



# Budget 2024 Briefing Note: Climate Highlights

## Introduction

The 2024 Budget was tabled on April 16<sup>th</sup>, 2024 and is linked [here](#). Minister Freeland's speech on the 2024 Budget can be found [here](#). This briefing note focuses on the Climate and Environment related announcements.



Source: [CBC](#)

After announcing \$63 billion in new climate-related spending in Budget 2023, Budget 2024 is comparatively light on climate: The Canadian Centre for Policy Alternatives [finds](#) that Budget 2024 includes about \$14 billion in net new climate-related spending, spread out over several years.



However, Budget 2024 does make progress on providing:

- Support for home retrofitting;
- A new EV tax credit;
- A carbon rebate for small businesses;
- An Indigenous Loan Guarantee;
- Other projects like a Youth Climate Corps, and the Toronto-Quebec high frequency rail project.

Finally, [environmental organizations were hoping](#) to see a windfall tax on fossil fuel companies, but Budget 2024 does not include that. However, the federal government has announced a capital gains tax on the wealthiest Canadians to fund new spending projects.



## Climate Spotlight on: Housing

As part of Budget 2024, the government released a [plan](#) to build 3.87 new homes by 2031. Buildings accounted for about [13%](#) of Canada's greenhouse gas emissions in 2021, making housing policy very relevant to the climate crisis. While the budget is very focused on getting new homes built to alleviate the housing crisis, there are some measures included in the budget that ensure that new homes that are built will be both climate-friendly and climate-resilient.

Budget 2024 proposes to allocate \$800 million over five years to launch the **Greener Homes Affordability Program** that will support the direct installation of energy efficiency retrofits for Canadian households with low- to median- incomes.

It will be complemented by the Canada Mortgage and Housing Corporation's **Greener Homes Loan** program, which provides interest-free loans of up to \$40,000 for energy efficiency home retrofits.

Budget 2024 announces that the **National Building Code** will be amended to support more accessible, affordable, and climate-friendly housing options.

Budget 2024 proposes to provide \$15 million to the Canada Mortgage and Housing Corporation in 2025-26 to advance implementation of a **National Flood Insurance Program** by 2025.



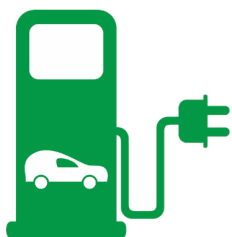
Nearly [1 in 10 Canadians](#) live in high flood risk areas

Though a [long awaited Permanent Public Transit Fund](#) was not announced in this budget, Budget 2024 announces certain measures to **support gentle urban densification**, like eliminating all mandatory minimum parking requirements within 800 metres of a high-frequency transit line. This measure reduces car-use in cities, encouraging public transit use instead.



## Climate Spotlight on: Tax Credits

Last year, the federal government announced a suite of investment tax credits to bolster the clean economy in response to the United States' Inflation Reduction Act: tax credits were announced for Clean Electricity, Clean Hydrogen, Clean Technology Adoption, Clean Technology and Manufacturing, and Carbon Capture, Utilization and Storage. Budget 2024 adds a **fifth** tax credit: **The Electric Vehicle Supply Chain investment tax credit**. This announcement demonstrates the government's desire to have a strong EV industry in the context of their target to achieve [100% EV sales](#) by 2035.



More details on this tax credit will appear in the 2024 Fall Economic Statement, but it is intended to complement the previously proposed 30% Clean Technology and Manufacturing Tax Credit for purchasing equipment and machinery.

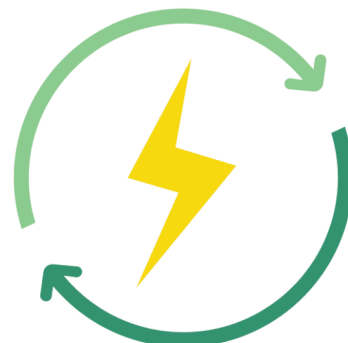
Budget 2024 announces the government's intention to introduce a new 10% Electric Vehicle Supply Chain investment tax credit on the cost of **buildings** used in key segments of the electric vehicle supply chain, for businesses that invest in Canada across three supply chain segments:

- electric vehicle assembly;
- electric vehicle battery production; and,
- cathode active material production.



[A worker at Lion Electric Company's lithium-ion battery manufacturing facility](#)

Budget 2024 also announces key design and implementation details for the previously announced **Clean Electricity Tax Credit**. Notably, for provincial and territorial Crown corporations to have access to the credit, they would need to "publicly commit to working towards a net-zero electricity grid by 2035". This is seemingly a response to Alberta and Saskatchewan, whose premiers have [vocally opposed](#) the clean grid target.







## Climate Spotlight on: Tax Rebates and Loan Programs

Budget 2024 announces that money collected through the carbon price's fuel charge will be returned to small businesses through the **Canada Carbon Rebate for Small Businesses**. This will return fuel charge proceeds to an estimated 600,000 businesses, with 499 or fewer employees through a new refundable tax credit. This program is planned to return \$2.5 billion to Canada's small- and medium-sized businesses.

Consultations continue on how best to return the proceeds from the fuel levy to Indigenous communities, which was promised when the policy was implemented more than five years ago.



[Remote clean energy is a key pillar of climate action](#)

The [Pembina Institute has discussed](#) how important an Indigenous Loan Guarantee would be to unlocking the power of remote clean energy, saying that the program could be a "pivotal mechanism to lowering access to capital barriers for Indigenous communities – a longstanding issue which has considerably slowed the clean energy transition in remote communities."

Building on the government's 2023 Fall Economic Statement commitment to help facilitate Indigenous equity ownership in major natural resource and energy projects, Budget 2024 proposes to launch the **Indigenous Loan Guarantee Program** with the following parameters:

- Up to \$5 billion in loan guarantees to unlock access to capital for Indigenous communities, creating economic opportunities and supporting their economic development priorities.
- Budget 2024 also allocates \$16.5 million to Natural Resources Canada for capacity building.

### What is an Indigenous Loan Guarantee?

The Indigenous Loan Guarantee Program will provide access to affordable capital to Indigenous governments and communities. Loans would be provided by financial institutions or other lenders and guaranteed by the Government of Canada. This means that the borrower would benefit from the government's AAA credit ratings, delivering a lower interest rate than is available to most borrowers.

An Indigenous community in Saskatchewan is looking to purchase a 10 per cent stake in an electricity transmission project before approving the project to pass through its territory.

The group applies to the Indigenous Loan Guarantee Program. If approved, the loan guarantee would lower their cost of borrowing. This makes equity participation sustainable through repayment and allows more revenue from projects to be reinvested in the community.



## Climate Spotlight on: Other Announcements

**Carbon Contracts for Differences:** The Canada Growth Fund will be the principal federal entity to issue CCFDs, including allocating, on a priority basis, up to \$7 billion to issue an [expanded range](#) of CCFD offerings. [CCFDs can drive investment](#) in clean growth projects because they offer market certainty.



[A renewable diesel \(biofuel\) facility in Prince George, BC.](#)

**Biofuels:** Budget 2024 announces the government's intention to disburse up to \$500 million per year from Clean Fuel Regulations compliance payment revenues to support biofuels production in Canada. Furthermore, the Canada Infrastructure Bank will invest at least \$500 million in biofuels production.



[Extreme weather events like Hurricane Fiona are becoming more common.](#)

**Early Weather Warning System:** Budget 2024 proposes to provide \$6.9 million over five years with \$1.4 million ongoing for the Meteorological Service of Canada's early warning system for extreme weather events, with a focus on floods and storm surges.

### High Frequency Rail Project:

Budget 2024 is announcing 371.8 million over 6 years to VIA HFR-VIA TGF Inc. to advance the design and development of a high frequency rail project from Quebec City to Toronto.

### HFR Toronto-Quebec City Corridor



[A conceptual map of the high frequency rail project.](#)

**Other Announcements:** Budget 2024 also announced more funds for the Clean Growth Hub, more incentives for EVs, increased funding to Parks Canada, and a forthcoming establishment of a Youth Climate Corps to give young people work that addresses climate change.



## Reactions to Budget 2024

**The Canadian Climate Institute** - [Budget 2024 advances climate and clean growth priorities, but risks missing opportunities](#): "The commitments outlined in Budget 2024 will continue to advance climate progress in ways that drive growth and economic competitiveness while keeping energy affordable." They go on to say that they would have liked to see a climate investment taxonomy and more support for the National Adaptation Strategy.



**Smart Prosperity Institute** - [Budget 2024 Goes Big on Housing](#):

'Fairness for Every Generation' includes the most ambitious housing supply plan any federal government has released in at least fifty years: "Legalizing density can reduce emissions through both lowering commutes and lowering land-use change emissions from greenfield developments."



**Clean Prosperity** - [Budget 2024 makes important progress on carbon contracts for difference](#): "A broad-based contracts for difference program is the key to unlocking billions of dollars of investment in industrial decarbonization. Budget 2024 offers a promising plan to realize the program's potential. Now the government must act swiftly over the coming year to bring an expanded program to life."



**Canadian Centre for Policy Alternatives** - [Budget 2024 pushes new climate action down the road](#): "The Canadian Centre for Policy Alternatives' initial analysis finds that the latest federal budget includes about \$14 billion in net new climate-related spending, but that money is spread out over 11 years and is heavily backloaded. This budget announces only \$2 billion in net new climate spending over the next five years. That's a pittance in the context of Canada's \$100 billion per year clean economy investment gap—the additional amount we need to be spending to put the economy on a path to net-zero greenhouse gas emissions by mid-century."



**Pembina Institute** - [Federal progress on climate now requires matching ambition from provinces and industry](#): "Budget 2024 is a step forward from the federal government toward a clean energy future...But the federal government cannot do this alone. It's time for all the provinces, territories, as well as industry to invest in the clean economy..."



**CAN-RAC (Climate Action Network Canada)** - [Civil society organizations react to federal Budget 2024](#): "While today's budget included tax hikes for the wealthiest Canadians and some corporations, a windfall tax on oil and gas companies' record profits was notably absent – a measure strongly supported by Canadians, which would have raised at least \$4.2 billion over five years."





## Reactions to Budget 2024

**International Institute for Sustainable Development - [IISD Applauds Canada's Reaffirmation to End Domestic Public Finance for Fossil Fuels in Budget 2024](#):** "This budget marks progress on key issues, but more is needed to scale up equitable investments on climate that can help move us beyond the boom and bust of fossil fuels to a more stable, resilient economy."



**Greenpeace - [Greenpeace Canada reacts to the 2024 federal budget](#):** "While we welcome the new green retrofit program as an important step in this direction, the government has missed an opportunity to tax the excess profits of the fossil fuel industry, with the resulting higher energy costs raising prices for the rest of us."



**Environmental Defence - [Experts at Environmental Defence React to Canada's Federal Budget](#):** "This budget is intended to be geared towards younger generations, but it fails to deal with a major source of anxiety for young people by offering little to address climate change."



**Assembly of First Nations - [Budget 2024 Leaves a Long Way to Go for First Nations, says AFN National Chief Woodhouse Nepinak](#):** "Although I am pleased to see continued funding that supports First Nations and new funding to advance their jurisdiction over child welfare and new investments in business loan guarantees, the allocations for housing and infrastructure are insufficient to meet to the government's promise to close the gap by 2030..."



**Business Council of Canada - [Tax and spend budget will inhibit growth](#):** "Increasing the cost of capital might appear to be good politics to some, but it is bad economic policy for all. Wealth redistribution is not wealth creation and the spending measures introduced today will saddle Canadians with debt without encouraging the strong and sustained economic growth they deserve."



**Mining Association of Canada - [Positive Measures for Mining in Budget 2024 and a Potential Blow to Mineral Exploration](#):** "Today's budget has pros and cons," explained Pierre Gratton, MAC's President & CEO. "The proposed new threshold for the CTM-ITC is welcome, but the changes to capital gains may undermine the METC and harm mineral exploration financing."



**Canadian Manufacturers & Exporters - [2024 Federal Budget: Manufacturers Seeking Faster Action for Growth and Productivity](#):** "CME is deeply concerned about the pace of implementation of previously announced measures, compounded by the chilling impact on manufacturing investment through increased capital tax gains, at a time when Canada can least afford it."

