

Department of Finance Canada

Clean Air and a Strong Economy

Backgrounder

April 7, 2022

Smart climate investments today are good for Canadian workers, good for the Canadian economy, and good for the planet. With the largest mobilization of global capital since the Industrial Revolution already underway, Canada has the chance to become a leader in the clean energy of the future. Budget 2022 will help Canada continue to lead in global efforts to fight climate change, to protect our nature, and to build a clean economy that will create the good-paying middle class jobs of today and tomorrow.

Launching a World-Leading Canada Growth Fund

Budget 2022 proposes to establish the Canada Growth Fund to attract substantial private sector investment to help meet important national economic policy goals:

- To reduce emissions and contribute to achieving Canada's climate goals;
- To diversify our economy and bolster our exports by investing in the growth of low-carbon industries and new technologies across new and traditional sectors of Canada's industrial base; and
- To support the restructuring of critical supply chains in areas important to Canada's future prosperity—including our natural resources sector.

The fund will be initially capitalized at \$15 billion over the next five years, and will target three dollars of private capital for every one dollar that it invests.

Protecting Our Freshwater

In 2019, the government committed to establish a federal Canada Water Agency to work with provinces, territories, Indigenous communities, and other stakeholders in order to find the best ways to keep Canada's water safe, clean, and well-managed. Budget 2022 proposes to provide:

- \$43.5 million over five years and \$8.7 million ongoing to create a new Canada Water Agency, which will be stood-up in 2022;
- \$19.6 million in 2022-23 to sustain the Freshwater Action Plan;
- \$25.0 million over five years to support the Experimental Lakes Area; and
- \$44.9 million over five years and \$9 million ongoing to support the Great Lakes Fishery Commission.

Reducing Emissions on the Road

On-road transportation accounts for 20 per cent of Canada's greenhouse gas emissions. Budget 2022 proposes a number of measures to reduce emissions from transportation by making zero-emission vehicles more affordable for Canadians and Canadian businesses.

- \$1.7 billion over five years to extend the Incentives for Zero-Emission Vehicles program until March 2025 to help more Canadians get behind the wheel of zero-emission vehicles;
- \$547.5 million over four years to launch a new purchase incentive program for medium- and heavy-duty ZEVs to help businesses upgrade their fleets; and,

- Funding to build a national network of electric vehicle charging stations.

Expanding the Low Carbon Economy Fund and Supporting Clean Energy in Yukon

Since 2017, the Low Carbon Economy Fund has supported approximately 132 projects across Canada. Budget 2022 proposes:

- \$2.2 billion over seven years to expand and extend the Low Carbon Economy Fund; and
- \$32.2 million over two years from the expanded Low Carbon Economy Fund to support the Atlin Hydro Expansion project in British Columbia, which will provide clean electricity to the Yukon and help reduce greenhouse gas emissions. The federal government has previously committed \$83.9 million to this project.

Investment Tax Credit for Carbon Capture, Utilization, and Storage

In Budget 2021, the federal government proposed an investment tax credit for carbon capture, utilization, and storage (CCUS) with the intention of both securing Canada's place as a leader in CCUS and supporting the Canadian innovators and engineers advancing the technology. The government has consulted the public, stakeholders, and provinces on the design of the investment tax credit for CCUS, and used the input received to inform its final design.

- Budget 2022 proposes a refundable investment tax credit for businesses that incur eligible CCUS expenses, starting in 2022. The investment tax credit would be available to CCUS projects to the extent that they permanently store captured CO₂ through an eligible use.

The government will engage with relevant provinces in the expectation that they will further strengthen financial incentives to accelerate the adoption of CCUS technologies by industry.

A New Tax Credit for Investments in Clean Technology

The expansion of clean technology will need to accelerate if Canada's economy is going to reach net-zero. Helping Canadian companies adopt clean technologies will create jobs, keep Canadian businesses competitive, and reduce Canada's emissions at the same time.

- Budget 2022 announces that the Department of Finance Canada will engage with experts to establish an investment tax credit of up to 30 per cent, focused on net-zero technologies, battery storage solutions, and clean hydrogen. The design details of the investment tax credit will be provided in the 2022 fall economic and fiscal update.

Returning Fuel Charge Proceeds to Small and Medium- Sized Enterprises

In the 2021 *Economic and Fiscal Update*, the government announced its intention to return a portion of the proceeds from the price on pollution to small and medium-sized businesses through new federal programming in backstop jurisdictions. This new program will also be used to return outstanding 2019-20 fuel charge proceeds, amounting to approximately \$120 million that have not already been returned through the Climate Action Incentive Fund.

- Budget 2022 proposes to provide up to \$30 million over two years to Environment and Climate Change Canada to administer direct payments to support emission-intensive, trade-exposed small and medium-sized enterprises in those jurisdictions.

Clean Electricity

Further investments to support the expansion of clean electricity in Canada are needed in order to achieve the government's commitment to a net-zero electricity system by 2035. Budget 2022 proposes:

- \$250 million over four years to support pre-development activities of clean electricity projects of national significance, such as inter-provincial electricity transmission projects and Small Modular Reactors. The federal government is already advancing similar work on the Atlantic Loop and Prairie Link projects.
- \$600 million over seven years for the Smart Renewables and Electrification Pathways Program to support additional renewable electricity and grid modernization projects;
- \$2.4 million in 2022-23 to establish a Pan-Canadian Grid Council, which would provide external advice in support of national and regional electricity planning; and
- \$25 million to establish Regional Strategic Initiatives to work with provinces, territories, and relevant stakeholders to develop net-zero energy plans.

Sustainable Agriculture to Fight Climate Change

Farmers across the country are experiencing the impacts of climate change like floods and droughts, and have already been leading the adoption of climate-friendly practices, like precision agriculture technology and low-till techniques. These technologies can help reduce emissions and save farmers both time and money. Budget 2022 proposes:

- A further \$329.4 million over six years with \$0.6 million in remaining amortization, to triple the size of the Agricultural Clean Technology Program;
- \$469.5 million over six years, with \$500,000 in remaining amortization to expand the Agricultural Climate Solutions program's On-Farm Climate Action Fund;
- \$150 million for a resilient agricultural landscape program to support carbon sequestration, adaptation, and address other environmental co-benefits, to be discussed with provinces and territories; and
- \$100 million over six years to the federal granting councils to support post-secondary research in developing technologies and crop varieties that will allow for net-zero emission agriculture.

Renewing and Expanding the Oceans Protection Plan

Marine traffic continues to increase in support of Canada's growing economy, and the federal government is taking additional steps to strengthen marine safety, protect marine ecosystems, and create stronger partnerships with Indigenous and coastal communities. Budget 2022 proposes:

- An additional \$2.0 billion over nine years, with \$78.7 million in remaining amortization, and \$136.4 million per year ongoing, to renew and expand the Oceans Protection Plan.

Taking More Action to Eliminate Plastic Waste

Under Canada's G7 presidency in 2018, Canada championed the development of the Ocean Plastics Charter and later worked with provincial and territorial governments to develop a Canada-wide Strategy on Zero Plastic Waste.

- Budget 2022 also proposes to provide \$10 million to renew the Ghost Gear Fund for one year to continue to assist projects that retrieve ghost gear, dispose of fishing-related plastic waste, test new fishing technology, and support international efforts to remove ghost gear from our oceans.

Fighting and Managing Wildfires

Budget 2022 proposes additional action to counter the growing threat of wildfires in Canada, including by providing support to provinces, territories, and Indigenous communities for wildfire mitigation, response, and monitoring through the following:

- \$269 million over five years as exceptional, time-limited support to help provinces and territories procure firefighting equipment such as vehicles and aircrafts;
- \$39.2 million over five years to support the purchase of firefighting equipment by First Nations communities;
- \$37.9 million over five years with \$0.6 million ongoing to train 1,000 additional firefighters and incorporate Indigenous traditional knowledge in fire management; and
- \$169.9 million over 11 years with \$6.9 million in remaining amortization to deliver and operate a new wildfire monitoring satellite system.

Greener Affordable Housing

Budget 2021 announced \$4.4 billion on a cash basis to create the Canada Greener Homes Loan program, of which a portion will be used to make existing affordable housing more energy efficient, which will also help to lower energy bills.

- Budget 2022 proposes to provide an additional \$458.5 million over the program duration to provide low-interest loans and grants to low-income housing providers as part of the low-income stream of the Canada Greener Homes Loan program.

Reproduced with the permission of the Department of Finance, 2022