October 9, 2026

The Honourable François-Philippe Champagne, P.C., M.P.
Minister of Finance and National Revenue
Department of Finance Canada
90 Elgin Street
Ottawa, ON, K1A 0G5

Re: Budget 2026: A Domestic Content Adder for Canada's clean economy investment tax credits

Dear Minister Champagne,

We write as a coalition spanning Canada's electricity sector. We are utilities and generators; nuclear, waterpower, marine and renewable energy developers; the manufacturers who supply them; the workforce that builds it all; and independent voices on Canada's energy future.

Together we support Recommendation 103 of the Standing Committee on Finance's report on Budget 2026 [1]. It recommends that Budget 2026 extend the Clean Economy Investment Tax Credits (ITCs) to at least 2040, reduce their administrative burden, and introduce a Domestic Content Adder (DCA). This letter focuses on a DCA for the Clean Technology and Clean Electricity ITCs.

The build ahead

Canada is entering the largest electricity build in its history. RBC puts the grid investment opportunity at up to $670 billion over the next decade, across roughly 119 GW of new generation and 240,000 kilometres of upgraded transmission [2]. The Clean Technology and Clean Electricity ITCs have given investors the confidence to commit to this build. They are refundable and open to every eligible project without a competitive application, a stronger design than most other countries offer. What is missing is an added reward for projects that choose Canadian made equipment.

The cost gap

Canadian manufacturers compete in an increasingly challenging global market. The International Energy Agency (IEA) estimates that key clean energy technologies cost up to 40% more to produce in the United States than in China, and up to 45% more in the European Union [3]. Canadian producers face a similar gap. At the same time, the equipment every project depends on is getting scarcer and more expensive. Canadian prices have risen 74% for transformers, 40% for transmission equipment and 31% for switchgear since 2020, and distribution transformer lead times now run past two years [4]. Developers and utilities bidding into fixed price procurements cannot absorb a domestic premium on their own. Without a policy that closes the gap, the rational choice is to import.

Canada is losing manufacturing to jurisdictions that have closed that gap

The IEA counts 32 countries with active policies to build clean energy supply chain resilience [5]. The United States, the market most like ours, chose an incentive rather than a mandate. It paired its clean energy credits with a 10 point domestic content bonus and a per unit production credit for manufacturers [6]. Manufacturers serving North America, Canadian firms among them, are following those incentives when they decide where to build.

The pressure is increasing. The United States has scaled back its credits for new projects while keeping much of its support for manufacturers in place [7]. Those factories will keep producing while their home market shrinks, and they will look north for customers. Without an incentive that rewards buying Canadian, our build becomes their overflow market, and the jobs and supply security go with it. With

one, Canada becomes the stable North American home for manufacturers deciding right now where to put their next production lines.

How the adder would work

The adder would add 10 percentage points to the base credit for qualifying components made in Canada, under both the Clean Technology ITC and the Clean Electricity ITC. It sits on top of the existing credits, and every project keeps its full base credit wherever it sources its equipment. Government would list eligible components based on what Canada can make now or can build toward. Every two to three years, the rate for each component would step down by 2.5 points, from 10 to 7.5 to 5 to 2.5, on a schedule published at launch and ending with the credits' sunset. Manufacturers get a horizon to plan capital against, and the incentive winds down over time. It is not a bet against every import. It pays only where Canada can compete, starting with heavy grid equipment that is in global shortage.

Why an adder

An adder closes the cost gap without adding it to electricity bills. Projects that choose Canadian content are rewarded, and no project is penalized for sourcing what Canada cannot yet supply in time or at scale. That matters while key equipment is in global shortage: a condition on the credit would stall projects waiting for supply that does not yet exist. Canada has also learned that content rules without durable demand do not last. Ontario's early content requirements were successfully challenged at the World Trade Organization, and the plants built around them closed once procurement wound down.

The cost is also contained. Government decides which components qualify, so it pays only where domestic capacity exists or is within reach. Because the step down schedule is published at launch, total cost is known in advance and declines over time. It is paid only on Canadian content actually delivered to projects. This lets Canada prioritize and control spending, balancing economic development, affordability and supply security.

What it would deliver

1. **Grid and transmission:** Towers, conductor, transformers, switchgear and common substation equipment. Canada already has a manufacturing base to build on [4].
2. **Generation supply chains:** Canadian suppliers across generating technologies would be rewarded for the content they deliver, creating a stronger and more predictable demand signal for manufacturers considering investments in new Canadian production capacity.
3. **Steel and materials:** Canadian steel, aluminum and critical minerals gain buyers for towers, transmission structures, penstocks and equipment enclosures.
4. **Supply security:** Domestic capacity for equipment in global shortage protects project schedules and system reliability.
5. **Workforce:** Skilled manufacturing and trades jobs in communities across the country, steadier because they are built on long term demand rather than a single procurement cycle.

Several of our organizations have supply chain research of our own, and we would be pleased to share it with your officials.

Ready for Budget 2026

The adder has been developed over the past year in discussion with officials at Finance Canada, Natural Resources Canada, and Innovation, Science and Economic Development Canada. It fits within the existing ITC architecture and can be delivered simply:

1. Define qualifying goods at the component level in a schedule under the Income Tax Regulations, so claims are clear and auditable.
2. Use the Competition Bureau's existing "Made in Canada" standard for eligibility rather than building new certification.
3. Let proponents self attest domestic content at filing, with verification on audit.

We ask that you formally consider the Domestic Content Adder now and announce it in Budget 2026, with the component schedule finalized with industry in the months that follow. We would welcome a meeting with you and your officials before the budget. We look forward to working with you.

Sincerely,

Vittoria Bellissimo
President & Chief Executive Officer
Canadian Renewable Energy Association

Josée Guibord
President & Chief Executive Officer
Electricity Canada

George Christidis
President & Chief Executive Officer
Canadian Nuclear Association

Lorena Patterson
President & Chief Executive Officer
WaterPower Canada

Elisa Obermann
Chief Executive Officer
Marine Renewables Canada

Michelle Branigan
Chief Executive Officer
Electricity Human Resources Canada

Carol McGlogan
President & Chief Executive Officer
Electro-Federation Canada

cc: Minister of Industry; Minister of Energy and Natural Resources

Notes

[1] House of Commons Standing Committee on Finance, Recommendations of the Standing Committee on Finance for the 2026 budget, Report No. 4, September 2026, Recommendation 103. https://www.ourcommons.ca/documentviewer/en/45-1/FINA/report-4

[2] RBC, "Capital gains: How Canada can unlock the $1.8 trillion it needs for growth." https://www.rbc.com/en/thought-leadership/the-growth-project/capital-gains-how-canada-can-unlock-the-1-8-trillion-it-needs-for-growth/

[3] International Energy Agency, Energy Technology Perspectives 2024. https://www.iea.org/reports/energy-technology-perspectives-2024

[4] Electro-Federation Canada, Building Canada's Future Electricity Grid: A Supply Chain and Policy Roadmap, April 2026. https://www.electrofed.com/wp-content/uploads/2026/04/EFC_Grid-Technology-Roadmap_Final-Report_2026-04-07-v2.pdf

[5] International Energy Agency, State of Energy Policy 2026. https://www.iea.org/reports/state-of-energy-policy-2026/executive-summary

[6] Congressional Research Service, Section 45X Advanced Manufacturing Production Credit. https://www.congress.gov/crs-product/IF12809

[7] Kirkland & Ellis, "One Big Beautiful Bill Act brings big changes to green energy tax credits," August 2025. https://www.kirkland.com/publications/kirkland-alert/2025/08/one-big-beautiful-bill-act-brings-big-changes-to-green-energy-tax-credits