducing risk for project developers and make changes where necessary.
- Recommendation 5:** Ensure that federal financing tools support all viable generation and transmission technologies equally by **amending the Clean Electricity Investment Tax Credit's eligibility rules and requirements** (per Appendix 5) and **revising EIFEL provisions** for regulated utilities and large-scale electricity infrastructure projects.
- Recommendation 6:** Facilitate Indigenous participation to project financing by expanding the Indigenous Loan Guarantee Program.
- Recommendation 7:** Explore alternate means to reduce electricity costs for Canadian consumers, such as exempting electricity from GST/HST.
- Recommendation 8:** Support large-scale, intergenerational projects through tailored financing tools and programs that supplement capital available provincially, such as **low-interest, long amortization loans (50+ years) and loan guarantees**.
- Recommendation 9:** Ensure the program mix and individual program design contribute to affordability and a fair burden sharing between rate payers and taxpayers, over both the short and long term.

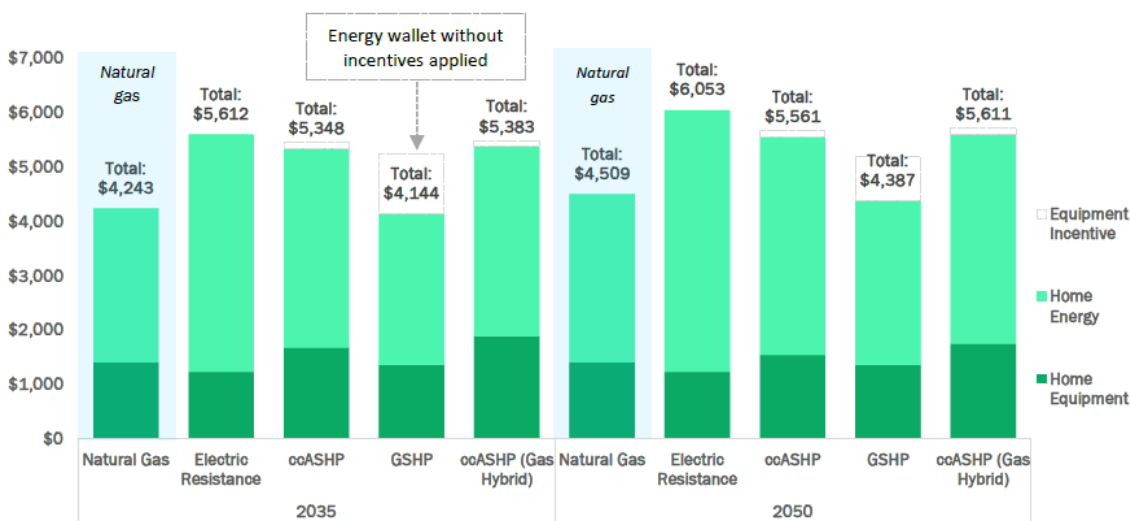
# Question 1: What are the most significant financial constraints to doubling the grid (e.g., rate impacts on consumers, market structures, regulatory treatment, etc.)

## Constraint 1 – Demand Growth

Most fundamentally, the biggest obstacle to doubling the grid is that electricity demand may not increase as hoped due to economic considerations and lack of consumer demand. The buildout of provincial electricity systems is authorized by regulators in response to increasing demand for electricity, so **if increased electricity demand cannot be demonstrated, the buildout will not be approved.**

This risk could materialize if price incentives fail to shift consumer preferences. The following example from Manitoba illustrates this point:<sup>3</sup>

Figure 10: Home Component of Energy Wallet: Natural Gas vs. Other Heating Equipment (2025 CAN\$)



Note: Figure displays results for P5A development plan under the 2-Medium load projection. All monetary values are in 2025 CAN\$ (real dollars). Dotted outline illustrates how the home component of the energy wallet would change if assumed heat pump incentives were not applied to customer costs.

Unless incentives are applied, natural gas is cost effective for home heating both in 2035 and 2050. Addressing consumer preferences, providing appropriate incentives, and implementing standards are therefore all necessary to continue increasing demand for electric alternatives.

## Constraint 2 – Access to Capital and Interdependency with Provincial Governments

The second major financing obstacle to the buildout is the interdependency between the Crown corporations that lead hydro projects in most provinces and those provincial governments’ balance sheets. While many utilities maintain strong credit profiles, provincial debt limits, borrowing constraints, and credit-rating considerations can restrict their ability to undertake the substantial capital programs required to support

<sup>3</sup> [https://www.hydro.mb.ca/docs/regulatory\\_affairs/pdf/other\\_regulatory\\_matters/irp\\_mnf\\_review/cc\\_47.pdf](https://www.hydro.mb.ca/docs/regulatory_affairs/pdf/other_regulatory_matters/irp_mnf_review/cc_47.pdf), p. 19

future electricity demand growth while also maintaining existing assets. This challenge is explicitly recognized in NRCan's discussion paper.

To a certain extent, this issue is being mitigated in many jurisdictions through procurement from private developers and independent power producers. This is frequently the case for procurement of wind and solar energy, and sometimes for smaller hydroelectric projects.

**Access to capital for large-scale hydro, nuclear, and transmission projects remains a significant constraint, and some jurisdictions have shelved large-scale projects because of an inability to finance them.**

While these projects have significant capital costs and longer construction intervals, they also deliver intergenerational benefits through their long asset lives.

Pressure to maintain affordability also constrains investment decisions. Utilities and regulators must balance the need for substantial capital investment against concerns regarding ratepayer impacts. Regulated rates in most provinces and the political implications of raising electricity prices result in significant uncertainty for developers, which is likely to constrain investments even when capital is available. This challenge is compounded by uncertainty regarding the pace and extent of electrification demand growth, where a large-scale investment would be 'stranded' if invested funds cannot be recovered, that is if forecasted demand does not materialize.

### **Constraint 3 - Regulatory Uncertainty and Burdensome Permitting Requirements**

Market and regulatory uncertainty undermine investment confidence. Investment decisions require stable and predictable revenue frameworks. Frequent market design changes, uncertain cost-recovery mechanisms, and evolving provincial regulatory approaches can deter investment in long-lived infrastructure assets such as hydro.

#### The Fisheries Act

The heavy permitting requirements and processes associated with permitting for hydro, particularly those related to compliance with the *Fisheries Act*, impose high costs on operators and have stalled projects at the pre-development stage. Considering both new projects and existing facilities, the costs and delays associated with the current regulatory framework could represent billions of dollars that will be detracted from new builds in the coming years. **Many developers view the burden of the *Fisheries Act* to be so high that potential hydropower projects are simply dismissed or are discarded if the results of a DFO request for review stage determine a Fisheries Act authorization (FAA) will be required.**

WaterPower Canada has extensively commented on this issue in past submissions. A summary of recommendations for legislative and regulatory change is included in **Appendix 1**.

#### Exports are a key element for large project's business cases

Difficulties in obtaining federal electricity export permits and licences also diminish the value of a risk mitigation option for projects that might exceed provincial demands in the short term. This is a marked change from historic approaches for British Columbia, Manitoba, and Québec, where the surplus generation from large hydro developments was exported and monetized until domestic demand increased. **The ability to export is a key aspect in provincial regulators' assessment of a project's valuation and must be protected by federal regulators.**

We are aware of situations where the issuance of export licences is being subject to unusual delays and proceedings. Such a precedent could lead developers to adjust their investment decisions to account for the additional regulatory risk and project viability considerations that come with subjective reviews.

In summary, **regulatory uncertainty is a reason why projects in the pre-development stage might stall and a chief preoccupation for WaterPower Canada's members.** Resulting delays, increased cost, reduced earnings, or value uncertainty are among the main factors affecting hydro development.

Our concerns regarding regulatory uncertainty were discussed extensively in recent submissions by WaterPower Canada. While the remainder of this submission will focus on the questions included in the discussion paper as they relate to financing, **we include a summary of our main regulatory recommendations in appendices below, as their implementation is key to spurring investment in new hydro capacity.**

- Recommendation 1:** Develop federal incentives and standards to increase electricity demand as a driver for increasing supply.
- Recommendation 2:** Support large-scale, intergenerational projects and affordability through tailored financing tools and programs that supplement capital available provincially.
- Recommendation 3:** Encourage greater regulatory certainty and reduce risk for project proponents by reforming *Fisheries Act* authorizations, ensuring export permit decisions are made according to consistent criteria and implementing the regulatory changes included in Appendices 1-4.

## Question 2: To what degree are financing constraints limiting the buildout?

### Access - In what circumstances is access to capital a constraint?

As discussed in our response to Question 1, access to capital is most likely to be a challenge for large-scale, long-term projects financed by provincial crown corporations. Renewable projects with a power purchase agreement, short construction intervals, and low construction risks have good access to capital, while larger projects with longer construction intervals and greater construction risk are challenged.

These larger projects, however, are most likely to have longer term benefits, large scale storage, firm generation, and other attributes that make them valuable electricity system resources.

They are further constrained by the limited borrowing capability of several provinces as a result of existing public debt, and their significant capital expenditure requirements.

Lastly, current tax policy can also affect access to efficient financing for private sector entities. In particular, the Excessive Interest and Financing Expenses Limitation (EIFEL) rules may constrain investment by limiting interest deductibility for large capital-intensive infrastructure projects. These provisions can increase financing costs and ultimately affect electricity rates paid by consumers.

Access challenges are most acute in smaller provinces where it can be challenging to support such long-term capital projects on the provincial governments' balance sheets, for smaller independent producers and for

Indigenous partners. The Indigenous Loan Guarantee Program represents an important step forward, but additional opportunities exist to expand access to capital for large-scale projects and support greater participation by Indigenous groups in electricity infrastructure ownership.

Federal solutions to address large-scale financing could help unlock hydro projects such as Site E in British Columbia, Conawapa in Manitoba, and Gull Island in Newfoundland and Labrador.

**Scale - Can existing capital markets support the required level of investment? If not, what limitations do they face?**

The scale of investment required will test existing capital markets. Doubling Canada's electricity infrastructure will require approximately \$50 billion annually through 2050.

While capital markets can support most of the required level of investment in hydro, financing needs across multiple sectors, including electricity, transportation, housing, and industrial decarbonization, will create significant **competition for capital**. Large investment plans such as Hydro-Quebec's \$200 billion 2035 Action Plan will also require access to global capital markets beyond traditional North American sources.

**Timing: At what stage do projects stall (early development, permitting, construction, financing)? Do different constraints arise across the investment lifecycle (e.g., development, construction, regulatory approval, revenue recovery) and, if so, which are most limiting?**

All major projects follow a decision gate process where a project's risk profile is assessed and a decision is either taken to proceed to the next stage of development, or to terminate (or stall) the project.

The major development steps are:

- Stage 1 – Concept Development
- Stage 2 – Feasibility Planning
- Stage 3 – Detailed Design
- Stage 4 – Construction
- Stage 5 – Operations
- Stage 6 – Decommissioning

The major risks relevant to a project decision are:

- Engineering design and site condition risks
- Project execution and construction risks
- Delivered energy cost and production risks
- Market, pricing, and commercial risks
- Political risks – shifting provincial priorities
- Constrained capital investment budgets
- Environmental assessment, permitting, and regulatory compliance risks
- Indigenous relations risk
- Social acceptability risks
- Financing Risks

Each of these risks is limiting and has the potential to stall a project. Each one is assessed at each stage of the development lifecycle, and if the project is worthwhile or competitive considering these risks, then a decision might be taken to advance the project. If any of these risks are unacceptable, then the project will stall.

Conceptual approaches therefore exist for many hydro projects, but many proponents are not prepared to invest funds to advance their concepts through feasibility, much less detailed design and planning given the cost of undertaking these efforts.

It is therefore important that federal approaches tailor support to the different types of risks encountered by project developers.

#### **Location: To what extent do regional or local circumstances matter, and how?**

Regional circumstances matter significantly. Some smaller provinces and their utilities may face larger challenges with financing large-scale hydropower projects. Larger provinces can also face similar challenges if pressure to keep rates low has led to underinvestment.

Programs such as the Clean Electricity Investment Tax Credit are promising tools to support such projects provided the ITC can be adapted to hydropower's reality (this is discussed further below). Expanded access to federal loan guarantees for large projects would have a more significant effect on large scale investments in provinces with limited fiscal capacity.

**Recommendation 4:** Review federal programs to evaluate their effectiveness in reducing risk for project developers and make changes where necessary.

### **Question 3: What existing federal tools (e.g., ITCs, CIB, programs such as SREPs) are most effective and having the greatest impact, and for what types of projects?**

#### **Clean Electricity Investment Tax Credit**

**The newly implemented Clean Electricity ITC (CE-ITC) program has the most potential for reducing project cost and maintaining rate affordability compared to other programs.** Directly reducing the capital cost of projects through a tax credit is an effective approach for both small and large projects, and for utilities and independent power producers alike. Since the ITC is proportional to investment, the credit earned for a project is proportional to the economic benefits accrued by the federal government for the project.

However, the newly implemented CE-ITC remains largely unproven as there have not yet been successful applications, and **many of its conditions are not well adapted for hydropower**. Some gaps and recommendations are included under question 4 below.

Other federal programs, such those offered through the Canadian Infrastructure Bank or the Smart Renewables and Electrification Pathways Program (SREP), work well but have too limited scale and duration to have a meaningful impact on electricity rates and electrification progress.

#### **Smart Renewables and Electrification Pathways Program**

SREP's utility support stream in particular is promising, but the significant administrative requirements currently in place to access funds (e.g. due diligence can take over 12 months), present opportunities for

streamlining. In addition, the 50-million-dollar maximum contribution from SREP is particularly limiting for large-scale hydro projects.

### Canadian Infrastructure Bank

The CIB's ability to offer large amounts is useful for both utilities and Indigenous groups and would benefit from being scaled to the size of the required buildout.

## Question 4: What are gaps that current federal tools do not address? Why would federal intervention be justified? (e.g. coverage for parts of the system or types of projects, eligibility, alignment with sector needs, scale)

### New opportunities for the federal government

Federal tools do not currently address **intra-provincial transmission** or distribution systems, and as a result, significant investments in the Canadian electricity system are not benefitting from these tools.

Another gap is in **addressing the buildout's foreseeable impact on rates**. An approach for the federal government to helping to keep electricity rates affordable would be to reduce the level of taxation for this essential service. The federal government could have an immediate impact on electricity rates by making electricity a zero-rated product, in the same manner as it already has for basic groceries, essential medical devices, and prescription drugs.

This approach has precedent globally – India has exempted electricity charges from GST for residential, commercial, and industrial users,<sup>4</sup> and UK Prime Minister Andy Burnham has announced a measure to remove VAT from domestic electricity bills effective October 1, 2026<sup>5</sup>.

Finally, **the amortization period for commercial loans is not aligned with the useful life of hydropower assets**, given that their 25-year terms do not appropriately reflect hydro's typical asset life of over 100 years. The federal government could offer long-term, low-interest loans. This unreasonably penalizes electricity customers in the earlier years of operation at the expense of customers in later years who enjoy the benefits of very low-cost electricity after the debt is retired.

Federal approaches to enable a longer amortization period would enable costs to be spread out over a long-lived asset's life.

### Potential to tailor existing federal tools to the task ahead

Several important gaps also remain among existing federal tools. While offering a structure that has great potential, the criteria and funding limits of some existing programs effectively 'tip the scale' away from longer term investments such as hydropower, nuclear, and transmission and limit their support to less expensive and less complex projects.

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<sup>4</sup> <https://gstverify.co.in/gst-on/electricity/>

<sup>5</sup> <https://www.gov.uk/government/news/new-pm-cuts-tax-on-household-electricity-bills-to-give-breathing-space-on-cost-of-living>

### Align ITCs with Infrastructure Development Timelines

The 10-year horizon and labour requirements for the Clean Electricity Investment Tax Credit make it challenging for hydro project owners to access. With planning, development and permitting periods averaging 8-10 years, any new hydro projects will be delivered after the ITC sunsets in 2034. It is therefore imperative that the eligibility period be extended to support the buildout.

In addition to an extended sunset date, ITCs should also incorporate "safe harbour" provisions that establish eligibility based on the commencement of construction rather than project completion dates. This would better reflect the realities of hydroelectric and transmission development timelines and reduce financing risk.

WaterPower Canada has commented extensively on all the ways in which the CE-ITC's design can be adapted to support hydropower projects. Our recommendations are summarized in **Appendix 2**.

Our members have also advised of delays in ITC processing by the Canada Revenue Agency. This underscores the importance of making the program straightforward and of avoiding unnecessary complexity. We urge the federal government to avoid adding additional requirements, such as domestic content rules, which would further increase its complexity and devalue the ITC as a risk mitigation.

### Relief from EIFEL Rules

By limiting interest deductibility for large capital-intensive infrastructure projects, the Excessive Interest and Financing Expenses Limitation (EIFEL) rules undermine the economics of large capital programs. The federal government should substantially revise EIFEL provisions for regulated utilities and large-scale electricity infrastructure projects. Existing rules increase financing costs for projects that provide long-term public benefits and can ultimately increase costs for ratepayers.

### Indigenous Equity Participation

Although important progress has been made through the Indigenous Loan Guarantee Program, additional support mechanisms could expand Indigenous ownership opportunities and participation in major electricity infrastructure projects.

**Recommendation 5:** Ensure that federal financing tools support all viable generation and transmission technologies equally by amending the Clean Electricity Investment Tax Credit's eligibility rules and requirements (per Appendix 5) and revising EIFEL provisions for regulated utilities and large-scale electricity infrastructure projects.

**Recommendation 6:** Facilitate Indigenous participation to project financing by expanding the Indigenous Loan Guarantee Program.

**Recommendation 7:** Explore alternate means to reduce electricity costs for Canadian consumers, such as exempting electricity from GST/HST.

**Question 5: Are existing federal programs appropriately scaled in terms of available funding levels and project eligibility to support the required investments in electricity infrastructure?**

While existing programs represent significant commitments, they are not yet scaled to match the magnitude of the challenge.

The discussion paper notes that Canada may require up to \$1 trillion in electricity investments by 2050. As noted above, other analyses have evaluated requirements at \$2 trillion. Against this backdrop, existing funding envelopes remain relatively modest.

For example, SREPs funding limits are often insufficient for large hydroelectric generation projects or major hydroelectric refurbishment programs. While the program can support specific project components, it may be unable to materially influence overall project economics for larger assets.

Eligibility criteria also merit review to ensure hydroelectric generation, transmission infrastructure, storage facilities, and major refurbishment projects are consistently and appropriately supported. For instance, the committed 10-year duration of the ITC program is insufficient to support the investment necessary to double Canada's electricity system.

Scaling federal programs to the size of the buildout requires careful consideration of the impact of these programs on current and future taxpayers, as not all projects have the same intergenerational benefits.

### **Question 6: To what extent should federal financing tools account for intergenerational distribution of costs that deliver benefits over decades? If so, which tools would be most effective?**

There is an opportunity for a federal tool to address intergenerational distribution of benefits for long-lived projects. The long-term value of a hydropower facility is earned long after the initial financing period ends. This is a unique feature of hydro developments, which have asset lives that could exceed 100 years, a timeframe significantly longer than typical financing terms.

Although hydro projects have intergenerational benefits, their costs are typically wholly borne by the first generation of electricity users. This undermines the business case for projects with intergenerational benefits. Access to long-term (50+ year) financing would be beneficial for hydropower assets and would enable their development while fairly sharing development costs across beneficiaries. This topic is discussed in greater detail in WaterPower Canada's recent report *The True Value of Hydropower*<sup>6</sup>.

Conversely, and as noted in our response to Question 5, incentives that are provided for relatively short-lived projects that are not recovered over a similar period create a risk that the cost of the incentive is transferred to future generations in the form of federal debt.

**Recommendation 8:** Support large-scale, intergenerational projects through tailored financing tools and programs that supplement capital available provincially, such as low-interest, long amortization loans (50+ years) and loan guarantees.

**Recommendation 9:** Ensure the program mix and individual program design contribute to affordability and a fair burden sharing between rate payers and taxpayers, over both the short and long term.

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<sup>6</sup> [True-Value-of-Hydropower-WPC-Report-1.pdf](#). See section 5.

## Question 7: Where can federal tools add the greatest value relative to provincial governments, utilities, regulators, and private capital markets?

Federal tools can add the greatest value by undertaking activities that the other electricity market players cannot. Some key areas include:

- a) Implementing electrification programs and national market incentives.
- b) Reducing costs through national programs, such as the Investment Tax Credit to assist with the affordability of investments, or through a federal loan guarantee program to reduce debt financing costs, or through tax reductions for electricity.
- c) Funding innovative technologies and applications that may be difficult to fund using conventional regulatory approaches. Examples might include smart meter rollout, technology innovations, or other developments that have potential but are not generally accepted as good utility practice.
- d) Establishing national equipment performance standards, such as meeting energy efficiency targets, or mandating that all new residential air conditioners to also operate in heating mode.

## Question 8: In relative terms, what kinds of projects require supplemental support to advance, and which do not?

Projects with established revenue streams, short development periods or that are approved by regulators for cost recovery do not need support to advance and may require less direct federal intervention.

By contrast, projects requiring supplemental support generally share one or more of the following characteristics:

- Large upfront capital requirements and long asset lives.
- Long development and construction timelines.
- Significant public benefits extending beyond a single utility service territory.
- Revenue uncertainty or limited ability to recover costs solely through rates.

Examples include new hydroelectric generation, transmission interties and major refurbishment projects that extend the life of existing hydroelectric assets.

## Conclusion

WaterPower Canada supports the federal government's efforts to strengthen Canada's electricity financing framework as the country pursues the goal of doubling electricity infrastructure by 2050. Achieving this objective will require more than capital alone. It will require policy certainty, regulatory efficiency, reduced financing costs, expanded Indigenous participation, and federal programs that are scaled to the magnitude of the investment challenge.

Hydropower must be a central part of this strategy. Canada continues to possess significant untapped hydropower potential, alongside substantial opportunities to expand, modernize, and refurbish existing facilities. However, hydropower is distinct from many other forms of infrastructure. Projects are characterized

by long development timelines and significant upfront capital requirements, but they also deliver extraordinary value over generations. Hydroelectric facilities can provide reliable, affordable, non-emitting electricity and grid services for many decades, and in some cases more than a century. This intergenerational value is often not fully reflected in regulatory and investment decisions that focus on near-term costs and rate impacts.

While electricity remains primarily a provincial responsibility, this is precisely where the federal government can provide the greatest value. Federal support should be focused on helping advance the long-lived, strategic infrastructure investments that deliver the greatest national and intergenerational benefits. This begins with financing tools that help address the high upfront costs associated with major hydroelectric, transmission, and storage projects through measures such as investment tax credits, concessional financing, and loan guarantees.

At the same time, governments must recognize that financing costs are directly linked to project risk. Regulatory uncertainty, lengthy permitting processes, and unpredictable approval timelines increase the cost of capital and ultimately raise costs for ratepayers. Meaningful regulatory and permitting reform, including more efficient impact assessment and approval processes, can therefore be as important as direct financial support in improving project economics and accelerating investment.

Maintaining affordability must also remain a core objective. Federal measures that lower capital costs and reduce ratepayer impacts, including transferable or pass-through investment tax credits, concessional financing, and broader affordability measures such as GST relief on electricity, can help ensure that the costs of building the next generation of electricity infrastructure do not fall disproportionately on current customers.

Finally, Canada requires a clearer and more stable framework for electrification. Utilities, developers, regulators, and provincial governments need confidence that future electricity demand will materialize before approving and financing large-scale infrastructure investments. Durable and credible electrification policies, developed in partnership with provinces, utilities, and Indigenous communities, are essential to creating that certainty.

Taken together, these measures can help create the conditions necessary for provincial governments and regulators to approve the hydroelectric, transmission, and storage projects that Canada will need to meet future demand. By reducing risk, lowering financing costs, supporting affordability, and providing clear signals on future electricity demand, the federal government can play a critical role in unlocking the long-term investments that will power Canada's economy for generations to come.

### 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 60% of Canada's electricity, ensuring our electricity grid is one of the cleanest globally.*

## Appendix 1 – Key Recommendations by WaterPower Canada for Amendments to the 2019 *Fisheries Act* and the creation of a new regulation regarding hydroelectric works

We recommend restoring the focus of the *Fisheries Act* on fisheries and their sustainability rather than on individual fish through the following amendments:

1. Amend the Act's purpose statement:

- 2.1 *The purpose of this Act is to provide a framework for*  
(a) *the proper management and control of fisheries; and*  
(b) *the **[proper management and]** conservation and ~~protection of fish~~ **[populations]** and fish habitat, including by preventing pollution.*

2. Amend the section of the *Fisheries Act* relating to death of fish be amended as follows:

- 34.4 (1) *No person shall carry on any work, undertaking or activity, other than fishing, **[that results in significant harm to fisheries and fish populations that are part of a commercial, recreational or Aboriginal fishery, or to fish that support such a fishery]**.*

3. Similarly, the section of the *Fisheries Act* relating to the harmful alteration, disruption or destruction of fish habitat should be amended as follows:

- 35 (1) *No person shall carry on any work, undertaking or activity that results in **[significant harm to fish habitat for fish that are part of a commercial, recreational or Aboriginal fishery, or to fish that support such a fishery]**. ~~the harmful alteration, disruption or destruction of fish habitat.~~*

Subsection 34.1(1) of the *Fisheries Act* contains decision-making factors that are meant to help determine whether activities may be carried out that impact fisheries, fish, or fish habitat. Considering the importance of hydropower facilities to Canada's energy needs and efforts to reduce GHG emissions, we also recommend restoring the consideration of public interest among the Act's decision-making factors in article 34.1(1), as follows:

- (a) *the contribution to the productivity of relevant fisheries by the fish or fish habitat that is likely to be affected;*
- (b) *fisheries management objectives;*
- (c) *whether there are measures and standards*
  - 1. *to avoid the death of fish or to mitigate the extent of their death or offset their death, or*
  - 2. *to avoid, mitigate or offset the harmful alteration, disruption or destruction of fish habitat;*
- (d) *the cumulative effects of the carrying on of the work, undertaking or activity referred to in a recommendation or an exercise of power, in combination with other works, undertakings or activities that have been or are being carried on, on fish and fish habitat;*
- (e) *any fish habitat banks, as defined in section 42.01, that may be affected;*
- (f) *whether any measures and standards to offset the harmful alteration, disruption or destruction of fish habitat give priority to the restoration of degraded fish habitat;*
- (g) *Indigenous knowledge of the Indigenous peoples of Canada that has been provided to the Minister; and*
- (h) *any other factor that the Minister considers relevant.*

INSERT: *(h) the public interest*

~~(h)~~ *(i) any other factor that the Minister considers relevant.*

To specify which hydro projects, works, undertakings or activities require a *Fisheries Act* authorization, we also recommend adding the following to the Act:

#### **[4.2.1 Existing facilities**

*The operation of a hydroelectric facility that was in operation on August 28, 2019 is presumed to comply with this Act unless the Minister establishes that the operation of the facility causes serious harm to fish that are part of a commercial, recreational or Aboriginal fishery, or to fish that support such a fishery.]*

### **Complementary Regulation**

To complement the changes to the *Fisheries Act* proposed above, we recommend issuing a regulation outlining the types of works that would trigger the need for a *Fisheries Act* authorization (FAA) for existing facilities, as follows:

1. *As of 2019, the construction or **deviation from existing operating envelope** of a structure located wholly or partially in fish habitat requires an authorization if the undertaking results in significant harm to fisheries and fish populations that are part of a commercial, recreational or Aboriginal fishery, or to fish that support such a fishery, or in significant harm to fish habitat for such fisheries.*
2. *The **continued operation** of hydroelectric facilities existing in 2019 is not subject to an authorization.*

*For the purposes of this section, "continued operation" includes:*

- (a) operation in accordance with established operating regimes, including seasonal and interannual water level fluctuations;*
- (b) the maintenance of approved upstream and downstream water elevations and downstream flow rates in accordance with applicable operating requirements;*
- (c) routine inspection, maintenance, repair and rehabilitation activities carried out in the ordinary course of operation; and*
- (d) activities undertaken for occupational health and safety purposes in connection with in-water works.*

*The Minister may recognize such activities through an administrative arrangement.*

## Definitions

### *Deviation from existing operating envelope:*

- *a material change to fish passage, fish protection, screening, bypass, attraction flow, exclusion systems, or related mitigation measures;*
- *a material increase in entrainment, impingement, turbine mortality, stranding, passage delay, or other fish mortality risk;*
- *a new or expanded in-water footprint, permanent habitat alteration, change in habitat connectivity, or harmful alteration, disruption or destruction of fish habitat;*
- *a material increase in the likelihood, magnitude, duration, frequency, geographic extent, or uncertainty of adverse effects to fish or fish habitat;*
- *a coordinated redevelopment or rebuild that materially changes the facility's operating envelope or fish/fish habitat risk profile.*

Together, these recommendations can form the basis of a clear and realistic path to compliance, and one that recognizes hydropower's role as the backbone of Canada's electricity system and its place in achieving the Government of Canada's clean electricity objectives as outlined in the National Strategy for an Electrified Canadian Economy.

## Appendix 2 – Summary of Recommendations from WaterPower Canada’s Submission on Improving the delivery of Major Projects

WaterPower Canada’s recommendations regarding the Government of Canada’s proposals to support timely decision-making for major projects are as follows:<sup>7</sup>

1. Ensure an opt-in process is available for proponents to engage the Federal Review Coordinator and Crown Consultation Hub on request to manage a project’s federal permits for projects that do not otherwise trigger federal assessment through the Physical Activities Regulations.
2. Amend the Fisheries Act to restore its focus on fisheries and fish populations and end the undue attention to de minimis impacts on fish and fish habitat (see Appendix 1).
3. Issue regulations to specify which hydro projects, works, undertakings, or activities require a Fisheries Act authorization (see Appendix 1).
4. Ensure that methodologies underpinning regulatory impact analyses to ensure they take into account the full regulatory impact imposed on project proponents and operators.
5. Ensure that regulators provide alternate means, such as engagement outside an application process, to address public/stakeholder concerns.
6. Remove hydroelectric projects from the Physical Activities Regulations and place such projects under provincial impact assessment processes.
7. Implement suggested changes to streamline the application of the Canadian Navigable Waters Act and the Navigable Waters Regulations (see Appendix 3).
8. Implement suggested changes to streamline the application of the Migratory Birds Regulations and remove the Pileated Woodpecker from Schedule 1 (see Appendix 4).

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<sup>7</sup> [https://waterpowercanada.ca/wp-content/uploads/2026/07/WPC\\_Major-Projects-Regulatory-Streamlining\\_07222026.pdf](https://waterpowercanada.ca/wp-content/uploads/2026/07/WPC_Major-Projects-Regulatory-Streamlining_07222026.pdf)

## Appendix 3 – Summary of Recommendations for Amendments to the Navigable Waters Regulations

WaterPower Canada’s key recommendations from its submission<sup>8</sup> regarding the Navigable Waters Regulations are as follows:

1. Ensure that artificial bodies of water are not included in the definition of navigable waters in the CNWA or alternatively exclude these in the regulations.
2. Ensure that owners of all legally built facilities can undertake repair and maintenance activities that do not hinder navigation
3. Capture temporary works as Minor Works under the *Minor Works Order*
4. Include geotechnical drilling and engineering surveys conducted from a barge or from dry ground as Minor Works.
5. Provide additional oversight on decisions to add water bodies to the CNWA Schedule by ensuring they are approved through an Order in Council rather than a Ministerial Order.

## Appendix 4 – Summary of Recommendations Regarding Amendments to the Migratory Birds Regulations

WaterPower Canada’s key recommendations from its submission<sup>8</sup> regarding the Migratory Birds Regulations are as follows:

1. Provide a compliance pathway for emergency situations where migratory birds or their nests would delay restoring electrical service to customers or delay spilling at a hydro dam, thus jeopardizing public safety.
2. Provide a compliance pathway for non-emergency situations where safety operations, such as vegetation management to avoid outages or wildfires, need to be undertaken.
3. Remove pileated woodpeckers from Schedule 1 of the Migratory Bird Regulations, given the disproportionate risk to public safety caused by damage from their nesting cavities to utility poles and adjacent trees.
4. Exclude anthropogenic structures (eg. Wooden pole structures) from application in Schedule 1 to facilitate their replacement without delay.
5. Permit the destruction of eggs and nests when relocation is not a practical alternative.
6. Ensure that regulatory language is principle-based rather than prescriptive and narrow.
7. We support the ECCC’s mention of a possible de minimis threshold in the Regulations.
8. We support ECCC’s proposed amendments to include nests in addition to eggs to confirm that nests causing or likely to cause damage or danger could be removed, destroyed, or relocated.

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<sup>8</sup> <https://waterpowercanada.ca/wp-content/uploads/2026/01/FINAL-MBR-Regulatory-Package-Response.pdf>

## Appendix 5 - Summary of recommendations on Clean Electricity Investment Tax Credits

1. Extend the availability of the CEITC as was announced in Budget 2025 for the CCUS ITC; or calculate the CEITC on eligible capital expenditures up to December 31, 2034 and carry forward to a date after December 31, 2034 when the project is placed into service.
2. Do not impose a domestic requirement on the CEITC unless it is designed as an “adder”. To ensure the ITCs achieve their stated goals, measures to encourage greater domestic purchasing should reward developers who are able to source from Canadian suppliers and provide necessary supporting information. A domestic content requirement reducing the CEITC’s accessibility would not achieve the ITC’s stated goals and could limit its accessibility due to sourcing limitations and administrative constraints. The federal and provincial governments are already implementing policies such as tariffs and incentives to increase the use of domestic content in energy projects.
3. Remove labour requirements from the ITC’s eligibility criteria. Contractors and unions are parties to collective agreements, not owners, so a determination of prevailing wages will necessarily involve them. The prevailing wage determination can be made directly from the collective agreement and should not require further attestation or follow-up with workers about compliance with the collective agreement.

Apprentice requirements and hiring are also determined by contractors and unions, not project owners. Many collective agreements have explicit language on apprentice targets, and the presence of those should determine compliance with the intent of the labour provision. Regarding hiring, workers are referred to a job by their union, so an owner/operator should not face sanctions because a union is unable to supply apprentices for a particular job.

4. Include commercial trusts as an eligible financing vehicle, with clear rules and restrictions to address any tax-planning concerns that the federal government may have.
5. Include ‘designated provincial Crown corporation’ in the definition of clause c) of *qualifying corporation* to allow for jointly owned projects between such Crowns and Indigenous groups to be eligible.
6. Include high-voltage direct current (HVDC) transmission equipment in the list of eligible transmission assets.
7. Allow the CEITC 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.
8. Explicitly include more than one of the assets listed in the English definition of hydroelectric facility to mirror the French definition.
9. Replace ‘overflow spillway’ with ‘spillway’ in the definition of *hydroelectric facility* to allow for gated spillways to qualify.