

Electric Mobility Canada

Canada 2021 budget highlights

April 22, 2021

To EMC members,

The 2021 budget is a historic one.

Considering the fact that the world is presently dealing with the COVID crisis AND the climate crisis, Finance Minister Freeland had to present a budget that would address both these crises and she did. Regarding our specific field of work, here are some highlights of the 2021 budget that may be of interest to Electric Mobility Canada members. Many of the budget announcements have been designed to help workers, private businesses and NGOs get through the crisis *and* build a resilient recovery.

To highlight the most important announcements made by the federal government in the 2021 budget, we have compiled them in 3 main categories:

- 1- **Supporting the workers and companies who need help, training, retraining or hire workers (p1 to p3)**
- 2- **Supporting Business Investments in the cleantech sector (p4)**
- 3- **Supporting a Healthy Environment for a Healthy Economy (p5 to p7)**

This 7 page document will provide you all the relevant information you need to know about the federal budget.

N.B.: We expect more detailed announcements regarding the ZEV industry in the coming days (Climate Summit), weeks and months (federal election campaign).

The full 2021 federal budget can be found here: <https://www.budget.gc.ca/2021/report-rapport/toc-tdm-en.html>

1- Supporting the workers and companies who need help, training, retraining or hire workers

- a) **Wage Subsidy (P83):** Budget 2021 proposes to extend the wage subsidy until September 25, 2021. It also proposes to gradually decrease the subsidy rate, beginning July 4, 2021, in order to ensure an orderly phase-out of the program as vaccinations are completed and the economy reopens.
- b) **Canada Recovery Hiring Program:** In addition, the government is proposing to introduce the new Canada Recovery Hiring Program. This would provide an alternative support for businesses affected by the pandemic to help them hire more workers as the economy reopens. The hiring program would be in place from June until November 2021, allowing firms to shift from the Canada Emergency Wage Subsidy to this new support.
- c) **Extending the Canada Emergency Business Account (P85):** The Canada Emergency Business Account (CEBA) has provided interest-free, partially forgivable loans to more than 850,000 Canadian small businesses. In December 2020, the government increased the value of the loan from \$40,000 to \$60,000 to help small businesses bridge to recovery. If a business repays their loans by December 31, 2022, up to a third of the value of their loans (meaning up to \$20,000) will be forgiven. In further recognition of the ongoing pandemic, the government recently extended the application deadline for CEBA to June 30, 2021. A small number of businesses have faced challenges accessing the program, including Indigenous and rural businesses. To make sure these businesses are not left behind, the

government provides similar support through the Regional Relief and Recovery Fund and Indigenous Business Initiative. To make sure these businesses can continue to access support:

- Budget 2021 proposes to extend the application deadline for similar support under the Regional Relief and Recovery Fund and the Indigenous Business Initiative until June 30, 2021.
 - Budget 2021 proposes to provide up to \$80 million in 2021-22, on a cash basis, for the Community Futures Network of Canada and regional development agencies, and to shift remaining funds under the Indigenous Business Initiative into 2021-22, to support an extended application deadline for the Regional Relief and Recovery Fund and Indigenous Business Initiative until June 30, 2021. This would support small businesses in rural communities so they can continue to serve local populations.
- d) Investing in Skills, Training, and Trades (P111):** As the economy reopens, those opportunities will come back, but our need to adapt to the changing nature of work—including new technologies, industries, and ways of working—will only increase. Getting Canadians back to work means giving workers in all sectors—**from energy, to manufacturing, to construction, to customer service**—the skills they need for good jobs. COVID-19 has changed the way many employers do business, eliminating certain jobs, and growing the need for new skills. Investing in new skills gives Canadians opportunities to find good jobs, in growing fields, and strengthen the middle class.
- e) Helping Employers Train and Recruit Workers (P112):** Certain sectors like health, **clean tech**, and construction have grown and are struggling to find workers with the right skills to fill jobs. The government wants these sectors to keep growing so that Canada can build a healthy and clean economy. That is why it is taking action to help employers train and reskill people and help the workforce grow and meet demand. To help Canadians gain skills for good jobs in growing sectors: Budget 2021 proposes to provide **\$960 million over three years**, beginning in 2021-22, to Employment and Social Development Canada for a new Sectoral Workforce Solutions Program. Working primarily with sector associations and employers, funding would help design and deliver training that is relevant to the needs of businesses, especially small and medium-sized businesses, and to their employees. This funding would also help businesses recruit and retain a diverse and inclusive workforce. This investment will help connect up to 90,000 Canadians with the training they need to access good jobs in sectors where employers are looking for skilled workers. This includes sectors like health, including the need for more accredited personal support workers, **clean energy, as well as construction**. It will also help diversify sectors by ensuring that 40 per cent of supported workers are from underrepresented groups, including women, persons with disabilities, and Indigenous people.
- f) Ensuring Communities Recover Through Skills Training and Workforce Planning (P114):** Budget 2021 proposes to provide \$55 million over three years, starting in 2021-22, to Employment and Social Development Canada for a Community Workforce Development Program. The program will support communities to develop local plans that identify high potential growth organizations and connect these employers with training providers to develop and deliver training and work placements to upskill and reskill jobseekers to fill jobs in demand. Funding would be delivered through calls for proposals under two streams: **A national stream focused on priority areas, like decarbonization and supporting a just transition for workers in transforming sectors like energy, which would dedicate 75 per cent of funding to projects that support underrepresented groups;** and a regional stream delivered by Service Canada regional offices, in partnership with regional development agencies, and focused on regional priorities. This initiative will benefit approximately 25,000 workers, 250 businesses, and 25 communities, by accelerating job creation and the re-employment and deployment of workers to growth areas to meet employers' needs.
- g) Helping Workers Transition to New Jobs (P114):** As the economy reopens, many people will return to their previous jobs. But for some, shifts in the economy mean that they need to find new jobs. To address this need, and help Canadians find new jobs as quickly and as easily as possible, workers need to be able to rapidly adapt and upgrade their transferable skills for newer industries. Budget 2021 proposes to provide **\$250 million over three years, starting in 2021-22**, to Innovation, Science and Economic Development Canada for an initiative to scale-up proven industry-led, third-party delivered approaches to upskill and redeploy workers to meet the needs of growing industries.
- h) The new Canada Recovery Hiring Program** for eligible employers that continue to experience qualifying declines in revenues relative to before the pandemic. The proposed subsidy would offset a portion of the extra costs employers take on as they reopen, either by increasing wages or hours worked, or hiring more staff. This support would only

be available for active employees and will be available from June 6 to November 20, 2021. Eligible employers would claim the higher of the Canada Emergency Wage Subsidy or the new proposed subsidy. The aim is to make it as easy as possible for businesses to hire new workers as the economy reopens. As the rates for both the wage subsidy and the hiring program will slowly ramp down over time, employers will have a strong incentive to begin hiring as soon as possible and maximize their benefit. The Canada Recovery Hiring Program will help Canadian-controlled private corporations, individuals, charities, and non-profits hire the workers they need so that the economy can fully recover, more quickly and without leaving people behind. It is estimated that this program will cost **\$595 million in 2021-22**.

- i) **Opportunities for Businesses and Young Workers Through Mitacs (P130):** Mitacs is a not-for-profit organization that connects young workers with innovative businesses for research and training opportunities. Mitacs focusses on supporting research-based innovation in industry and developing a talent stream of highly educated students and graduates through its internship programs. These students bring cutting-edge scientific and technical knowledge from universities and colleges that will strengthen the innovation capabilities of industry. This combination of innovation and skill development for the next generation of leaders will help drive growth now and ensure long-term competitiveness and prosperity. Budget 2021 proposes to provide **\$708 million over five years, starting in 2021-22**, to Mitacs to create at least 85,000 work-integrated learning placements that provide on-the-job learning and provide businesses with support to develop talent and grow.
- j) **Helping Small and Medium-sized Businesses Move into the Digital Age (P131) :** Budget 2021 proposes to provide \$1.4 billion over four years, starting in 2021-22, to Innovation, Science and Economic Development Canada, to:
- Work with organizations across Canada to provide access to skills, training, and advisory services for all businesses accessing this program.
 - Provide microgrants to smaller, main street businesses to support costs associated with technology adoption.
 - Create training and work opportunities for as many as 28,000 young people to help small and medium-sized businesses across Canada adopt new technology.
 - Budget 2021 proposes to provide **\$2.6 billion on a cash basis over four years**, starting in 2021-22, to the Business Development Bank of Canada to help small and medium-sized businesses finance technology adoption.
- k) **Helping Businesses Seize New Technological Opportunities (P133):** These businesses can seize new opportunities by applying new research and technologies or developing them into useful new products and services. This real-world innovation and technical development helps businesses grow and become more competitive. Much of this applied research is happening at Canada's colleges, CEGEPs, and polytechnic institutes—institutions that have a strong presence in Canada's small and rural communities. To support applied research and development projects led by Canadian businesses in collaboration with colleges, CEGEPs, and polytechnics: Budget 2021 proposes to provide **\$46.9 million over two years**, starting in 2021-22, to support additional research partnerships between colleges, CEGEPs, polytechnics, and businesses through the Natural Sciences and Engineering Research Council's College and Community Innovation Program. Budget 2021 proposes to invest \$5.7 million over two years, starting in 2021-22, to provide more businesses with access to the National Research Council's Industrial Research Assistance Program's Interactive Visits, where firms can access equipment, facilities, and expertise at college-affiliated Technology Access Centres.

2- Supporting Business Investments in the cleantech sector

(P134) Budget 2021 proposes to allow immediate expensing of up to **\$1.5 million of eligible investments** by Canadian-controlled private corporations made on or after Budget Day and before 2024. Eligible investments will cover over 60 per cent of capital investments typically made by Canadian-controlled private corporations. Budget 2021 proposes to improve the Canada Small Business Financing Program through amendments to the *Canada Small Business Financing Act* and its regulations. These proposed amendments are projected to increase annual financing by \$560 million, supporting approximately 2,900 additional small businesses. They include:

- Expanding loan class eligibility to include lending against intellectual property and start-up assets and expenses.
 - Increasing the maximum loan amount from \$350,000 to \$500,000 and extending the loan coverage period from 10 to 15 years for equipment and leasehold improvements.
 - Expanding borrower eligibility to include non-profit and charitable social enterprises.
 - Introducing a new line of credit product to help with liquidity and cover short-term working capital needs.
- a) **Expanding the Industrial Research Assistance Program (P139):** Budget 2021 proposes to provide **\$500 million over five years**, starting in 2021-22, and \$100 million per year ongoing, to expand the Industrial Research Assistance Program to support up to 2,500 additional innovative small and medium-sized firms.
 - b) **Boosting Canada's Clean Technology Exports (P140):** Budget 2021 proposes to provide **\$21.3 million over five years**, starting in 2021-22, and \$4.3 million per year ongoing, to Global Affairs Canada for the continuation of the International Business Development Strategy for Clean Technology.
 - c) **Supporting Innovation and Industrial Transformation (P146):** Budget 2021 proposes to provide the Strategic Innovation Fund with an incremental **\$7.2 billion over seven years** on a cash basis, starting in 2021-22, and \$511.4 million ongoing: \$5 billion over seven years to increase funding for the Strategic Innovation Fund's Net Zero Accelerator, as detailed in Chapter 5. Through the Net Zero Accelerator the fund would scale up its support for projects that will help decarbonize heavy industry, **support clean technologies and help meaningfully accelerate domestic greenhouse gas emissions reductions by 2030**. The funding proposed in Budget 2021 will build on the Strategic Innovation Fund's existing resources, including the \$3 billion over five years announced in December 2020 for the Net Zero Accelerator. With this additional support, the Strategic Innovation Fund will target investments in important areas of future growth over the coming years to advance multiple strategic objectives for the Canadian economy.
 - d) **Renewing the Pan-Canadian Artificial Intelligence Strategy (P148):** Budget 2021 proposes to provide up to **\$443.8 million over ten years**, starting in 2021-22, in support of the Pan-Canadian Artificial Intelligence Strategy, including:
 - \$185 million over five years, starting in 2021-22, to support the commercialization of artificial intelligence innovations and research in Canada; 162.2 million over ten years, starting in 2021-22, to help retain and attract top academic talent across Canada—including in Alberta, British Columbia, Ontario, and Quebec. This programming will be delivered by the Canadian Institute for Advanced Research; \$48 million over five years, starting in 2021-22, for the Canadian Institute for Advanced Research to renew and enhance its research, training, and knowledge mobilization programs; \$40 million over five years, starting in 2022-23, to provide dedicated computing capacity for researchers at the national artificial intelligence institutes in Edmonton, Toronto, and Montréal; \$8.6 million over five years, starting in 2021-22, to advance the development and adoption of standards related to artificial intelligence.
 - e) **Supporting the Innovation Superclusters Initiative (P151):** Drawing on the strength and breadth of their networks, the superclusters were able to quickly pivot their operations and played an important role in Canada's COVID-19 response. For example, the Digital Technology Supercluster allocated resources to projects that used digital technologies and artificial intelligence to help facilitate faster, more accurate diagnosis, treatment, and care of COVID-19 patients. To help ensure those superclusters that made emergency investments to support Canada's COVID-19 response and others can continue supporting innovative Canadian projects: Budget 2021 proposes to provide **\$60 million over two years**, starting in 2021-22, to the Innovation Superclusters Initiative.

- f) **Promoting Canadian Intellectual Property (P151):** Budget 2021 proposes: 1) \$90 million, over two years, starting in 2022-23, to create ElevateIP, a program to help accelerators and incubators provide start-ups with access to expert intellectual property services. 2) \$75 million over three years, starting in 2021-22, for the National Research Council's Industrial Research Assistance Program to provide high-growth client firms with access to expert intellectual property services.

3- Supporting a Healthy Environment for a Healthy Economy

(P159) Building on 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. Budget 2021 proposes to provide **\$5 billion over seven years** (cash basis), starting in 2021-22, 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.**

- a) **Propelling Clean Tech Projects (P161) :** Budget 2021 proposes to make up to \$1 billion available on a cash basis, over five years, starting in 2021-22, to help draw in private sector investment for these projects. These resources would fuel the growth of innovative Canadian companies, create jobs for highly skilled workers, and bring important environmental and climate solutions to the world.
- b) **Growing Zero-emission Technology Manufacturing:** 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. The Department of Finance Canada will regularly review new technologies that might be eligible, in consultation with Environment and Climate Change Canada, Natural Resources Canada, Sustainable Development Technology Canada, and other key stakeholders across government and industry. 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.

Zero-Emission Technologies in Canada: Examples of zero-emission technology manufacturing in Canada:

- Manufacturing of wind turbines, solar panels, and equipment used in hydroelectric facilities.
 - Manufacturing of geothermal energy systems.
 - Manufacturing of electric cars, busses, trucks, and other vehicles.
 - Manufacturing of batteries and fuel cells for electric vehicles.
 - Production of green hydrogen.
 - Manufacturing of electric vehicle charging systems.
 - Manufacturing of certain energy storage equipment.
- c) **Accelerating Investment in Clean Energy Technologies (P162) :** To support clean tech jobs, help Canadian companies adopt more clean technologies, and fight climate change, Budget 2021 proposes to expand the list of eligible equipment to include equipment used in pumped hydroelectric energy storage, renewable fuel production, hydrogen production by electrolysis of water, and hydrogen refueling. Certain existing restrictions related to investments in water- current, wave and tidal energy, active solar heating, and geothermal energy technologies would also be removed.
- d) **Enhancing Canada's Supply of Critical Minerals (P163):** The electrification of vehicles and use of solar panels is expected to surge in the coming decade. Canada has rich reserves of the critical minerals needed for electric vehicle batteries and solar panels, along with other low-carbon technologies needed to reach net-zero. The resources needed for these technologies create good jobs in regions across the country. Canada and the U.S. recently agreed to strengthen the Canada-U.S. Joint Action Plan on Critical Minerals Collaboration to target a net-zero industrial transformation, batteries

for zero-emissions vehicles, and renewable energy storage. Investing in these resources is essential for our energy security and will ensure Canada is a vital producer in the supply chains of the future.

- Budget 2021 proposes to provide **\$9.6 million over three years, starting in 2021-22**, to create a Critical Battery Minerals Centre of Excellence at Natural Resources Canada. The center would coordinate federal policy and programs on critical minerals, and work with provincial, territorial, and other partners.
- The center would also help implement the Canada-U.S. Joint Action Plan. Budget 2021 proposes to provide **\$36.8 million over three years**, starting in 2021-22, with \$10.9 million in remaining amortization, to Natural Resources Canada, for federal research and development to advance critical battery mineral processing and refining expertise.

e) Charging and Fueling Zero-emission Vehicles (P164):

- Budget 2021 proposes to provide **\$56.1 million over five years**, starting in 2021-22, with \$16.3 million in remaining amortization
- **\$13 million per year** ongoing, to Measurement Canada to develop and implement, in coordination with international partners such as the United States, a set of codes and standards for retail ZEV charging and fueling stations. This would include accreditation and inspection frameworks needed to ensure the standards are adhered to at Canada's vast network of charging and refueling stations. This measure would provide regulatory certainty to providers of charging services and facilitate the development of the charging network. It would also give more Canadians confidence to purchase and drive ZEVs.

f) Reducing Transportation and Landfill Emissions (P165): To create a healthier environment and support the transition to cleaner transportation and waste management, Budget 2021 proposes to provide **\$104.6 million over five years**, starting in 2021-22, with \$2.8 million in remaining amortization, to Environment and Climate Change Canada to **strengthen greenhouse gas emissions regulations for light- and heavy-duty vehicles and off-road residential equipment**, establish national methane regulations for large landfills, and undertake additional actions to reduce and better use waste at these sites.

g) First Federal Green Bond (P166): The government will publish a green bond framework in the coming months in advance of issuing its inaugural federal green bond in 2021-22, with an issuance target of **\$5 billion**, subject to market conditions. This would be the first of many green bond issuances. The framework will provide details on how, through green bonds, investors will have opportunities to finance Canada's work to fight climate change and protect the environment. Possible projects these green bonds could fund include green infrastructure, clean tech innovations, nature conservation, and other efforts to address climate change and protect our environment. The Department of Finance Canada will co-lead the development of Canada's green bond framework with Environment and Climate Change Canada, in co-development with other departments including Natural Resources Canada; Infrastructure Canada; Innovation, Science and Economic Development Canada; Transport Canada; Agriculture and Agri-Food Canada; Public Safety Canada; as well as related Crown corporations.

h) Cleaner Fuels for a Cleaner Environment (P169): To implement and administer the Clean Fuel Standard, Budget 2021 proposes to provide **\$67.2 million over seven years**, starting in 2021-22, with \$0.05 million in remaining amortization, to Environment and Climate Change Canada. This standard creates new economic opportunities for Canada's biofuel producers, including farmers and foresters, who are part of the diverse supply chain for low-carbon fuels. Making this investment now will secure Canada's future competitiveness in the global transition to a low-carbon economy.

i) Supporting the Production and Use of Clean Fuels (P169): As originally announced on December 11, 2020, Budget 2021 proposes to provide **\$1.5 billion over five years**, starting in 2021-22, with \$0.9 million in remaining amortization, to Natural Resources Canada to establish a Clean Fuels Fund to support the production and distribution of low-carbon and zero-emission fuels, including hydrogen and biomass, across Canada, and around the world, as first announced in the government's strengthened climate plan. The fund would position Canada as a global hydrogen leader and deliver on the *Hydrogen Strategy for Canada*. Budget 2021 also proposes to provide \$67.4 million over seven years, starting in 2021-22, with \$5.6 million in remaining amortization and \$10.7 million ongoing, for Measurement Canada to ensure that commercial transactions of low-carbon fuels are measured accurately just as they are for conventional fuels.

- j) **Low-Carbon Fuel Procurement Program (P170):** To support the long-term development of low-emission marine and aviation fuels, Budget 2021 proposes to provide **\$227.9 million over eight years**, starting in 2023-24, to the Treasury Board Secretariat to implement a Low-Carbon Fuel Procurement Program within the Greening Government Fund.
- k) **Supporting a Centre for Innovation and Clean Energy in British Columbia (P171):** In 2018, the Government of British Columbia released CleanBC, a plan to achieve the province's target of reducing greenhouse gas emissions by 40 per cent by 2030, based on 2007 levels. As part of the CleanBC plan, British Columbia recently announced that it will help establish a new Centre for Innovation and Clean Energy to coordinate research, development and demonstration of clean technologies, including carbon capture, utilization, and storage, and clean fuels. The government will, in partnership with the Government of British Columbia, provide up to **\$35 million** to help establish the Centre for Innovation and Clean Energy to advance the scale-up and commercialization of clean technologies in B.C. and across Canada.
- l) **Steering Canada's Strengthened Climate Plan (P173):** Budget 2021 proposes to provide \$94.4 million over five years, starting in 2021-22, to Environment and Climate Change Canada to increase domestic and international capacity and action to address climate change, enhance clean tech policy capacity, including in support of the Clean Growth Hub, and to fund reporting requirements under the *Canadian Net-Zero Emissions Accountability Act*.
- m) **Lower Home Energy Bills Through Interest-free Loans for Retrofits (P177):** 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 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 would be easily accessible through straightforward online tools, and is expected to help build Canadian supply chains for energy efficient products. It is estimated that more than 200,000 households would take advantage of this opportunity.
- n) **Permanent Public Transit Fund (P210):** On February 10, 2021, **the government announced \$14.9 billion over eight years, starting in 2021-22, for public transit projects across Canada**. This included new permanent funding of \$3 billion per year for communities across Canada, beginning in 2026-27. This funding will support new subway lines, light-rail transit and streetcars, electric buses, active transportation infrastructure, and improved rural transit, which will create affordable commuting options in communities and reduce Canada's emissions. It will also provide local governments with the predictable transit funding they need to plan ahead so Canada can keep building more sustainable and livable communities.
- o) **National Infrastructure Assessment (P211):** Twenty-first century energy systems, public buildings, broadband networks, roadways, public transit, and natural spaces all contribute to our long-term economic productivity and prosperity. But smart, resilient public infrastructure projects also require careful planning. To support Canada's long-term infrastructure planning. Budget 2021 proposes to provide **\$22.6 million over four years**, starting in 2021-22, to Infrastructure Canada to conduct Canada's first ever National Infrastructure Assessment. The assessment would help identify needs and priorities for Canada's built environment. This measure would improve infrastructure planning and help all orders of government make informed decisions about infrastructure projects that ensure we have stronger, cleaner, more resilient communities.
- p) **Luxury Tax (P304):** Budget 2021 proposes to introduce a tax on the sales, for personal use, of luxury cars and personal aircraft with a retail sales price over \$100,000, and boats, for personal use, over \$250,000. The tax would be calculated at the lesser of 20 per cent of the value above the threshold (\$100,000 for cars and personal aircraft, \$250,000 for boats) or 10 per cent of the full value of the luxury car, boat, or personal aircraft. This measure would come into force on January 1, 2022.