Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

By: The Atmospheric Fund

List of Recommendations:

- **Recommendation 1: Recapitalize the Incentives for Zero-Emission Vehicles (iZEV) Program with $1.7 billion over four years**
- **Recommendation 2: Allocate $610 million over 4 years to support retrofitting homes to increase affordability and address climate change**
- **Recommendation 3: Require a national standard for prefabricated construction investments**
- **Recommendation 4: Implement the Clean Electricity Investment Tax Credits**

Introduction

The Atmospheric Fund (TAF) is a non-profit climate agency serving the Greater Toronto and Hamilton Area (GTHA). We appreciate the opportunity to provide our urban climate perspective on Canada's 2025 budget. As Canada advances its efforts to reduce carbon emissions and achieve net-zero targets, Canadians are grappling with housing shortages, affordability challenges, and increasingly severe weather events. At the same time, rising tariffs and unpredictable policy shifts in the U.S. highlights the need to insulate Canada by building a resilient, independent clean economy rooted in our own strengths. To address these pressing issues, we need high-impact solutions that will lower energy costs, reduce emissions, and improve housing quality. Every Canadian should be able to access affordable electric vehicles where they live and when they want them. Cities that lead on climate policy should be supported, including with retrofit funding. Every roof, where feasible, should be generating solar power paired with battery storage. Our recommendations will stimulate local economic development and job creation, improve people's health, and achieve spinoff community benefits. These are true nation building endeavors that will benefit every Canadian and support federal mandates like "bringing down costs for Canadians" and "creating new careers in the skilled trades."

Recommendation 1: Recapitalize the Incentives for Zero-Emission Vehicles Program with $1.7 billion over four years

We recommend the federal government build on the success of the Incentives for Zero-Emission Vehicles (iZEV) Program by recapitalizing it with $1.7 billion over four years. To accelerate Canada's transition to electric vehicles (EVs), expanding access to EV purchase incentives is essential to ensure that as many Canadians as possible can afford to make the switch from gasoline vehicles. As a result, Canada will lower household transportation costs, reduce dependance on American fossil fuels, and strengthen domestic supply chains.

Affordability remains a key barrier to EV adoption. To help drive down vehicle prices and support market transformation, we support Clean Energy Canada's recommendation to phase-in lower eligibility price caps. **We further recommend that federal EV rebates start at $5,000 and decline by $1,000 each year with an effective phaseout by 2030.** This phased approach would give consumers and automakers a clear and predictable timeline, avoiding artificial dips in EV sales caused by uncertainty or program pauses. This certainty is crucial at a time when provinces are pulling back their own incentives.

The iZEV program has already demonstrated its effectiveness: since its launch in 2019, Canada's zero-emission vehicle market share has grown from 3.1% to 16.5% as of Q3 2024. This strong uptake needs sustained federal investment and smart design to ensure continued progress.

The EV Availability Standard will also play a crucial role in ensuring Canadians can find the EVs they want, when and where they need them. The Standard should be seen as one part of a broader policy package aimed at expanding consumer choice and lowering EV prices, with any adjustments made in the context of comprehensive support that benefits both Canadian households and industry. Beyond that, the Standard is simply good public health policy, with more than $90 billion in health benefits and up to 11,000 premature deaths avoided over the next 25 years. **We urge the federal government to uphold the Standard in its current form.**

Canada should also reconsider its trade approach to ensure fairness and affordability for consumers. **We recommend reducing tariffs on Chinese EVs and recognizing EU-approved models.** Restricting access to low-cost EVs, particularly during an affordability crisis, undermines both climate goals and consumer interests. Supporting the transition to the lowest cost and lowest carbon solutions is necessary for Canada to achieve its goals.

Recommendation 2: Allocate $610 million over 4 years to support retrofitting homes to increase affordability and address climate change

We recommend allocating $610 million over 4 years to close significant gaps in housing market programs which exclude millions of low-income Canadians from the benefits of greener homes. The Canada Strong platform committed to "fund home retrofits and lower utility bills while making it easier to adopt heat pumps and energy efficiency upgrades." The forthcoming Canada Greener Homes Affordability Program (CGHAP) and the recently recapitalized Greener Homes Loan program provide an important downpayment on this promise. But additional support is required to reach all Canadians, ensure fairness, and maximize emissions reductions and household savings on energy bills. We recommend future funding support a comprehensive suite of retrofit opportunities, including heat pumps, smart controls, grid enabled heat pump water heaters, and renewable energy and storage. Heat pumps are the most cost-effective way to achieve net-zero emissions while protecting Canadians from extreme heat and reducing energy bills. Smart controls and renewable energy and storage deepen cost savings while mitigating peak loads and reducing energy infrastructure costs.

More specifically, we recommend two programs to support retrofits, fill the gaps left by other federal programs, reduce reliance on American energy imports, and save Canadians money on their energy bills:

- **Recapitalize the Sustainable Affordable Housing (SAH) Program for $300 million over four years at the Green Municipal Fund**. This program has been an overwhelming success for a modest investment. TAF works directly with affordable housing providers that have been using this program to support deep retrofits that reduce energy use, mitigate reliance on American natural gas, protect tenants from extreme heat, and save on energy bills.
- **Allocate $310 million over four years to support the adoption of heat pumps and distributed energy resources in the broader housing sector.**
    1. Focus on housing segments excluded from CGHAP and SAH programs, including middle-class homes, rental apartments, and condominiums.
    2. Disburse funds through third party delivery organizations, such as municipalities, utilities, provincial agencies, non-profits, and retrofit accelerators funded via Canada's Deep Retrofit Accelerator Initiative.
    3. Prioritize programs that leverage federal funding, utilize smart technology to mitigate peak loads, provide technical assistance to participants, and contribute to long-term market transformation (for example, by supporting compliance with current and future building emissions performance standards).

These recommendations support a nation building, made-in-Canada economic strategy meant to increase energy efficiency, reduce reliance on American fossil fuels, and reduce costs to Canadians. Each recommendation builds on the success of previous programs and can be implemented in a way that promotes the lowest cost and lowest carbon solution to bring down energy bills.

Recommendation 3: Require a national standard for prefabricated construction investments

We recommend that any federal investment into the prefabricated housing industry requires building to a tier of the national model building code that would enable the product to be sold anywhere in Canada.
Prefabrication benefits include reduced housing costs and embodied emissions, as well as potential improvements in operating efficiency due to enhanced quality control in factory settings, and we applaud the Government's support of this initiative. However, if Canada is to invest billions in supporting this nascent industry, it needs to be aligned with Canada's climate goals, aspirations to be a clean energy superpower, and built to a standard where a product could be sold in every province and territory.

For this industry to scale, and avoid internal trade barriers, the products must be designed to meet the highest common denominator in terms of energy codes across the country. Special attention must be paid to the divergence between provinces and their application of the national model building codes and how that could negatively impact the prefabricated housing industry. Canada's codes contain multiple tiers of energy efficiency requirements, and provinces are choosing to adopt different levels and progress at different speeds. Therefore, this is not a case of aligning the investments to the lowest common denominator, but rather the highest requirements. The housing crisis must be met with ambition and action, but it must be done thoughtfully and in a way that supports climate mitigation, resilience, and long-term affordability.

The Government's commitment of $25 billion to prefabricated and modular housing is an excellent way to onshore development and advance the use of local raw materials in the wake of U.S. tariffs. Canada's official goal is for all new buildings to be built to the highest tiers (net-zero-ready) by 2030. When factoring in a changing climate that is putting Canadians' health and safety at risk, any spending that is allocated must support housing built to the highest tiers of the national model building codes. This will not only result in lower carbon housing, it will also prevent interprovincial trade barriers from constraining the industry as each province progresses at its own pace to the highest tiers of the national codes. Standardization is vital for this industry, and it must be a core component of any investment.

Recommendation 4: Implement the Clean Electricity Investment Tax Credits

To maximize their impact, we recommend that the Clean Electricity Investment Tax Credits (CEITC) are expanded to include heat pumps and made available to a wider range of non-taxable entities, including condominiums and cooperatives.

These tax credits are critical for supporting the delivery of affordable, reliable, net-zero electricity in Canada. While governments and utilities are actively investing in integrated regional resource plans, integrated energy plans, and other long-term electricity planning efforts, producers need to have reliable financing, including credits in place to move forward with capital-intensive infrastructure projects. The federal government began consulting on CEITC over two years ago, and timely implementation is now essential to support investment decisions and align with the pace of planning and decarbonization efforts across the country. There is currently a window of opportunity to make surgical adjustments to maximize impacts. Supporting the adoption of heat pumps is critical for decarbonizing buildings but also impacts the grid as it shifts our system to electrified heating. Expanding the CEITC to heat pumps would send a clear market signal to shift from American fossil fuel-based heating to significantly cleaner, Canadian-produced electricity. Additionally, we note that condominiums and cooperatives have been

excluded from all the other ITCs. Extending the CEITC to condominiums and cooperatives would greatly assist the business case for new construction and retrofits to adopt low carbon technologies based on market mechanisms.

Conclusion

By supporting Canadians to upgrade their homes, recapitalizing EV incentives, scaling up distributed energy and prefabricated construction, and implementing and expanding the CEITC, the federal government can drive affordability and climate resilience at the same time. Our recommendations will create skilled jobs, support Canadian industries, and ensure households benefit directly from the clean energy transition. We appreciate the opportunity to provide recommendations on Canada's budget for 2025 and look forward to continued collaboration for a cleaner energy future for Canada.