

## Recommendations List

**Recommendation #1:** Provide greater flexibility to the Clean Electricity Regulations to ensure reliability and affordability in all parts of Canada as the grid grows and decarbonizes.

**Recommendation #2:** Optimize the Clean Economy Investment Tax Credits (ITCs):

- A) Include funding for intra-provincial transmission in the Clean Electricity ITC.
- B) Eliminate the Net Zero grid by 2035 conditionality tied to the Clean Electricity ITC.
- C) Extend the full value of the CCUS ITC to 2035.
- D) Amend the definition of Small Modular Reactors (SMRs) within the Clean Technology ITC.

**Recommendation #3:** Support grid modernization necessary for electrification:

- A) Relaunch the Strategic Renewables Electrification Pathways Program.
- B) Invest in a grid support program to align with rapid housing and infrastructure development.

**Recommendation #4:** Exempt regulated utilities from the Excessive Interest and Financing Expenses Limitation (EIFEL).

**Recommendation #5:** Develop a benefit allocation framework promoting healthy inter-provincial transmission systems.

**Recommendation #6:** Expand Accelerated Capital Cost Allowance Classes (43.1 and 43.2) to incentivize continued clean energy investment.

**Recommendation #7:** Implement broad-based Carbon Contracts for Difference (CCfDs) for investor certainty on large-scale electricity infrastructure projects.

**Recommendation #8:** Invest in Canada's electricity workforce.



## About Electricity Canada

Electricity Canada represents the nation's electricity sector, which generates, transmits, and distributes electrical energy to industrial, commercial and residential customers across Canada.

The Canadian electricity sector is among the cleanest globally, with 84% of electricity produced being non-emitting. Since 2005, the electricity sector has reduced greenhouse gas emissions by almost 60% - 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 a commitment to achieve a net-zero economy by 2050. To meet this challenge, the [Public Policy Forum estimates](#) that we must grow our electricity supply by 2.2 to 3.4 times today's volume to meet demand.

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

- 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.
- A [report released by RBC](#) in 2021 estimated that the total cost to achieve Net Zero by 2050 is \$2 trillion (\$50 billion annually).
- [Current projections estimate \(RBC\)](#) that 400,000 additional skilled workers will be needed to build the infrastructure required by 2050. [Electricity Human Resources Canada forecasts](#) the industry will need to fill 28,000 jobs over the next five years to meet demand.
- Supply chain challenges and rising materials prices are making building more unpredictable and costly.
- Extreme weather events will continue to test the resiliency of our infrastructure.

In May 2024, the Canada Electricity Advisory Council (CEAC) released its final report to the Minister of Energy and Natural Resources. At its core, the report acknowledged the foundational role that the electricity industry will play in reducing economy-wide emissions while creating significant economic growth and opportunity.

However, to realize this potential, the report also makes clear that electricity policies must carefully balance affordability, reliability, and competitiveness considerations. Recognizing this balance in all policies between now and 2050 will determine our overall success.



**Recommendation #1: Provide greater flexibility to the Clean Electricity Regulations to ensure reliability and affordability in all parts of Canada as the grid grows and decarbonizes.**

*“Insufficient flexibility may hinder broader net-zero goals by impacting cost, reliability, and the pace of electrification”*

*CEAC report to the Minister of Energy and Natural Resources (May 2024)*

The electricity sector is committed to decarbonizing the economy by 2050. The electricity sector will be relied upon to be the primary energy provider nationwide to make this happen.

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 all policies impacting the sector.

Electricity Canada and member companies across the country are deeply concerned that the proposed Clean Electricity Regulations (CERs) will not be achievable as proposed. If not handled correctly, the regulations will have significant impacts on the reliability and affordability of electricity in Canada. These impacts will be most significantly felt in Alberta, Saskatchewan, Ontario, Nova Scotia, and New Brunswick.

As outlined in the CEAC 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.

The final regulations must be flexible enough to be achievable in every province and territory. This flexibility must be verified by electricity providers and system operators, who are experts in providing reliable electricity 365 days a year.

**Recommendation #2: Optimize the clean economy ITCs**

The suite of clean economy investment tax credits are essential for Canadian clean energy competitiveness. These ITCs will:

- De-risk major investments for novel clean technologies;
- Attract investment to Canada in rapidly growing clean energy economy;
- Soften the affordability impact of doubling the capacity of our electricity grid; and
- Create jobs and provide significant economic growth across the country.

Electricity Canada commends the creation of the ITCs as the key tools to build 21<sup>st</sup> century 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.



Electricity Canada encourages the following amendments to the ITCs:

**A) Expand eligibility of the Clean Electricity ITC to include intra-provincial transmission**

The overwhelming majority of Canada’s transmission systems exist within provincial and territorial boundaries. The CEAC report recommended “[that the federal government]...expand the Clean Energy ITC eligibility to include high-voltage intra-provincial and inter-provincial transmission.” Intra-provincial transmission is necessary to connect all communities, especially in rural and remote regions, with the clean, reliable, and resilient electricity those communities need for Net Zero.

**B) Eliminate the 2035 conditionality requirement for provincial and territorial governments**

As stated in the CEAC’s report, the requirement for provinces and territories to commit to a net-zero electricity grid by 2035 would be an inefficient and redundant condition standing in the way of getting capital to where it is needed as soon as possible. Electricity companies and provincial governments across the country are overwhelmingly committed to achieving a net-zero economy by 2050. Prescribed, one-size-fits-all pathways may jeopardize this goal.

**C) Extend the full value of the CCUS ITC to 2035**

The value of the CCUS ITC is set to reduce by 50% for investments made after 2030. CCUS will play a crucial role in decarbonizing provinces with an increased reliance on natural gas to generate electricity. Investment decisions on CCUS must be made soon, but delays in the final Clean Electricity Regulations and uncertainty on the economics of these projects have created barriers. The full value of this ITC should align with Net Zero timelines to have an impact on decarbonizing the electricity system.

**D) Amend the definition of SMRs in the Clean Technology ITC**

The definition used for SMRs in Bill C-59 inadvertently excludes the designs that have been chosen in Ontario and Saskatchewan, the only plans currently underway in Canada. The federal government should replace paragraph (a) in the definition of SMRs with “(a) is a part of a system that has an energy balance equivalent gross rated generating capacity of electricity or heat equivalent to not more than 1,400 megawatts thermal energy per reactor core.”

**Recommendation #3: Support grid modernization infrastructure necessary for electrification**

*“The modelling results showed that under the most likely scenario, capital investments of approximately \$1.4 trillion will be needed by 2050 to enable the necessary growth of the electricity system...half would be invested in the transmission and distribution infrastructure to deliver power to consumers.”*

*CEAC report to the Minister of Energy and Natural Resources  
(May 2024)*

The clean economy ITCs will provide significant capital to support the build-out of generation capacity necessary for electrification. It is equally important that the build-out of the system is balanced to ensure communities are prepared to manage the increased load. More is needed so local distribution systems can support electric vehicles, home heating, and the rapid housing build. Electricity Canada recommends:



**A) Relaunching the Strategic Renewables Electrification Pathways Program (SREPs)**

The SREPs program has been successfully subscribed and has supported several key projects. Given the advent of the ITCs, Electricity Canada agrees with the CEAC that the redeployment of the SREPs program should target gaps in funding. Specifically, SREPs should target demand-side solutions, including distribution-system energy efficiency, demand flexibility, and related distribution-grid modernization technologies.

**B) Investing in a grid support program**

Canada's housing crisis will require the build-out of 5.8 million homes by 2030. This growth will put significant strains on local distribution systems to ensure affordable and reliable power is delivered in every community. Addressing the housing crisis cannot happen in a vacuum. The federal government should work with provinces on a grid support program to ensure funding for community expansion is tied to utility distribution system upgrade funding.

**Recommendation #4: Exempt regulated utilities from the Excessive Interest and Financing Expenses Limitation (EIFEL).**

*“Project costs are at risk of increasing under the proposed Excessive Interest and Financing Expenses (EIFEL) rules.”*

*CEAC report to the Minister of Energy and Natural Resources (May 2024)*

Bill C-59 has made electricity bills less affordable and has increased barriers to building infrastructure needed for Net Zero. These impacts have begun to be felt unevenly across Canada, with Nova Scotia, B.C. and Alberta facing the brunt of the new rules.

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 made to the current EIFEL rules, similar to what the federal government has committed to for rental housing in Budget 2024.

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 are harmful outcomes that work against the government's larger policy objectives.

Increasing the cost of electricity will undermine efforts to electrify and decarbonize the economy.



**Recommendation #5: Develop a benefit allocation framework promoting healthy inter-provincial transmission systems.**

*“Greater inter-regional and international coordination on transmission system development is a critical strategy for lowering costs, as it can help deliver long-term economic and system-wide benefits.”*

*CEAC report to the Minister of Energy and Natural Resources (May 2024)*

A Budget 2023 priority was to utilize the ITC regime for inter-provincial transmission. The Clean Electricity ITC covers inter-provincial transmission to lower costs, provide long-term economic benefits, and enable the deployment of variable resources.

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.

With proper planning and benefit categorization, benefits can be realized by each jurisdiction throughout a transmission line’s lifespan. With a multi-jurisdictional benefit framework, the federal government could act as a facilitator and investor, removing barriers and ensuring benefits can be allocated appropriately between jurisdictions.

**Recommendation #6: Expand Accelerated Capital Cost Allowance Classes (43.1 and 43.2) to incentivize continued clean energy investment.**

*“Recommendation 15 (b): Expediently amend CCA Classes 43.1 and 43.2 of Schedule II to the Income Tax Regulations, which allow companies to reduce their taxable income by a greater proportion of their investment, in order to: (i) extend until 2035 the (50 percent) accelerated rates and the (100 percent) first-year enhanced allowances; and (ii) expand the list of systems that qualify as “clean energy property” to include other equipment important to the energy transition.”*

*CEAC report to the Minister of Energy and Natural Resources (May 2024)*

Incentivizing the growth of Canada’s clean energy economy will support our ability to compete globally and create jobs. Extending the expiry of CCA classes 43.1 and 43.2 from 2024 to 2035 will achieve this objective at no cost to the Canadian taxpayer. These classes provide favourable depreciation rates to tax-paying electricity companies for technologies that help grow and decarbonize our economy.



As we expand our grid, demand-side management at the community level will be imperative to keeping costs low while efficiently managing supply. CCA classes 43.1 and 43.2 should expand their list of clean energy property to include Advanced Metering Infrastructure 2.0 (AMI 2.0).

AMI 2.0 provides consumers with greater control and awareness of their electricity use and price fluctuations, empowering them to make better decisions for their households. AMI 2.0 also provides utilities with more information about the grid and enables rapid response to outages and threats.

This small eligibility adjustment will strengthen grid security and resilience, bring consumer costs down and support our electrification and decarbonization objectives.

**Recommendation #7: Implement broad-based ‘off-the-shelf’ 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). These CCfDs act as a financial tool for long-term projects driving emissions reductions and energy innovation. Electricity companies have not yet been able to benefit from CCfDs due to their limited application.

Budget 2024 committed to developing off-the-shelf contracts to offer contracts on a competitive basis, a move that Electricity Canada strongly supports to ensure they can be accessed by electricity companies.

As the CEAC report explains “CCfDs can be used to guarantee the future price of carbon, offset credits, and/or other commodity prices such as electricity.” This provides predictability and certainty for investors who are making key infrastructure decisions today. CCfDs also provide emission reduction assurances to the federal government and Canadians.

A broad-based ‘off-the-shelf’ CCfD system, as committed to in Budget 2024, would allow for electricity companies to enter into agreements, providing benefit to the economy as a whole. This is in line with the CEAC which recommends the federal government to “Expand eligibility under the federal CCfD program and Clean Growth Fund as promised in the 2024 federal budget, as well as the CIB.”

**Recommendation #8: Invest in Canada’s electricity workforce**

*“Even if governments reduce permitting barriers and enable capital attraction, electricity projects cannot be built without certain kinds of skilled labour, the right materials, and reliable supply chains.”*

*CEAC report to the Minister of Energy and Natural Resources (May 2024)*

The Canadian electricity workforce will be foundational to economic growth and competitiveness over the coming decades. However, projected labour deficits present challenges to our overall potential. In their most recent [Labour Market Intelligence report](#), Electricity Human Resources Canada found that over the next five years alone, Canada will need to attract and train 28,000 workers (24% of current workforce) to the sector.



A skilled electricity workforce enables the growth and decarbonization of the entire Canadian economy. Major industries like mining, transportation, and artificial intelligence will rely heavily on our sector's ability to provide clean, reliable and affordable power.

Electricity Canada recommends that the federal government partner with provincial counterparts to invest in electricity sector-specific skills development. This funding should target:

- Powerline workers;
- Transmission planners;
- Distribution network operators;
- Wind turbine technicians;
- Cybersecurity experts; and
- Information communication specialists.