Memorandum

From: Sussex Strategy Group

Date: November 4, 2025

Subject: Budget 2025 – Energy & Environment Addendum

KEY TAKEAWAYS

- Budget 2025 allocates $115 billion for infrastructure projects across Canada, including energy, transportation, water, and public works to support economic growth and productivity.
- The government announced Canada's Climate Competitiveness Strategy, framing climate action as an economic imperative to boost competitiveness and diversify our economy from the U.S.
- Budget 2025 confirms the federal government will implement the Clean Electricity Investment Tax Credit (15%) and previously announced amendments to existing Clean Economy ITCs.
- Budget 2025 indicates there will be a consultation on domestic content incentives for the ITCs.
- Budget indicates regulatory changes including strengthen the OBPS, methane, and clean fuel regulations; CER equivalency agreements; potential removal of the Oil and Gas Emissions Cap.

INTRODUCTION

Budget 2025 reduces operational expenditures and invests big in infrastructure and capital measures with the aim to fight back recessionary pressures—including on areas such as energy and critical minerals.

Budget 2025 makes it clear that the government believes the production of low carbon products and services is critical to driving Canada's long-term growth and economic competitiveness. With the inclusion of a *Climate Competitiveness Strategy*, Budget 2025 outlines the government's approach to becoming both a clean energy and conventional energy superpower and describes how it plans to enable and facilitate increased private investment in these sectors. That said, several elements of the strategy are described at a high-level, and much work remains to be done to design the concrete actions that will provide the certainty required for investment to flow.

CLIMATE COMPETITIVENESS STRATEGY

Climate change has not been a priority focus for the government since its election, with the Canada – U.S. file dominating the agenda. Indeed, some of the key actions taken (e.g., reduction of the consumer carbon price to $0, removing the electric vehicle availability standard requirements for 2026) have weakened Canada's efforts to reduce greenhouse gas emissions.

The inclusion of a *Climate Competitiveness Strategy* in Budget 2025 is meant to signal that climate change is indeed a priority for the government. Budget 2025 reconfirms Canada's Net-Zero by 2050 greenhouse gas emissions target and states that the *Climate Competitiveness Strategy* is a central pillar of the government's plan for Canada to reduce its dependence on the United States. It argues that climate action is an economic necessity as Canada will need to reduce its carbon intensity to compete internationally to meet the growing demand from global markets for products with low associated greenhouse gas emissions (including fossil fuels) and notes that the government will continue to prioritize clean growth and climate objectives as it considers new major nation building projects.

The strategy is consistent with the government's view that Canada can become both a clean energy and conventional energy superpower if it creates the necessary conditions to stimulate private sector investment in both expanded clean energy production and the decarbonization or reduced carbon intensity of increasing conventional energy production.

The strategy includes several key regulatory elements, including the following (See additional details on each measure below):

- Strengthening Industrial Carbon Pricing, price trajectory and benchmarks
- Maintaining (while working with provinces and territories on equivalency agreements) the Clean Electricity Regulations
- Finalizing or amending regulations focused on methane emissions from the oil and gas sector and landfills, the Canadian Environmental Protection Act, the Electric Vehicle Availability Standard, and the Clean Fuel Regulations.

The strategy states that the core driver of emission reductions will be the industrial carbon price, and that efforts will be made to ensure other regulatory frameworks do not diminish the effectiveness of the price signal. For example, the strategy specifically indicates that the government will not proceed with the proposed Oil and Gas Emissions Cap if successful implementation of other policies means that it would have marginal value in reducing emissions.

The strategy also includes several key fiscal measures, including:

- Introducing legislation to implement the Clean Electricity Investment Tax Credit
- Limited expansion of the list of eligible technologies / products under the Clean Technology Investment Tax Credit, the Clean Technology Manufacturing Investment Tax Credit, and the Clean Hydrogen Investment Tax Credit

- Extending, by five years, the availability of the full credit rates for the Carbon Capture, Utilization, and Storage (CCUS) investment tax credit
- Notably, all Clean Economy ITC measures included had been announced already, either in FES 2024, or listed in the Liberal Platform during the 2025 Federal Election.

The strategy also includes a section on critical minerals/mining, acknowledging the important contribution these resources play in the manufacture of a broad range of clean energy technologies. Measures highlighted in the strategy include:

- Creation of a Critical Minerals Sovereign Fund supported by $2 billion over five years
- Provide $372 million of new funds over four years (and $1.5 billion in total) to create a First and Last Mile Fund
- Expand eligibility for the Critical Mineral Exploration Tax Credit (CMETC) to include an additional 12 critical minerals

More details on the *Climate Competitiveness Strategy's* key regulatory, fiscal, and critical mineral / mining measures are provided later in the document.

The strategy also includes several commitments related to climate finance, including:

- The arm's length development of made-in-Canada sustainable investment guidelines (also known as a taxonomy) by the end of 2026 that will seek to credibly identify "green" and "transition" investments.
- Exploring the development of a Sustainable Bond Framework that would allow for the issuance of both green and transition bonds to be aligned with a Canadian taxonomy – initially focused on the industrial and agricultural sectors.
- Working with provinces and territories to improve climate disclosure across the economy aligned with international standards and harmonized rules across federal-provincial-territorial jurisdictions.

Finally, the Climate Competitiveness St*rategy* includes commitments to propose legislative amendments to its "greenwashing" legislation to provide more certainty in the marketplace and the development of new emission reduction metrics to show how companies and households are reducing their carbon footprint, how the clean economy is growing, and how exports are tracking to achieve world-leading emissions intensity.

PROGRAMS

Infrastructure

Canada Infrastructure Bank (CIB)

Budget 2025 announces the government's intention to amend the Canada Infrastructure Bank Act to increase the CIB's statutory capital envelope from $35 billion to $45 billion, to allow the CIB to invest on more projects. Budget also announces the CIB mandate will include investments in:

- Any nation-building project referred to it by the MPO, regardless of sector or asset class, provided the project falls within the Bank's legal mandate.
- As well as in artificial intelligence (AI) infrastructure projects.
- Sussex was told by government officials that the Clean Power priority sector will remain in place, serving its existing project eligibility.

Major Projects Office (MPO)

Budget 2025 provides $213.8 million over five years to the Major Projects Office, which is tasked with fast-tracking nation-building projects and serving as a single point of contact for regulatory approvals. Funds are to support project pre-development, not to invest in project development.

The MPO will play a central role in structuring and coordinating financing for major projects, bringing together private sector partners, provinces and territories, and federal entities such as the Canada Infrastructure Bank (CIB), the Canada Growth Fund, and the Canada Indigenous Loan Guarantee Corporation. The government also intends to provide guidance to Crown corporations through a strategic financing framework, ensuring a unified and coordinated approach to financing across federal agencies, with a focus on prioritizing and unlocking nation-building projects while delivering value for money for taxpayers.

Canada Indigenous Loan Guarantee Corporation

The budget announces the government's intention for the Canada Indigenous Loan Guarantee Corporation to work with Indigenous investors on greenfield (new build) projects. Generally, the Indigenous Loan Guarantee design has had a bias to supporting equity participation in late-stage or operational projects, whereas many projects in the energy space require equity commitments at pre-development stages.

Build Communities Strong Fund - Direct Delivery Stream

The Direct Delivery Stream under the new Build Communities Strong Fund will provide $6 billion over 10 years to support regionally significant projects, large building retrofits, climate adaptation, and community infrastructure. Proponents of regionally significant projects are required to seek private sector investment, including leveraging Canada Infrastructure Bank financing, before being eligible for federal funding under this stream. This approach is designed to maximize the impact of federal dollars and crowd in additional investment for projects that drive economic growth and resilience.

Manufacturing, Cleantech & Innovation

Export Development Canada (EDC)

Budget 2025 directs EDC to increase total business facilitated by $25 billion by 2030, expanding Canada's exports and trade development activities in sectors such as critical minerals, energy, clean technology, infrastructure, and defence. The budget also announces a new $2 billion concessional trade finance envelope, funded from EDC's existing capital, to encourage international partners to buy Canadian—will focus on infrastructure and clean technology, helping exporters engage in projects in fast-growing developing economies, particularly in the Indo-Pacific region, and participate in the reconstruction of Ukraine's critical infrastructure.

National Research Council

Budget 2025 provides $39.9 million over four years (starting in 2026–27), and $11.1 million ongoing, to the National Research Council's Industrial Research Assistance Program (IRAP) to expand the Clean Technology Demonstration initiative to global markets. This funding is intended to help Canadian clean technology firms demonstrate and deploy their solutions internationally, supporting export growth and the global competitiveness of Canada's clean tech sector.

Business Development Canada (BDC)

Budget 2025 proposes to provide $1 billion on a cash basis over three years, starting in 2026–27, for the Business Development Bank of Canada to launch the new Venture and Growth Capital Catalyst Initiative. This fund is designed to leverage more private venture capital by incentivizing pension funds and other institutional investors to participate.

Funding to address funding gaps of growth - stage firms

Budget 2025 earmarks $750 million on a cash basis to support early growth-stage firms facing funding gaps, as well as the release of a Strategy in 2026 aimed at addressing these gaps.

Mobilizing Capital into Sustainable Investments

The federal government is taking steps to accelerate the mobilization of public and private capital into sustainable activities across priority economic sectors. The Budget announces a commitment to select and announce an external organization with the expertise to develop the sustainable investment guidelines to support investors, lenders, and stakeholders in identifying green and transition investments.

The federal government will also explore the development of a Sustainable Bond Framework to finance government spending that helps industrial and agricultural sectors get cleaner and more competitive. This framework would allow for the issuance of both green and transition bonds to be aligned with a Canadian taxonomy. The federal government also intends to expand the Framework to incorporate economic sectors as the taxonomy is being developed. The federal government plans to engage with provinces and territories to align international standards and harmonized rules across jurisdictions to improve climate disclosure across the economy.

REGULATORY MEASURES

Buy Canadian Policy

Budget 2025 formalizes a new Buy Canadian Policy, making it a clear requirement for federal procurement to prioritize Canadian suppliers and Canadian content wherever possible. This policy applies across all federal agencies and Crown corporations, aiming to strengthen domestic supply chains, support Canadian industry, and ensure that public spending delivers greater economic benefits at home. When domestic suppliers are not available, purchases will be required to include Canadian content or be sourced from trusted partners, with exceptions requiring ministerial approval. The policy also includes new support for small and medium-sized businesses to access federal procurement opportunities.

See consideration of domestic content incentives to clean economy ITCs in the tax measures section.

Strengthening Industrial Carbon Pricing

Budget 2025 notes that industrial carbon pricing is likely to deliver more greenhouse gas emission reductions than any other policy but acknowledges that carbon markets are not functioning as well as they should be. To improve the effectiveness of Canada's industrial carbon pricing system, the government commits to take the following actions in Budget 2025:

- Engage provincial and territorial (PT) governments to establish a multi-decade post-2030 industrial carbon price trajectory that targets net-zero by 2050.
- Improve its application of the federal benchmark used to ensure all PT industrial pricing systems are harmonized across the country by providing a common, strong price signal and promptly and transparently applying the federal backstop whenever a PT system falls below the benchmark.
- Engage with PT governments about improvements to the benchmark and PT pricing systems such as harmonizing or linking carbon credit markets.
- Continue to issue Carbon Contracts for Difference through the Canada Growth Fund as a means of further improving future carbon price certainty for investors making large, long-duration capital investments.

While no further details are provided in Budget 2025, the Climate Competitiveness Strategy sets out some of the key objectives the federal government will be looking to achieve in the formal review of the industrial carbon pricing system scheduled for 2026. Officials indicated step one on carbon pricing will be to consult with provinces and territories.

Clean Electricity Regulation

Budget 2025 announces the government’s intention to propose legislative amendments to the Canada Environmental Protection Act, remove the legislative requirement, review equivalency agreements every five years and offer provinces equivalency agreements as a compliance alternative.

Methane Regulations

Budget 2025 signals that the government will both finalize and enhance regulations on methane emissions from the oil and gas sector and landfills and makes a commitment to work with provinces and territories to negotiate equivalency agreements where appropriate.

Oil and Gas Emissions Cap

Budget 2025 indicates the Oil and Gas Emissions Cap would no longer be required to reduce emissions from the sector if there are effective carbon markets, enhanced oil and gas methane regulations, and scaled deployment of carbon capture and storage technologies.

Electric Vehicle Availability Standard

Budget 2025 acknowledges the 60-day review of the existing regulation that is currently underway and commits the government to announce next steps with respect to the standard and electric vehicles in the coming weeks.

Clean Fuel Regulations

Budget 2025 indicates that the government will undertake targeted updates to the Clean Fuel Regulations focused on helping to reduce reliance on imported fuels, strengthening domestic supply chains, and supporting jobs in agriculture, forestry, and waste sectors.

Greenwashing Regulations

Budget 2025 also announces that the government intends to propose legislative amendments to remove some recently amended “greenwashing provisions” from the Competition Act. Specifically, these would include enforcement provisions for false claims of environmental benefit.

One Project, One Review

The federal government re-emphasized in Budget 2025 their commitment to realizing the principle of “one project, one review.” This involves both streamlining permits and approvals across federal government departments as well as between federal and provincial governments. Cooperation agreements under the *Impact Assessment Act* between federal and provincial governments will be reached that set out how governments work together on assessments of major projects. Through these measures, the federal government aims to accelerate assessment decisions and increase transparency and certainty for proponents, Indigenous communities, and other stakeholders. The Major Projects Office will help coordinate these processes.

NUCLEAR

Budget 2025’s new commitments for nuclear focus on opening global markets and improving regulatory efficiency, rather than providing new direct funding for projects. The budget allocates $4.2 million over three years to Natural Resources Canada to support nuclear energy export promotion and engagement in key international markets, aiming to help Canadian nuclear technology and supply chain companies access new export opportunities. Additionally, $5 million over five years is provided to the Canadian Nuclear Safety Commission (CNSC) to modernize its human resources information technology system, with the goal of making the CNSC more efficient and responsive in reviewing nuclear projects and supporting sector growth.

TAX MEASURES

Clean Electricity (CE) ITC

Budget 2025 confirms the government's intention to proceed with the implementation of the Clean Electricity investment tax credit. It also proposes to remove eligibility conditions for provincial and territorial Crown corporations. Budget 2025 also includes the CIB and the Canada Growth Fund as eligible entities and creates an exception so that financing provided by the Canada Growth Fund would not reduce the cost of eligible property for the CE ITC.

Carbon Capture, Utilization, and Storage (CCUS) ITC

Budget 2025 proposes to extend, by five years, the availability of the full credit rates for the Carbon Capture, Utilization, and Storage (CCUS) investment tax credit, that would apply from 2031 to 2035. Credit rates would remain unchanged from 2036 to 2040.

Clean Technology Manufacturing (CTM) ITC

Budget 2025 proposes to expand the list of critical minerals eligible for the Clean Technology Manufacturing investment tax credit to include antimony, indium, gallium, germanium, and scandium—extraction, processing, and recycling of co-product and by-product critical minerals. As previously announced, it expands eligibility to include qualifying equipment used in eligible polymetallic mining projects, which would be retroactively available as of January 1, 2024. See additional measures in the critical minerals section.

Clean Hydrogen (CH) ITC

Re-confirms the expansion of eligible pathways to include hydrogen produced from methane pyrolysis and would be available as of December 16, 2024—pending passage of the Budget Implementation Act.

Waste Biomass Inclusion & SMR Change to Clean Technology (CT) ITC

Budget 2025 also reiterates the government's commitment to expanded eligibility in the CT ITC and CE ITC to include systems that produce electricity, heat, or both electricity and heat from waste biomass. In addition, they would also change the eligibility requirements for small nuclear energy property. Both measures would be available retroactively as of November 21, 2023, and March 28, 2023, respectively.

Consultation on Domestic Content Requirement for ITCs

Budget 2025 also announces the government's intention to consult on the possibility of introducing a domestic content incentive under the Clean Technology and Clean Electricity investment tax credits. This may be an embedded requirement in the ITCs or potentially an adder to access more ITC dollars with domestic content in supply chains.

SR&ED Program

To encourage investment in Canadian innovation, Budget 2025 also proposes to further increase the annual expenditure limit on which the SR&ED program's enhanced credit can be earned from $4.5 million (as previously announced) to $6 million, effective for taxation years that begin on or after December 16, 2024. The Budget also recommits to the proposed changes to SR&ED in FES 2024 (including extending eligibility to Canadian - controlled public corporations). Also, Budget commits substantive administrative changes to CRA's administration of SR&ED, in effect on April 2026, including:

- Optional pre-claim approval (cuts processing to 90 days)
- AI triage to reduce unnecessary audits
- Form T661 simplification

Productivity Super-Deduction

To boost productivity and attract investment, the government is introducing a "Productivity Super-Deduction" that includes:

- Reinstatement of the Accelerated Investment Incentive, which provides an enhanced first-year write-off for most capital assets.
- Immediate expensing (i.e., 100-per-cent first-year write-off) of manufacturing or processing machinery and equipment.
- Immediate expensing of clean energy generation and energy conservation equipment, and Zero-Emission vehicles.
- Immediate expensing of productivity-enhancing assets, including patents, data network infrastructure, and computers, as well as immediate expensing for manufacturing or processing buildings.
- Proposes reinstating accelerated CCAs for LNG equipment and related buildings, but only for low-carbon LNG facilities

Critical minerals and mining

Budget 2025 expands the list of critical minerals eligible for the Clean Technology Manufacturing Investment Tax Credit to include antimony, indium, gallium, germanium, and scandium, supporting further investment in the extraction and processing of minerals essential for clean technology supply chains. The budget also expands eligibility for the Critical Mineral Exploration Tax Credit (CMETC) to cover an additional 12 minerals necessary for defence, semiconductors, energy, and clean technologies:

bismuth, cesium, chromium, fluorspar, germanium, indium, manganese, molybdenum, niobium, tantalum, tin, and tungsten.

To accelerate project development and strengthen Canada's position in global critical minerals supply chains, Budget 2025 provides $2 billion over five years to Natural Resources Canada to create the Critical Minerals Sovereign Fund, which will make strategic investments in critical minerals projects and companies, including equity investments, loan guarantees, and offtake agreements. An additional $371.8 million over four years is allocated to establish the First and Last Mile Fund, supporting the development of upstream and midstream supply chains and aiming to get near-term projects into production. This fund will absorb the Critical Minerals Infrastructure Fund and leverage up to $1.5 billion in support through 2029-30, including continued support for clean energy and transportation infrastructure related to critical minerals. The budget also allocates $443 million to support the development of innovative critical minerals processing technologies, joint investments with allies in Canadian projects, and the creation of a critical mineral stockpiling mechanism to strengthen Canadian and allied national security.

Analysis

Prime Minister Carney arrived in Ottawa with a track record of initiatives targeted at encouraging the private sector to both incorporate climate considerations into their investment strategies and make investments consistent with the transition to a low carbon economy. Since being elected, the government has focused on responding to the emerging and contentious Canada – U.S. relationship, whereby a pillar of its economic plan has been projects of national interest seeking to grow our exports of resources, and diversify from the U.S.

On the climate front, both his campaign for the Liberal Party leadership and the subsequent Liberal Party election platform included significant commitments and a desire to see Canada become a superpower in both clean energy and conventional energy.

The *Climate Competitiveness Strategy* is meant to signal that climate change is a priority for the government as it seeks to strengthen Canada's economy and reduce its dependence on the U.S. It reaffirms Canada's commitment to net-zero greenhouse gas emissions by 2050 but does not reference Canada's existing 2030 and 2035 targets. While the strategy is more directional than substantive, many of its key elements are indeed consistent with the actions Prime Minister Carney indicated he would take prior to winning the election.

For example, the strategy is focused on strengthening the industrial carbon pricing system, speeding up approvals of clean energy projects, finalizing implementation of Canada's major clean economy investment tax credits, strengthening oil and gas methane regulations, finalizing sustainable investment guidelines, creating sustainable investment bonds, and improving climate risk disclosure. None of these elements of the strategy should be surprising.

There are also, however, several commitments Prime Minister Carney made prior to the election that are not reflected in the *Climate Competitiveness Strategy*—understandably, as this is the Government's first substantive policy document. There are no new targeted funds to support residential energy retrofits or adoption of heat pumps and energy efficient technologies, and no mechanism through which large emitters can support Canadians in reducing their carbon footprint. Budget 2025 also includes no new funds to support the purchase of electric vehicles or expand Canada's electric vehicle charging network – although the government has signaled it will make an announcement on next steps for electric vehicles in the coming weeks. The strategy also provides no new support for the government's efforts to reduce its own greenhouse gas emissions, although the Greening Government Strategy remains in place.

The failure to include such measures is not wholly surprising given the fiscal pressures facing the government, but it is also indicative of the focus the government has placed on creating enabling conditions for business investment and industrial development to drive down emissions in key sectors, boost market access for Canadian exports, and grow jobs and the economy. In that regard, it is surprising that the strategy does not act on the previous commitment to create a Carbon Border Adjustment Mechanism.

The strategy is consistent with the government's energy superpower objectives and measures featured in the Budget are reflective of the Government's "all of the above" approach on energy. That said, it appears to signal that expanded conventional energy production must be accompanied by significant efforts to reduce the carbon intensity of such production and exports consistent with Canada's 2050 net-zero greenhouse gas emissions reduction target—which is generally consistent with the expansion of the CCUS ITC by an additional 5-years, and the strengthening of the industrial carbon pricing system. While not sufficient, these are meaningful first steps. On the other hand, the Budget also offers positive investment signals in opening the door to CIB investments on Projects of National Interest, including funding for projects outside its priority areas, a one project one review approvals regime, and re-affirmation of the Projects of National Interest Agenda.

While the strategy acknowledges the critical role that clean electricity will play in enabling Canada's future economic growth and competitiveness, the prospect of providing provinces with increased flexibility in meeting the requirements of the Clean Electricity Regulations means that the pathway and timeline to a net-zero grid in Canada remains uncertain.

In the words of Budget 2025, the Climate Competitiveness Strategy is focused on "driving investment, not on prohibitions, and on results, not objectives."

NEXT STEPS

- Legislative amendments are required to increase the CIB's statutory capital envelope.
- Legislative amendments are required to make changes to CEPA to remove the requirement for 5-year reviews to equivalency agreements, a change necessary to create indeterminate equivalency agreements under the CER.
- Legislation will be introduced to enact the announced changes to the Clean Economy ITCs.
- Legislation will be introduced to create the Critical Minerals Sovereign Fund.
- The Buy Canadian Policy will be formalised and implemented through policy and regulatory amendments.
- The government will provide strategic guidance to Crown corporations to ensure a unified approach to financing and prioritization of nation-building projects.
- Further details, eligibility criteria, and implementation plan for new funds (e.g., First and Last Mile Fund, Indigenous Loan Guarantee expansion) will be developed and communicated in the coming months.
- Ongoing consultations and engagement with provinces, territories, Indigenous partners, and industry are expected as new programs and policies roll out, as well as on the Industrial Carbon Pricing System.
- The government will consult on potential domestic content incentives for clean economy investment tax credits.

CONCLUSION

Over the coming months, the Canadian government will work on the rollout of these commitments into policies and programs. Should you have any questions as to how commitments under Budget 2025 may impact your specific business interests, the timelines, and processes for next steps, or otherwise, please get in touch. Sussex is here to assist companies and organizations as Canada works towards its ambitious climate targets and clean economy growth objectives.

CONTACT US

We are pleased to provide this analysis to Sussex clients and contacts. As always, please feel free to contact your Sussex consultant with any questions.

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