

The Hon. François-Philippe Champagne, P.C., M.P.,
Minister of Finance and National Revenue
90 Elgin, Ottawa, Ontario
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Submitted electronically via: cleangrowthitc-ciicroissancepropre@fin.gc.ca

RE: Consultation on the possibility of introducing a domestic content requirement as part of the Clean Electricity Investment Tax Credit and the Clean Technology Investment Tax Credit

Dear Minister Champagne,

Thank you for the opportunity to provide comments on Finance Canada's [Consultation on the possibility of introducing domestic content requirements as part of the Clean Electricity Investment tax Credit and the Clean Technology Investment tax Credit](#).

Founded in 1891, Electricity Canada (formerly the Canadian Electricity Association) is the national forum and voice of the evolving and innovative electricity business in Canada. The Association supports, through its advocacy efforts, the regional, national, and international success of its members. Electricity Canada members generate, transmit, and distribute electrical energy to industrial, commercial, residential, and institutional customers across Canada. Members include integrated electric utilities, independent power producers, transmission and distribution companies, power marketers, and system operators, who together deliver electricity to all Canadians, in every province and territory.

Electricity Canada recommends that no mandatory domestic content requirement be introduced as part of the Clean Electricity and Clean Technology ITCs. Rather, the government should implement a voluntary domestic content incentive that rewards domestic procurement. This would help incentivize domestic manufacturing without risking delays in the delivery of clean electricity projects, increasing costs for Canadians, or compromising the reliability of the electricity system.

In addition, the government should work with electricity companies and suppliers to develop a national Supply Chain Roadmap to ensure continued investment in and expansion of the domestic electricity supply chain.



Electricity Canada and our members support the government's objective to strengthen domestic supply chains and Canadian manufacturing. We believe that these goals can be achieved in ways that maximize economic benefits while maintaining affordability, timely project delivery, and momentum towards Canada becoming an energy superpower. With a need to double the size of the grid by 2050, the scale and pace of change require an aggressive buildout of electricity infrastructure. Getting this right, quickly and affordably, will mean businesses will choose Canada as a destination to build and invest, creating good jobs, growing the economy, and enabling emissions reductions across the economy through greater electrification. The sector is ready and willing to do our part to support Canadian workers and industries as we embark on the most significant period of electricity investment in generations.

The electricity sector already overwhelmingly procures from Canadian suppliers. When electricity companies look abroad, it is for products that are not available at scale in Canada or that offer significant cost advantages. Domestic suppliers are not capable of exclusively supplying the full range of goods and services needed to support the unprecedented level of investment planned for the grid. It takes time to build robust domestic supply chains. The build-out of the grid cannot wait.

Rationale for a Voluntary Domestic Content Incentive

A voluntary domestic content incentive sends a clear signal to proponents to buy Canadian without creating the negative consequences that would arise from a mandatory domestic content penalty. Strong industrial policy builds competitive capacity that is durable over the long term. What is ultimately needed to strengthen and secure domestic electricity supply chains and manufacturing is a stable, long-term demand signal. Currently, many of the products the sector needs come from a globally integrated supply chain. A voluntary domestic content incentive, coupled with strategic interventions in identified priorities, can help deliver that demand signal while reshaping supply chains in a way that persists over time.

1. Preserves the effectiveness of the ITCs for achieving its primary policy objective: accelerating investment into clean electricity projects while maintaining affordability

Domestic content penalties risk undermining the primary policy objectives of the ITCs. Ensuring ITCs remain effective, predictable, and aligned with project economics is essential to supporting timely investment in clean electricity projects.

The primary policy objective of the ITCs is to accelerate investment in clean electricity projects needed to meet rising electricity demand while maintaining affordability. Attempting to achieve other



important public policy objectives through penalties reduces the effectiveness of the ITCs in catalyzing investment while easing the cost burden of the build-out for ratepayers.

There is already a 10-percentage point penalty if the labour requirements are not met. Some members have reported that they do not expect to meet the labour requirements for projects that have already been contracted due to their inability to meet the reporting requirements, necessitating them to accept lower ITC rates of 5% for the Clean Electricity ITC and 20% for the Clean Technology ITC. Introducing an additional domestic content penalty would further disincentivize investors from utilizing the ITCs. Depending on the penalty amount, it could completely erode the value of the ITCs when compounded with the labour requirements.

2. Avoids raising costs for Canadians.

While provincial regulators set retail electricity rates, the ITCs help affordability because they reduce the capital cost of eligible projects, which supports lower revenue requirements than what would otherwise have been needed. This helps to lower the cost of electricity for Canadians. If a domestic content requirement were implemented as a penalty, the affordability benefit of the ITCs would be eroded. An ill-designed domestic content requirement could actually have created worse outcomes for Canadians in terms of jobs, economic activity and affordable electricity. Preserving the ITC's investment and affordability signal is critical and should not be diluted through multiple stacked conditions.

At present, Canada can supply some of the products needed by the electricity sector, and there is potential for domestic manufacturers to make incremental progress over time to increase the share of domestic content. The Canadian electricity sector will be dependent on international trade in electricity equipment for the foreseeable future. A domestic content penalty will just add costs by reducing the benefits of the ITCs for the products where there is no available, cost-effective domestic alternative. Moreover, increasing demand for the limited supply of domestic products could drive up prices.

3. Avoids creating policy uncertainty that puts a chill on investment, slows down projects and introduces risk to competitive procurement processes, which could negatively impact reliability.

The policy uncertainty caused by a domestic content penalty would affect projects currently underway and competitive procurement processes, whether ongoing or imminent. Today, proponents are incorporating the existing ITC frameworks into their baseline project economics. Any uncertainty or limitation in accessing the ITCs increases project costs relative to these established baselines and alters the project's economics.



A domestic content penalty would introduce significant risk to projects already in development by disrupting planned, price-locked supply chain and procurement strategies. If the requirements were imposed mid-project, proponents could be required to abandon or renegotiate contracts, triggering delays, adding costs, and potentially resulting in the loss of preferred equipment allocations in a highly constrained global market.

For competitive procurement processes, the introduction of a domestic content penalty may cause proponents to include risk-adjusted cost premiums to hedge against potential ITC non-compliance, thereby further increasing bid prices and ultimately driving up the cost of electricity for Canadians. For procurement processes that have already been launched, winning proponents would not have factored the penalty into their bids, raising the risk of project failure or, at best, delays as contracts are renegotiated.

Delaying the delivery of much-needed clean electricity projects could create reliability. The [North American Electricity Reliability Corporation \(NERC\)](#) has assessed several jurisdictions across Canada as being at elevated risk for potential energy shortfalls if electricity providers are not able to invest quickly to address the needs. Stacking additional policy objectives onto the ITCs will reduce their ability to be used for many projects and will slow down project delivery as proponents sort through the new requirements.

4. Minimizes administrative burden, complexity and duplication.

The ITCs are already complex to claim. Compliance with the labour requirements, in particular, is challenging for proponents to track and report. It is not just the industry that must grapple with the administrative burden associated with complex reporting requirements, but so must the government. Adding further complexity to the ITCs, which have been slow to implement due to the complexity of the undertaking, is not in keeping with the government's objective of reducing red tape and speeding up the delivery of clean electricity projects.

Furthermore, there are already "Buy Canadian" policies and/or preferences in place for the procurement of goods and services in the electricity sector. Additional mandatory domestic content requirements would be duplicative.

At the federal level, some products procured by the sector are covered by the Steel Derivatives Surtax and Canada-U.S. tariffs. Based on a conservative estimate as of February 2026, the Steel Derivatives Surtax impacted a minimum of 56 projects. While most surveyed members are not yet able to provide a dollar value of the expected impacts, we have very conservatively identified potential costs exceeding \$74.8 million, with some project costs increasing by a full 25%. These costs will ultimately be passed



on to ratepayers through higher electricity bills. Adding a domestic content penalty on top of existing tariffs and surtaxes will compound the cost implications.

Provincially, some system operators are incentivizing the use of domestic content. For example, BC Hydro's 2025 Call for Power encouraged proponents to maximize the amount of Canadian goods and services in their bids through an energy bonus payment at commercial operation date tied to the percentage of Canadian content included in the project.

5. *Avoids constraining technology choice.*

Electricity supply chains are global and specialized. Certain kinds of equipment or specialized materials are only produced in certain jurisdictions. For example, some grades of electrical steel used in electrical equipment are not produced in Canada, and because of the capital-intensive nature of their production and dependence on large economies of scale, it is not feasible to produce them domestically. This is true for many categories or sub-categories of equipment.

While Canada may have an ability to produce equipment for many applications, it is not feasible for Canada to produce all of the equipment needed to run its diverse and complex electrical grids. Unless the design of a domestic content penalty explicitly focuses only on items that are already produced in Canada at cost and at scale, or have an immediate, clear, viable and investable path to production at scale, the requirements will necessarily constrain the technology options available to proponents.

Consultation Questions

- 1. A requirement to use domestic content has been introduced in certain government measures to support domestic producers. For example, the U.S. has included domestic content requirements in their clean electricity tax credits to encourage the use of U.S. materials and equipment assembled domestically. Another example is the recent announcement by the federal government regarding a new Buy Canadian Policy that will require the use of Canadian steel, aluminum, and wood products, and create preference for Canadian suppliers and Canadian content in federal procurement processes.***

The U.S. offers a Clean Electricity Investment Tax Credit as well as a Production Tax Credit (PTC), which includes domestic content requirements that add 10 percentage points to the value of the incentive if certain criteria are met. Imposing a domestic content penalty in Canada in this environment risks making Canadian projects less competitive and could exacerbate capital flight to the U.S.



U.S. experience highlights significant implementation challenges. Since the IRA passed, developers have required multiple rounds of IRS clarification because domestic content rules proved difficult to interpret, and safe harbours were introduced specifically to reduce what the IRS called “cumbersome or impractical substantiation” requirements. Technologies such as offshore wind, hydropower, and geothermal still require detailed component-level cost analyses. Several industry reports have linked this complexity to material delays and cancelled or postponed projects in early 2025. This experience illustrates that even with a larger manufacturing base and more generous incentives, domestic content frameworks can slow project development. A voluntary domestic content incentive should include safe harbour tables to simplify domestic content calculations to avoid some of the administrative challenges seen in the U.S.

A mandatory domestic content requirement structured as a penalty, by contrast, simply obligates proponents to purchase domestic components regardless of cost, availability, or scale. Determining whether domestic supply is “sufficient” would itself require new processes and continual re-interpretation. Experience in other jurisdictions, including in the U.S. under the IRA, has been that defining domestic content rules takes years, during which projects are delayed and cancelled because of a lack of clarity. Investors and system planners require clarity. Persistent lack of clarity around these rules, combined with an already unstable trade situation, could severely impair Canada’s overall investment environment for electricity infrastructure.

1. a) *Would you be in favour of introducing a domestic content requirement under Canada's Clean Technology and Clean Electricity investment tax credits to encourage the use of Canadian products?*

Electricity Canada does not support a mandatory domestic content requirement that would introduce a penalty under the Clean Technology ITC and Clean Electricity ITC. Rather, we propose that the government introduce a voluntary domestic content incentive that rewards domestic procurement without delaying the delivery of clean electricity projects, increasing costs for Canadians or compromising the reliability of the electricity system.

1. b) *“If a domestic content requirement were introduced under the Clean Technology and Clean Electricity investment tax credits, what kinds of products should it be applied to? For instance, should such a requirement be applied to structural steel (e.g., load-bearing columns), advanced manufactured products (e.g., wind turbine generators, photovoltaic modules, battery modules), and/or other products? Should an exemption be allowed to the requirement for certain products or under certain scenarios (if so, what evidence could be used to substantiate an exemption)?”*



Canada should not introduce a domestic content requirement for the ITCs. As mentioned above, such a requirement is not the most effective tool to encourage the expansion of domestic supply chains and will undermine the primary objective of the ITCs.

Inasmuch as a requirement might be introduced, it should only apply to products where Canada has established, cost-effective and scalable capacity that can meet project timelines and required volumes. The requirements must recognize that there is significant regional variability in access to these products.

Projects that have already been contracted should be exempt to avoid delays, contract renegotiations, the risk of project failure, and cost impacts.

A “reasonable effort” clause must be included for proponents who are able to demonstrate they made reasonable efforts to meet the requirements.

Broad exemptions should be applied to regulated utilities that operate on a cost-of-service model because higher costs that may result from a domestic content requirement will be passed on directly to customers.

1. c) *If a domestic content requirement were introduced, what consequence could be associated with failing to meet a domestic content requirement? Please explain the rationale for your views.*

A mandatory domestic content penalty should not be introduced as part of the ITCs. Rather, the government should implement a voluntary domestic content incentive. For the rationale, please see the section above titled “Rationale for a Voluntary Domestic Content Incentive”.

1. d) *“If a domestic content requirement were introduced, what mechanisms could be used to administer the measure (e.g., certification of country of origin or other documentation of domestic content)? Would established country of origin documentation mechanisms, for example, those used in the context of tariffs or the Canada-U.S.-Mexico Agreement, be appropriate and allow the country of origin of different products to be identified? If not, what mechanism would you envisage in order to identify the country of origin of products?”*

Minimizing the administrative burden associated with verifying the country of origin must be core to the design of any domestic content incentive. It has not been a requirement for the electricity sector to assess its domestic content, and therefore any such processes would be a new imposition on the sector.



Electricity supply chains are global and multi-layered, with a single piece of technology utilizing components from multiple countries. Proponents do not have access to information about the supply chains of their suppliers; some information may be commercially sensitive, manufacturing locations can change, and assembly locations do not necessarily show where materials actually come from. Tracking this, if it were even possible, would necessitate a permanent compliance exercise layered on top of already complex projects. Verification should therefore rely on documentation that is already produced in the normal course of business.

Any requirement must consider what information proponents are actually able to collect and report. This has been an ongoing challenge for reporting on the labour requirements that are still being worked through by industry and government. To meet the labour requirements, proponents need to report on workforce data belonging to their contractors and subcontractors. For projects that were already contracted, this required contract amendments or renegotiations, which were not always possible. Contractors and subcontractors are being asked to collect and report on data that they had not anticipated, including potentially sensitive information about their employees. Proponents are ultimately responsible for verifying and reporting on the data collected by their contractors and subcontractors when filing their ITC claims. This has resulted in a significant administrative burden for proponents. Some have reported incurring additional fees from their contractors associated with the required data collection. Proponents are also facing challenges negotiating contracts that guarantee the labour requirements are met. This experience should not be repeated with a domestic content requirement.

- 2. Are there other key considerations (such as administrative or implementation considerations, potential economic benefits, specific sectors in Canada affected by other countries' protectionist practices, supply chains challenges or opportunities) on the potential introduction of a domestic content requirement under the Clean Technology and Clean Electricity investments tax credits that you would like to bring to our attention? If so, please explain.*

Please see below high-level comments on the state of Canada's electricity supply chains.

The State of Canada's Electricity Supply Chains

Electricity Canada and our members support the government's objective to strengthen domestic supply chains and Canadian manufacturing. The sector already procures overwhelmingly from Canadian suppliers for goods and services, including procuring over a billion dollars annually from Indigenous businesses. As non-exhaustive examples, Hydro Québec sources nearly 93% of its goods and services from within Canada, BC Hydro sources over 90%, and 82% of Manitoba Hydro's purchases are from domestic suppliers.



The electricity sector draws upon a highly globalized and competitive supply chain. Canada does not currently have sufficient domestic capacity that is cost-effective and at scale to meet all the needs of the electricity sector. Moreover, the supply chains' needs for nuclear are very different from those for solar, which are very different for transmission. Canadian supply chains lack the specialized capabilities required to manufacture all critical components needed for the build-out of our electricity grids.

For example, there are limited manufacturing facilities in Canada for solar, wind and battery energy storage systems (BESS). What is produced domestically is not enough to supply the domestic market, with significant regional differences in access. Components needed for the refurbishment or replacement of generation powertrain assets, such as casting/forging for turbine generator components, generator circuit breakers, exciters and governors, are not sufficiently available in Canada. Many transmission system components are also not available at scale in Canada, such as large power transformers, grain-oriented steel used in transformer cores, high voltage switchgears, station equipment and more. For many high-value components, proponents cannot rapidly switch from international to domestic suppliers.

Electricity projects are complex, requiring many different subcomponents. Lead times for some components can be long, requiring proponents to plan well in advance and develop sophisticated procurement strategies and supplier relationships. For example, it can take five to seven years to procure a large gas turbine, up to five years for certain transformers, and six to twelve months for key steel components. Electricity companies are already well into procurement cycles for 2027 and beyond.

Moreover, components often need to be highly specialized, which can be a barrier to procuring locally, and for domestic manufacturers looking to expand their market access. For example, based on a recent survey of the Canadian market, only one manufacturer made 7-strand overhead wire, but the 28/34 strand wire was not available in Canada.

Before any domestic content requirement is considered, the government should conduct a robust survey of existing manufacturing capabilities in Canada for a broad swath of components to ground policy development in the realities of today. This survey should identify priorities for strategic interventions, gaps in Canada's capabilities for critical components, and highlight areas of existing strength. The objective should be to build the competitive capacity of domestic electricity supply chains that are durable over the long term to strengthen Canada's energy security.

Expanding Domestic Electricity Supply Chain Capacity



The government should work collaboratively with electricity companies and suppliers to promote continued investment in and expansion of domestic electricity supply chains. Targeted interventions aimed at manufacturers of identified priority components, as well as domestic fabrication and assembly facilities, would enhance domestic capacity and strengthen electricity supply chains. The government already has established tools and agencies to support these efforts, including the Business Development Bank of Canada, Export Development Canada, the Canada Growth Fund, the Strategic Response Fund and more.

As recommended in Electricity Canada’s annual [State of the Industry Report](#), the government should develop a national Supply Chain Roadmap. A roadmap would clarify future demand for manufacturers, link them to federal financing and tax credit tools, and identify areas where Canadian firms have competitive potential to grow alongside the expanding electricity sector. It would also support trade-impacted industries by focusing growth efforts where they are most likely to succeed. The survey of existing manufacturing capabilities in Canada should be the first step in the development of this roadmap. Lessons can be learned from the recently released Defence Industrial Strategy, which applies a non-punitive, build-partner-buy framework to shore up Canada’s capabilities.

It takes time to enhance domestic capacity, but the build-out of our electricity grids cannot wait. The unprecedented level of investment into the grid that is anticipated will help establish long-term demand signals needed for manufacturers to pivot, retool, and invest in developing their capacity in certain critical components. The sector is committed to working with the government and suppliers to ensure domestic content is an integral part of future procurements.

Thank you for considering our comments on the *Consultation on the possibility of introducing domestic content requirements as part of the Clean Electricity Investment tax Credit and the Clean Technology Investment tax Credit*.

Electricity Canada and our members support the government’s objective to strengthen domestic supply chains and Canadian manufacturing. We believe that these goals can be achieved in ways that maximize economic benefits while maintaining affordability, timely project delivery, and momentum towards Canada becoming an energy superpower. A mandatory domestic content requirement could delay the delivery of clean electricity projects, increase costs for Canadians and potentially compromise the reliability of the electricity system. A voluntary domestic content incentive coupled with targeted interventions into domestic electricity supply chains identified as part of the development of a national Supply Chain Roadmap will be a more effective approach to creating jobs, economic activity and enhancing our energy security.

Should you have any questions or would like any clarification, please do not hesitate to reach out to Michael Powell at powell@electricity.ca.



Sincerely,

A handwritten signature in black ink, appearing to read "M Powell".

Michael Powell
Vice President of Government Relations
Electricity Canada

