

# A Healthy Environment for a Healthy Economy

## BACKGROUND

BUDGET  
2021

Climate change is real.

COVID-19 has shown us how Canadians have what it takes to come together, to mobilize, and to take action in the face of a crisis. The climate crisis is just as great a challenge.

Climate change is the challenge of our times. And it is also one of our greatest opportunities. Climate action creates new opportunities for engineers, scientists, farmers, construction workers, tradespeople, resource workers, energy workers, researchers, and more.

Since 2015, Canada has invested roughly \$60 billion toward climate action and clean growth. In 2020, we announced an additional investment of \$15 billion for Canada's strengthened climate plan, along with nearly \$15 billion for public transit in February 2021.

Building on these recent investments, Budget 2021 proposes to provide \$17.6 billion towards a green recovery to create jobs, build a clean economy, and fight and protect against climate change.

### **Lower Home Energy Bills Through Interest-free Loans for Retrofits**

Climate action starts at home, and deep home energy retrofits can have a big effect on emissions reduction. The *2020 Fall Economic Statement* put forward a program to provide Canadians with one million free energy audits and up to 700,000 grants, valued at up to \$5,000, to complete energy efficient home improvements. To help homeowners and build on these measures:

- Budget 2021 proposes to provide \$4.4 billion on a cash basis (\$778.7 million on an accrual basis over five years, starting in 2021-22, with \$414.1 million in future years), to the Canada Mortgage and Housing Corporation (CMHC) to help homeowners complete deep home retrofits through interest-free loans worth up to \$40,000. Loans would be available to homeowners and landlords who undertake retrofits identified through an authorized EnerGuide energy assessment. In combination with available grants announced in the *2020 Fall Economic Statement*, this would help eligible participants make deeper, more costly retrofits that have the biggest impact in reducing a home's environmental footprint and energy bills. This program will also include a dedicated stream of funding to support low-income homeowners and rental properties serving low-income renters, including cooperatives and not-for-profit owned housing.

The program would be available by summer 2021. It is estimated that more than 200,000 households would take advantage of this opportunity.

#### Examples of deep retrofits to make our homes greener

- Replacing oil furnaces or low-efficiency systems with a high efficiency furnace, air source heat pump, or geothermal heat pump.
- Better wall or basement insulation and/or wall or roof panels.
- Installing a high-efficiency water heater or on-site renewable energy like solar panels.
- Replacing drafty windows and doors.

## Accelerating Canada's Net-zero Transformation Through Innovation

The Net Zero Accelerator, launched in the government's strengthened climate plan last December, will help build and secure Canada's clean industrial advantage. By investing in decarbonizing large emitters, transforming key sectors—from steel and aluminium to cement—and accelerating the adoption of clean technology across the economy—for example, the auto and aerospace sectors—the Net Zero Accelerator will spur Canada's shift to innovative net-zero technologies and attract the large-scale investments needed to meet our goal of net-zero by 2050.

- Budget 2021 proposes to provide \$5 billion over seven years (cash basis), to the Net Zero Accelerator. Building on the support for the Net Zero Accelerator announced in the strengthened climate plan, this funding would allow the government to provide up to \$8 billion of support for projects that will help reduce domestic greenhouse gas emissions across the Canadian economy.

## Carbon Capture, Utilization, and Storage

Fighting climate change, and reaching net-zero, requires Canadians and Canadian industry to reduce the harmful greenhouse gases in the atmosphere in as many ways as possible. Carbon capture, utilization, and storage (CCUS) is an important tool for reducing emissions in high emitting sectors. It uses advanced technologies to capture carbon dioxide emissions from fuel combustion, industrial processes, or directly from the air. The captured carbon can then be stored deep underground, or used to create new and innovative products. CCUS is the only currently available technology with the potential to generate negative emissions.

Canada is a leader in CCUS, with domestic projects that currently captures 4 megatonnes of carbon every year, but we have the technical and geological capacity to capture and store much more.

- Budget 2021 proposes to introduce an investment tax credit for capital invested in CCUS projects, with the goal of reducing emissions by at least 15 megatonnes of CO<sub>2</sub> annually. This measure will come into effect in 2022.

The government will move quickly with a 90-day consultation period with stakeholders on the design of the investment tax credit, after which it will announce more details—including the rate of the incentive. It is not intended that the investment tax credit be available for Enhanced Oil Recovery projects. The government intends to make the credit available for direct air capture projects.

- Budget 2021 also proposes to provide \$319 million over seven years, starting in 2021-22, with \$1.5 million in remaining amortization, to Natural Resources Canada to support research, development, and demonstrations that would improve the commercial viability of carbon capture, utilization, and storage technologies.

Taken together, these proposed measures related to CCUS will help Canada achieve net-zero emissions by 2050, and position Canada as a leader in supplying cleaner energy and innovative new technologies around the world.

## **Growing Zero-emission Technology Manufacturing**

As more countries commit to achieving net-zero emissions by 2050, the demand for zero-emission technology will only grow.

To create jobs and support the growth of clean technology manufacturing in Canada:

- Budget 2021 proposes to reduce—by 50 per cent—the general corporate and small business income tax rates for businesses that manufacture zero-emission technologies. The reductions would go into effect on January 1, 2022, and would be gradually phased out starting January 1, 2029 and eliminated by January 1, 2032.

These proposed tax rate reductions will enhance Canada's competitiveness in attracting investment in zero-emission technology manufacturing, while also supporting existing businesses in the sector.

In addition, the government will undertake an analysis to ensure that Canada keeps pace with the U.S. and other jurisdictions in providing the appropriate tax structures and incentives to encourage clean economy businesses to invest, grow, and deploy solutions here in Canada.

## **Historic Investments in Canada's Natural Legacy**

From farming, to fishing, to forestry, to tourism, millions of jobs rely on our nature. Investment in conservation is also an economic opportunity.

To address the biodiversity crisis, fight climate change, and protect and create jobs:

- Budget 2021 proposes to provide \$2.3 billion over five years, starting in 2021-22, with \$100.5 million in remaining amortization, to Environment and Climate Change Canada, Parks Canada, and the Department of Fisheries and Oceans to:
  - Conserve up to 1 million square kilometers more land and inland waters to achieve

Canada's 25 per cent protected area by 2025 target, including through national wildlife areas, and Indigenous Protected and Conserved Areas.

- Create thousands of jobs in nature conservation and management.
- Accelerate new provincial and territorial protected areas.
- Support Indigenous Guardians.
- Take action to prevent priority species at imminent risk of disappearing, including through partnerships with Indigenous peoples.

Taken together with funding provided for the Nature Legacy Initiative announced in Budget 2018, this represents the largest investment in nature conservation in Canada's history.

### ***Natural Infrastructure Fund***

When people think of infrastructure, they often think of built infrastructure—bridges, roads, or buildings. But natural infrastructure is also a critical part of making our communities livable. Local parks, green spaces, and waterfronts are our natural infrastructure.

- Budget 2021 proposes to provide \$200 million over three years, starting in 2021-22, to Infrastructure Canada to establish a Natural Infrastructure Fund to support natural and hybrid infrastructure projects. This would help to improve well-being, mitigate the impacts of climate change, and prevent costly natural events.

## **Conserving Canada's Oceans**

Canada's coastline is the longest of any country in the world and the government is committed to protecting 25 per cent of its marine and coastal areas by 2025, working towards 30 per cent by 2030.

To help meet our conservation targets, protect against loss of marine habitat, and address the challenges of biodiversity loss and climate change:

- Budget 2021 proposes to provide \$976.8 million over five years, starting in 2021-22, with \$80 million in remaining amortization, to help Canada reach its 25 per cent by 2025 target to protect the health of our oceans, commercial fishing stocks, and Canadians' quality of life, especially in coastal communities.

## **Preserving Wild Pacific Salmon**

Since the early 1990s, Pacific salmon stocks have declined by up to 93 per cent. Wild Pacific salmon are facing threats from climate change, contaminants, and changes in land and water use. Building on previous investments:

- Budget 2021 proposes to provide \$647.1 million over five years, starting in 2021-22, with \$98.9 million in remaining amortization to Fisheries and Oceans Canada to:
  - Stabilize and conserve wild Pacific salmon populations, including through investment in research, new hatchery facilities, and habitat restoration.

- Create a Pacific Salmon Secretariat and Restoration Centre of Expertise.
- Improve management of commercial and recreational fisheries.
- Double the British Columbia Salmon Restoration and Innovation Fund with an additional \$100 million.
- Further engage with First Nations and fish harvesters.

## **Strengthening Climate Resiliency**

Climate change's impacts—flooding, coastal erosion, permafrost thaw, and more—put Canada's infrastructure at significant risk.

To ensure Canada's resilience in the face of climate change:

- Budget 2021 proposes to provide \$1.4 billion over 12 years, starting in 2021-22, to Infrastructure Canada to top up the Disaster Mitigation and Adaptation Fund, to support projects such as wildfire mitigation activities, rehabilitation of storm water systems, and restoration of wetlands and shorelines.
- In addition, Budget 2021 proposes to invest \$11.7 million over five years, starting in 2021-22, through Infrastructure Canada to renew the Standards to Support Resilience in Infrastructure Program, so that the Standards Council of Canada can continue updating standards and guidance in priority areas, such as flood mapping and building in the North. This would help communities to plan and build roads, buildings, and other infrastructure that is more durable and resilient to a changing climate.

## **Keeping Canadians Safer from Floods**

Communities across Canada now face once-in-a century floods every few years due to climate change. These devastating deluges are damaging homes, businesses, and infrastructure. In fact, floods are Canada's most costly natural disaster, causing over \$1 billion in direct damage annually. To make our communities safer and more resilient:

- Budget 2021 proposes to provide \$63.8 million over three years, starting in 2021-22, to Natural Resources Canada, Environment and Climate Change Canada, and Public Safety Canada to work with provinces and territories to complete flood maps for higher-risk areas.

## **Developing the Canada Water Agency**

For nearly 75 years, the Prairie Farm Rehabilitation Administration assisted Western Canadian farmers by supporting water conservation and irrigation projects. Its closure in 2009 created a gap as Canada lost an important tool to manage its waters. To fill this gap and begin work towards the launch of a new Canada Water Agency that would keep our water safe, clean, and well managed:

- Budget 2021 proposes to provide \$17.4 million over two years, starting in 2021-22, to Environment and Climate Change Canada to support work with the provinces, territories, Indigenous peoples, and key stakeholders on the scope of the agency's mandate, including identifying opportunities to build and support more resilient water and irrigation infrastructure.