

# FEDERAL BUDGET & LOW CARBON INVESTMENTS: CANADA PUTS ITS MONEY WHERE ITS MOUTH IS

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The 2016 [federal budget](#) was released on March 22, 2016. A major theme weaved throughout the budget is stimulating economic growth by transitioning to a low-carbon economy. In this way, the budget appears to address the Trudeau government's promises to reduce greenhouse gas (GHG) emissions - commitments made through the UN Conference of the Parties (COP21) [Paris Agreement](#) and reaffirmed through the [Vancouver Declaration](#) to develop a pan-Canadian Framework on clean growth and climate change.

Effectively, Canada is beginning to "put its money where its mouth is" when it comes to mitigating climate change.

The budget signals spending in various areas that will help make good on Canada's climate change commitments, including the following:

- Establishing the Low-Carbon Economy Fund;
- Supporting cleantech and innovation;
- Investing in electric vehicles and alternative fuels transportation infrastructure;
- Renewing and constructing green infrastructure; and
- Funding climate change projects in developing countries.

## Establishing the Low-Carbon Economy Fund

The Low-Carbon Economy Fund is a direct result of the First Ministers' Meeting on March 3, 2016, during which the [Vancouver Declaration](#) was signed. At the meeting, the Government of Canada agreed to provide funding to help the provinces and territories in addressing climate change and air pollution.

The 2016 budget sets aside \$2 billion over two years for the Low-Carbon Economy Fund. Details of how the fund will be allocated will be released as the federal government, provinces and territories continue to develop the details of their pan-Canadian framework on clean growth and climate change.

## **Supporting Cleantech and Innovation**

The 2016 budget provides over \$130 million over five years to support clean technology research, development and demonstration. The budget also proposes to bring green ideas to market by better connecting researchers and firms. Up to \$800 million will be available over four years for innovation networks and clusters.

In addition to targeted government spending in cleantech, the budget also structures income taxes to make clean energy investments more attractive to Canadian businesses. Now, electric vehicle charging and electrical energy storage will both be considered eligible for accelerated capital cost allowance (CCA) rates.

The budget also provides a small, but significant investment of \$2.5 million over two years to Natural Resources Canada to study regional electricity cooperation. Electricity cooperation is a hot topic with significant business and climate change mitigation potential as it could connect clean energy provinces with neighbouring provinces still dependent on fossil fuels. For example, Quebec's surplus hydroelectricity could find a home in the coal-dependent Atlantic provinces.

## **Investing in Electric Vehicles and Alternative Transportation Fuels Infrastructure**

The budget also encourages Canadians to trade in their "gas guzzlers" for electric vehicles by investing in electric vehicle charging infrastructure. In particular, \$62.5 million will be provided over two years to Natural Resources Canada to support infrastructure for alternative transportation fuels, a category which includes EV-charging and hydrogen refueling stations.

## **Renewing and Constructing Green Infrastructure**

The Federal Government is also prioritizing badly needed infrastructure renewal - both for

economic stimulus reasons and to mitigate and adapt to climate change. In particular, infrastructure investments will consist of \$120 billion over 10 years, with \$11.9 billion to be released in Phase 1 over the next five years.

Some of the principal beneficiaries of the Phase 1 investments may be municipalities which can look forward to \$3.4 billion over three years to upgrade and improve public transit systems and \$5.0 billion over five years to invest in water, wastewater and green infrastructure projects.

Green infrastructure will not be confined to the nation's urban centres as \$1.8 billion over five years is to support water and wastewater treatment on reserve, communities that have long raised alarm bells over persistent boil water advisories and substandard infrastructure support.

## Funding Climate Change Projects in Developing Countries

International climate change talks have consistently emphasized the need for developed countries, like Canada to assist developing countries in the potentially costly transition to a low-carbon economy. Consistent with this principle, Canada will be providing \$2.65 billion to developing countries by 2020 for climate change mitigation and adaptation projects.

## Conclusion

The budget demonstrates that the Canada is prepared to commit funding to achieve reductions in Canada's greenhouse gas emissions. While the proposed low-carbon policies and programs are unlikely to be transformational in the near term, with historical spending commitments, such as fossil fuel subsidies remaining intact, the budget signals a willingness on the part of the Federal Government to begin addressing climate change. This political will may assist in transitioning to a low-carbon economy; a change that presents opportunities for cleantech firms, the transportation sector, the construction industry and municipalities alike.

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