

Recommendations List

Invest in Competitiveness and Clean Growth

Recommendation 1: Strengthen and quickly deliver the Clean Electricity ITC by:

- A) Including funding for intra-provincial transmission assets and upgrades.
- B) Including funding for local distribution assets and upgrades.
- C) Eliminating the eligibility requirement for provincial and territorial governments to commit to a net zero grid by 2035.

Recommendation 2: Task the Canada Energy Regulator to develop a benefit allocation framework to promote healthy inter-provincial transmission systems.

Recommendation 3: Implement a federal Indigenous Loan Guarantee Program to enable a competitive and equitable clean electricity transition across all jurisdictions.

Recommendation 4: Implement broad-based Carbon Contracts for Difference (CCfDs) to provide investor certainty on large-scale electricity infrastructure projects.

Build Things Faster

Recommendation 5: Simplify, streamline and strengthen federal capacity for the approval of key electricity infrastructure projects by:

- A) Implementing the "One Project, One Assessment" framework described in Budget 2023.
- B) Establishing a single central federal office to coordinate federal permitting and approvals for net zero projects.
- C) Investing in regulators' capacity to deliver on net zero goals promptly and effectively in their decision-making.

Eliminate Threats to Affordability and Reliability

Recommendation 6: Amend Bill C-59 to exempt regulated utilities from planned changes to Excessive Interest and Financing Expenses Limitation (EIFEL).

Recommendation 7: Provide greater flexibility to the Clean Electricity Regulations to ensure emissions reductions can be reliably and affordably achieved in every region in Canada.



Electricity Canada Pre-Budget Submission

About Electricity Canada

Electricity Canada is the national voice of Canada's evolving and innovative electricity business. Our 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 deliver electricity to Canadians in every province and territory.

Canada's electricity sector is among the cleanest in the world. Today, 84% of the electricity produced in Canada is already non-emitting. Since 2005, the electricity sector has reduced greenhouse gas emissions by almost 50% - more than any other sector. As we advance, electricity will be the foundation of a net zero future as all other sectors of the economy seek to decarbonize.

Affordable, Reliable, Clean: Powering our Net Zero Future

Canada has made an aggressive commitment to achieve an entirely net zero economy by 2050. To meet this monumental challenge, the [Public Policy Forum estimates](#) that we must grow our electricity supply capacity by 2.2 to 3.4 times today's volume to meet demand by 2050. We will need to build more generation, transmission, and distribution capacity in the next 26 years than in the last 100.

Building the infrastructure we need to power a net zero future will be costly and constrained by real-world factors.

- Electricity projects take years to complete. Under current regulatory and permitting rules, there will not be enough time to build the infrastructure we need to achieve a net zero economy by 2050. Meaningful regulatory and permitting reform is urgently needed.
- A [report released by RBC](#) in 2021 estimated that the total cost to achieve net zero by 2050 is \$2 trillion (\$50 billion annually). The scale of the investment needed is greater than what can be borne by customers alone.
- [Current projections estimate \(RBC\)](#) there will be a deficit of 400,000 skilled jobs that will need to be filled to build the infrastructure required to achieve net zero by 2050. [Electricity Human Resources Canada forecasts](#) that in the next five years alone, the industry will need to fill 28,000 jobs (24% of the current workforce) to meet replacement and expansion demand.
- Supply chain challenges and rising materials prices will make building more unpredictable and costly.
- Escalating extreme weather events will continue to test the resiliency of our infrastructure and demonstrate the need for urgent action.





Budget 2023 put forward meaningful programs that will support the build out of Canada's electricity grid. It is crucial that these programs be implemented as efficiently as possible to ensure the challenge before us can be met.

In its interim report released in December 2023, the Canada Electricity Advisory Council acknowledged the central importance of the electricity sector to the country's entire energy transition. They also state that policies must carefully balance affordability, reliability and competitiveness with emissions reductions and supply growth. Recognizing this balance in all policy measures between now and 2050 will determine our overall success.

At a time when Canadians are struggling with affordability challenges, it is crucial that we recognize the essential economic and societal return on investment that will come from building our grid. Choosing to scale-back or delay investments in the electricity sector, will result in increasing pressures on Canadian ratepayers to pay for existing services and the growth needed to meet growing demand.

Invest in Competitiveness and Clean Growth

Recommendation 1: Strengthen and quickly deliver the Clean Electricity ITC.

Budget 2023 announced critical support for the expansion of Canada's electricity grids to power a net zero economy by 2050 via the creation of Investment Tax Credits (ITCs). Electricity Canada commends the creation of ITCs as the key tools to build net zero infrastructure. The simplicity and longevity of ITCs will be critical to electricity companies, who are currently planning large-scale long-term projects to meet the demands of net zero. Making sure the ITCs are rolled out as quickly as possible and provide investor confidence will ensure Canada remains globally competitive in the investment market and makes significant progress toward net zero.

Echoing the recommendations outlined in the Canada Electricity Advisory Council interim report, Electricity Canada recommends the following amendments to the Clean Electricity ITC:

- 1) Include funding for intra-provincial transmission assets and upgrades. The overwhelming majority of Canada's transmission system exists within provincial and territorial boundaries. Intra-provincial transmission is relied upon to connect all communities, especially in rural and remote regions, with the clean, reliable, and resilient electricity grid those communities need for net zero. Support for the continued build-out and expansion of reliable and resilient transmission systems is essential.
- 2) Include funding for distribution assets and upgrades. Just as the amount of electrical generation needs to at least double for net zero, the capacity of our distribution grids must also at least double so that Canadians can access the clean, reliable and resilient energy they need. The inclusion of distribution expenses in the ITC is necessary for individual Canadians to benefit from net zero.





- 3) Eliminate the eligibility requirement for provincial and territorial governments to commit to a net zero grid by 2035. As also stated in the Canada Electricity Advisory Council's report, this additional requirement would be an inefficient and redundant condition standing in the way of getting capital to where it is needed as soon as possible.

In addition to those recommendations, we further propose expansion of eligible technologies, including synchronous condensers (Clean Electricity ITC/Clean Technology ITC), methane pyrolysis (Clean Hydrogen ITC), and High Voltage Direct Current converter stations (Clean Electricity ITC/Clean Technology ITC) This eligibility expansion aims to support innovation, efficiency, and competitiveness in the electricity industry by introducing new technologies for net-zero deployment.

The federal government should also explore cost-neutral tools that enable electricity companies to raise additional capital to meet the needs of electrification. This should include revisiting the federal departure tax threshold to allow for greater access to non-municipal capital for local utilities.

Recommendation 2: Task the Canada Energy Regulator to develop a benefit allocation framework to promote healthy inter-provincial transmission systems.

A priority of Budget 2023 was to utilize the ITC regime to promote inter-provincial transmission. The Clean Electricity ITC supports inter-provincial transmission to help connect provinces and territories that are more abundant in clean electricity with those that are less so. This is a step in a positive direction, but inter-provincial transmission is complicated. Different planning jurisdictions will have different operational methods of conducting cost-benefit decisions on inter-provincial transmission lines. Jurisdictional agencies may delay or reject permits if there is disagreement on cost-benefit analysis.

The shared benefits of transmission lines are nuanced and not easily allocated among participants, especially between jurisdictions with different market structures and regulations. Therefore, more thought is required on how to distribute those benefits appropriately.

Early engagement of all stakeholders will streamline interjurisdictional planning processes. With proper planning and benefit categorization within an established framework, benefits can be realized by each jurisdiction throughout the asset's lifespan. With a multi-jurisdictional benefit framework, the federal government could act as an investor in the inter-provincial transmission line. Federal involvement would reduce the barriers to creating inter-provincial transmission projects and allocate benefits fairly across jurisdictions.





Recommendation 3: Implement a federal Indigenous Loan Guarantee Program to enable a competitive and equitable clean electricity transition across all jurisdictions.

The 2023 Fall Economic Statement included a commitment to launch a national Indigenous Loan Guarantee Program. Electricity Canada supports this program as a means of advancing economic reconciliation and empowering Indigenous communities to raise needed capital that will be crucial for clean electricity projects.

Electricity Canada and its members will continue to work alongside Indigenous communities to deliver an innovative, clean, reliable, and affordable grid from coast to coast to coast.

Recommendation 4: Implement broad-based Carbon Contracts for Difference (CCfDs) to provide investor certainty on large-scale electricity infrastructure projects.

The 2023 Fall Economic Statement announced that the Canada Growth Fund would utilize \$7 billion of its budget to issue carbon contracts for difference (CCfDs) on a bilateral basis. These CCfDs will act as a financial incentive for long-term projects that will be driving emissions reductions and energy innovation.

Electricity Canada supports CCfDs as a tool for growth in the electricity sector. Setting an agreed upon carbon price provides predictability and certainty for companies, decreased risk for investors, and emissions reduction assurances for the federal government.

Electricity Canada welcomes the clarification on the role and focus of the Canada Growth Fund for bilateral CCfDs. However, we continue to believe that a broad-based ‘off-the-shelf’ CCfD system would allow for a wider set of companies to enter into agreements, providing maximal benefit to all electricity companies, and by extension, the economy as a whole.

Build Things Faster

Recommendation 5: Simplify, streamline and strengthen federal capacity for the approval of key electricity infrastructure projects

Put simply, the infrastructure required to power the energy transition does not exist today. Electricity Canada members will be responsible for building the generating plants, transmission lines and distribution systems needed to electrify the economy. They will have to build faster than ever.

Electricity Canada partnered with Dunsky Energy + Climate Advisors on a study examining the barriers on the road to a net zero economy by 2050. The report identified areas to simplify, streamline and strengthen our





regulatory regime. Electricity Canada recommends the federal government adopt the following primary recommendations from [Build Things Faster report](#):

- 1) Implement the "One Project, One Assessment" framework described in Budget 2023.
- 2) Establish a single central federal office to coordinate federal permitting and approvals for net zero projects.
- 3) Invest in regulators' capacity to deliver net zero goals promptly and effectively in their decision-making.

Electricity Canada commends the establishment of the Ministerial Working Group on Regulatory Efficiency for Clean Growth Projects and the commitment to release a Clean Electricity Strategy. It is imperative that they put forward a plan of action that enables the rapid build-out of electricity infrastructure needed for 2050.

Eliminate Threats to Affordability and Reliability

Recommendation 6: Amend Bill C-59 to exempt regulated utilities from planned changes to Excessive Interest and Financing Expenses Limitation (EIFEL).

Electricity Canada and our members are committed to ensuring that electricity bills remain affordable as we invest hundreds of billions of dollars in electrification and decarbonization projects over the coming decades.

Electricity Canada remains concerned that legislation on Excessive Interest and Financing Expenses Limitation (EIFEL) included in Bill C-59 will make electricity bills less affordable and will make building electricity infrastructure more difficult. The rules will limit the amount of interest expense that can be deducted from taxable income for existing and new borrowings. Every dollar of denied interest will be passed on to customers and/or increase the cost of capital. To avoid these unnecessary costs, a targeted exemption for regulated utilities must be included in Bill C-59.

Regulated utilities are unique and should not be captured by the proposed EIFEL rules. They are highly regulated, capital intensive, and must maintain high levels of long-term debt to ensure costs to customers are staggered over the life of a project. Increasing the cost of electricity and reducing the feasibility of capital projects needed to reach net zero are harmful outcomes that work against the government's larger policy objectives. The ITC regime clearly demonstrates the government's desire to accelerate investment in clean electricity in a manner that preserves affordability for Canadians. Increasing the cost of electricity will undermine efforts to electrify the economy.





Providing an exemption for regulated utilities is consistent with peer countries, such as the United States and the United Kingdom, as they recognize the inherent value of public benefit infrastructure projects that will enable emissions reductions across their respective economies. Canada should follow suit.

Other proposed tax policies present barriers to raising capital for large infrastructure projects while continuing to provide affordable electricity to Canadians. The proposed Global Minimum Tax and the Federal Departure Tax are two key examples that should be re-examined to ensure they are not unintentionally running counter to the stated objective of achieving a net zero economy by 2050.

Recommendation 7: Provide greater flexibility to the Clean Electricity Regulations to ensure emissions reductions can be reliably and affordably achieved in every region in Canada.

Electricity Canada is committed to our nation's goal of decarbonizing the economy by 2050. The electricity sector is foundational to this goal, which will be relied upon to be the primary energy provider nationwide. To do this, we must simultaneously grow and decarbonize in a manner that is affordable, reliable and globally competitive.

Striking this balance is why flexibility is paramount to any policies impacting the sector.

Electricity Canada and member companies across the country are deeply concerned that the proposed Clean Electricity Regulations (CERs) will have significant impacts on the reliability and affordability of electricity in Canada. These impacts will be felt in every province, but will be disproportionate towards Alberta, Saskatchewan, Ontario, Nova Scotia, and New Brunswick.

As outlined in the Electricity Advisory Council's report, an overemphasis on achieving a fully emissions-free electricity grid by 2035 will create cost burdens and reliability threats that put the larger goal of a net zero economy at risk.

With proper flexibility and pathways to compliance, the electricity sector will continue to reduce emissions, while growing our overall supply to meet the rapidly growing demand. The sector will be able to do this, while keeping bills affordable and growing as a competitive world leader for clean electricity.

