Federal budget: Measures to support the development of renewable energies and technologies

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With climate change continuing to be a topic of concern across the international community, Canada has recently taken another step to support the development of renewable energies and technologies. In the 2023 budget tabled on March 28, 2023, the Canadian federal government unveiled new tax incentives aimed at supporting investments in both renewable energies and certain clean technologies. These incentives can be grouped into five main Investment Tax Credits (**ITCs**).

Clean hydrogen

The **Clean Hydrogen ITC** covers investments in equipment that will be used in clean hydrogen projects. This refundable credit of up to 40% of investments will be applied to equipment that becomes available for use no later than 2034.

Clean electricity

The **Clean Electricity ITC** covers investments in the production, transmission and storage of clean electricity. This refundable credit of 15% of eligible investments will also be available until 2034 and will cover the renovation and refurbishment of existing facilities used in the aforementioned activities.

Clean technology manufacturing

The **Clean Technology Manufacturing ITC** is a credit equal to 30% of the cost of acquiring certain equipment and machinery used in the manufacturing, processing or extraction of certain minerals and substances used in clean technology. Here again, the credit will only be available until 2034.

The 2023 federal budget also expanded certain credits introduced in the 2022 federal budget, namely the **Clean Technology ITC** and the **Carbon Capture, Utilization and Storage ITC** (CCUS ITC).The Clean Technology ITC was originally announced as a credit available for investments in certain clean electricity-generating property and has now been expanded to include certain geothermal energy systems. It provides for the reimbursement of up to 30% of investments. As for the CCUS ITC, it provides for the reimbursement of 37.5% to 60% of certain expenses incurred in projects aimed at capturing, storing and processing carbon dioxide.

All of these credits are subject to numerous conditions relating to the types of projects or property involved, the structure of the entity applying for the refundable credit and even the terms of employment of the workforce assigned to these projects. As such, consulting a tax adviser prior to investing in clean technology is recommended in order to maximize available ITCs. Although these

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measures have not yet been fully fleshed out and adopted, they will apply retroactively to 2022 or 2023, as the case may be, making it all the more important to get the right advice as soon as possible as to their implementation.

Our tax team is well equipped to help you navigate the complexities of these new credits and will be happy to work with you on your new green projects.

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