

THE ATMOSPHERIC FUND 2024 PRE-BUDGET SUBMISSION

Recommendations

- **Recommendation 1: \$1 billion over four years to support electric vehicle-ready infrastructure in existing multi-family buildings.**
- **Recommendation 2: \$500 million over four years to implement a widely available comprehensive incentive framework for heat pumps in existing buildings.**
- **Recommendation 3: \$100 million for a Distributed Energy Resources stream to be added to the Smart Renewables and Electrification Pathways program, administered by third-party delivery organizations.**

The Atmospheric Fund (TAF) is a non-profit climate agency serving the Greater Toronto and Hamilton Area. We appreciate the opportunity to provide our urban climate perspective on Canada's 2024 budget. Our three priorities leverage economic and affordability opportunities, while reducing Canada's reliance on fossil fuels.

Recommendation 1: \$1 billion over four years to support electric vehicle-ready infrastructure in existing multi-family buildings.

Advancing EV adoption was part of the Liberal Party's winning re-election platform and is mission-critical to achieving Canada's 2030 and 2050 climate targets. To ensure the EV wave reaches across the population, the government must not leave behind residents of apartments and condominiums. We urge the Government of Canada to make EV-readiness a reality for Canadians living in multi-family buildings.

One third of Canadians live in apartments and condos, with an even higher proportion in urban centres. Achieving Canada's EV adoption targets depends on many of them making a timely transition from gasoline or diesel vehicles. And incoming federal sales regulations will exponentially increase their demand over the next decade.

Charging at home is the most affordable, convenient choice for most EV owners. However, installing chargers in apartments and condos is more **complex and expensive** than outfitting a single-family home. This helps explain why EV adoption rates by apartment and condo dwellers are significantly lower than the general population.

In recent years the Zero Emission Vehicle Infrastructure Program (ZEVIP) has played a critical role in accelerating the adoption of EV charging among Canadians. However, landlords and condo boards cannot use ZEVIP funding for the electricity upgrades and associated construction costs to support the future installation of Level 2 chargers throughout their buildings. A funding stream designed for comprehensive EV-readiness in multi-family buildings will give all residents charging access much more cost-effectively than an incremental approach.

TAF is leading a nationwide campaign to support EV readiness in multi-family buildings, with support from various stakeholder groups. View [our campaign page](#) for an up-to-date list of endorsements.

Recommendation 2: \$500 million over four years to implement a widely available comprehensive incentive framework for heat pumps in existing buildings.

Canada's Green Buildings Strategy Discussion Paper identifies that most buildings in Canada must transition to electric heat pumps. Existing buildings release about 90 megatonnes of greenhouse gas emissions each year. To align with Canada's **binding** 2030 and 2050 climate targets, heat pumps need to be installed in over **half a million** homes and buildings per year on average.

To support a transition towards affordable, energy efficient existing buildings, we have identified two gaps in Canada's current incentive framework for heat pumps to be considered in Budget 2024.

The Canada Greener Homes Grant and Loan provides support for adoption of heat pumps in homes across Canada. However, these programs are not accessible to low-income Canadians who can neither afford the upfront costs nor the ongoing debt repayment burden. The Oil to Heat Pump Affordability program provides more accessible support to low-income households but is restricted to the small minority of households (<10%) reliant on oil for heating. Low-income Canadians need support

adopting heat pumps regardless of their existing heating fuel source. Support for low-income heat pump retrofits reduces emissions while addressing energy poverty and the escalating cost of living.

We recommend expanding or supplementing the Oil to Heat Pump Affordability program to be accessible to low-income Canadians regardless of fuel source. Fuel switching to heat pumps will help insulate Canadians from inflation and the rising cost of fossil fuels like natural gas. We further support Efficiency Canada's recommendation to launch a low-income energy efficiency strategy and suggest a Heat Pump Affordability program as a component.

TAF commends the government for its Clean Technology Investment Tax Credit (CTITC) announced in 2022. The CTITC will offset 20-30% of the capital cost associated with heat pump installations, providing a strong incentive for heat pump adoption in buildings. Unlike traditional grant programs, the proposed CTITC is long-term, and does not require complex and extended application processes or contribution agreements. Property owners can confidently build it into business cases and avoid [spending delays](#) associated with other programs.

However, we are concerned that First Nations, condominium corporations, co-operatives, universities and colleges, and other entities exempt from federal income tax cannot access the proposed credit. **We request that the CTITC be made available to not-for-profit and tax-exempt organizations for both existing buildings and new builds.** This approach would be consistent with the Clean Electricity Investment Tax Credit, proposed to be available to non-taxable entities. It would also mirror the **approach taken to equivalent tax credits in the US Inflation Reduction Act, ensuring a level playing field for clean technology adoption across North America.** Many of these organizations own and operate land and buildings that could host clean technology but have limited access to the capital necessary to make these investments. These organizations are well positioned to make use of the proposed tax credit to adopt clean technology and help drive emissions reductions. While heat pump adoption by non-taxable entities could in theory be supported through a patchwork of conventional granting programs, it would be simpler, faster, and more effective to extend the CTITC to these entities.

Recommendation 3: \$100 million for a Distributed Energy Resources stream to be added to the Smart Renewables and Electrification Pathways program, administered by third-party delivery organizations.

TAF commends the federal government for prioritizing clean electricity generation to address system capacity, which is set to increase two to three times by 2050. Distributed Energy Resources (DERs) can meet a substantial portion of these capacity needs, deferring or eliminating investments in transmission, distribution, and utility-scale generation. Compared to centralized infrastructure solutions, DERs are faster and easier to site and build, require less investment in enabling transmission and distribution infrastructure, and provide direct economic benefits to the businesses, households, and communities that host them.

Ontario's Independent Electricity System Operator (IESO) recently published a [study on the potential of DERs](#), showing that they have a vital and cost-effective role to play in meeting our capacity and energy needs. The study shows economic potential for DERs to meet 100% of Ontario's incremental capacity needs over the next decade, with up to seven dollars in economic benefits for every dollar invested. This supports local economies, carbon reductions, and does not require lengthy or costly approval processes.

DERs have demonstrated reduction of capacity needs in the electricity system. For example, Vermont utility Green Mountain Power (GMP) [utilized a network of 4,000 batteries](#) installed in customers' homes to manage a spike in electricity consumption from a heat wave. The network offered 20 megawatts of additional peak capacity, and saved GMP \$1.2 million in the process. This program also saved customers more than \$3 million annually through reduced energy bills. Demand-responsive DERs like this can provide a critical peaking service traditionally met by fossil fuel generation like gas and coal. They are complementary to and can enable capacity expansion of other low-cost, clean generation resources like wind and solar. This is one of many examples of how DERs can promote affordability and support the transition to a clean energy economy.

Federal government support for innovators across Canada could play a critical role in unlocking the potential of DERs and accelerating private investment. Budget 2022 allocated \$600 million to expand the Smart Renewables Electrification Pathways (SREP) program and was recapitalized in Budget 2023.

In Budget 2024, we recommend additional funding of \$100 million for a dedicated DER stream. Rather than contracting directly with hundreds of individual DER hosts, **the DER stream should be deployed through third-party delivery organizations** that develop and aggregate individual DERs and flow through federal funding to ultimate recipients. This would adopt Natural Resources Canada's approach with the delivery organizations stream of the Zero Emissions Vehicle Infrastructure Program. Delivery organizations might include municipalities, utilities, provincial agencies, and/or private companies. Delivery organizations are better placed to reach individual DER hosts and would relieve the federal government of the administrative burden associated with funding relatively small individual DER projects.

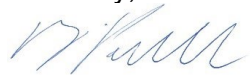
Existing program eligibility requirements for SREP currently restricts applicants to utility-scale generation (4 megawatt) and storage (1 megawatt) projects, or hardware- or software-enabled aggregation of small-scale DERs (500 kilowatt). While we recognize that these minimums serve to exclude pilot projects and unproven technologies, this prevents participation from DERs that could play a critical role in the grid of the future. Third-party delivery organizations within this new stream would be able to fund individual DER projects both above and below 500 kilowatts.

A dedicated stream for DERs should ensure:

- Sufficient dedicated funding to develop robust DER ecosystems and markets,
- DER projects aren't restricted from accessing funding because of minimum project requirements in other SREP funding streams (for example, behind-the-meter solar and/or storage projects in commercial, government, and/or government-affiliated buildings).

A dedicated DER stream will ensure enough funding is available to cultivate this ecosystem, while creating a streamlined and tailored process for potential DER project proponents. Like the ZEVIP program, third-party delivery agents to appraise projects can reduce the administrative burden on the Federal Government and ensure quality deployment of resources and projects.

Sincerely,



Bryan Purcell,
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VP of Policy & Programs

About The Atmospheric Fund

The Atmospheric Fund (TAF) is a regional climate agency that serves the Greater Toronto Hamilton Area. Above we have outlined our recommendations for the federal government's 2023 budget. We narrowed the broad scope of possible climate recommendations down to three asks with potential to dramatically reduce Canada's carbon emissions. These also have the potential to improve the health and livelihoods of many Canadians by improving air quality and by reducing costly energy and transportation burdens. For more information visit taf.ca