Federal Government Red-Tape Reduction

October 2026 | The Atmospheric Fund

Recommendations to Advance Climate and Economic Goals

The Atmospheric Fund (TAF) appreciates the federal government's ongoing efforts to identify and remove regulatory barriers that impede efficiency and economic growth. Alongside these aims, reducing red tape offers an opportunity to modernize regulations so they enable climate solutions, spur Canadian innovation, and aid our transition to a net-zero economy.

With climate change already affecting Canadians' health, safety, and economic stability, regulations must be designed so they do not hinder the deployment of low-carbon technologies and infrastructure. The following recommendations identify specific opportunities for federal leadership to remove barriers, update regulations, and embed climate ambition in forthcoming policies and programs.

Recommendations:

1. **Scaling Prefabricated Housing through the National Model Codes**
2. **Harmonizing with European Union (EU) Safety Rules to Increase Low-cost EV Options for Canadians**
3. **Tying in Working Capital to Federal Grants to Maximize Program Efficiency**
4. **Allowing Third-Party Clean Energy Partnerships to Deliver Quality Affordable Housing**
5. **Expanding Eligible Certification Under CMHC Programs to Streamline Applications**
6. **Transferability of Clean Technology Investment Tax Credits for a Better Business Case**

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1. Scaling Prefabricated Housing through the National Model Codes

Barrier

The federal government's commitment of $25 billion to prefabricated and modular housing is a strong way to onshore development and expand use of local raw materials amid U.S. tariffs.

However, fragmented provincial adoption of the National Building Code (NBC) and National Energy Code for Buildings (NECB), along with inconsistent permitting standards, limit the scalability and interprovincial trade of modular and prefabricated housing products. Manufacturers end up customizing products to individual provinces, driving costs and timelines while undermining affordability and productivity gains.

Why It Matters

These proven methods of affordable and fast construction offer solutions for both carbon reduction and climate resilience. Yet, opportunities to deliver efficient and affordable housing are constrained by interprovincial trade barriers. Standardization and predictability are vital for the industrialized construction industry to grow.

Recommendation

- Require federally funded modular housing projects to meet the highest performance tiers of the NBC and NECB to ensure products meet the varying standards in every province across Canada.
- Fund implementation, training, and code modernization activities that help provinces and municipalities adopt and administer harmonized requirements.

2. Harmonizing with European Union (EU) Safety Rules to Increase Low-Cost EV Options for Canadians

Barrier

Affordability remains one of the most significant barriers to electric vehicle (EV) adoption in Canada, and current federal rules further constrain consumer choice. Import rules and model recognition requirements limit the variety of EV models available to Canadian consumers, particularly low-cost options that would make adoption more accessible. We applaud the government for its recent tariff reductions on Chinese-made EVs, which will enhance competition, affordability, and choice.

However, Canada's regulatory framework still prevents many safe, compliant, and proven EVs from being sold here. While the EU maintains rigorous safety and tailpipe emissions standards that are recognized globally, Canada does not recognize many vehicles approved under those standards. As a result, Canadians have access to only a fraction of the affordable EV models available internationally. Clean Energy Canada found that Europe has 21 EVs under the equivalent of $40,000 – seven from Chinese automakers – yet only one of those models is available in Canada.

Why It Matters

As the federal government replaces the EV Availability Standard with strengthened vehicle emissions standards, modernizing Canada's framework to recognize EU standards would immediately expand the EV marketplace. Greater model access would boost competition, improve affordability, and give Canadians more safe, compliant options. Enabling lower-cost models would help close the affordability gap that slows adoption, while faster EV uptake supports national climate goals through deeper GHG reductions. Aligning with trusted international standards ensures Canadians benefit from cleaner transportation and a more competitive market.

Recommendation

- Promptly consult on and implement mechanisms for recognizing EU vehicle safety and tailpipe emissions standards as part of Canada's new auto strategy.

3. Tying in Working Capital to Federal Grants to Maximize Program Efficiency

Barrier

The federal grant process typically requires organizations to apply at their own expense, then self-finance program delivery before being reimbursed if they're approved – often months later. This creates a real barrier for qualified organizations whose mandates align with federal program goals, but who lack the liquidity to front costs.

As a result, some choose not to apply, limiting program reach and impact. Others scale back programs to match their financial capacity, divert funds from their core operations, or borrow at a high cost. One TAF investment recipient pays about 15% a year to cover costs while it waits for federal reimbursement. That rate is substantially higher than the government's own cost of capital, reducing the value of public funding and undermining intended outcomes.

Why It Matters

This reimbursement-based model reduces program effectiveness by excluding capable organizations, shrinking delivery capacity, and redirecting public dollars toward financing costs rather than outcomes. More inclusive, lower-barrier funding structures would enable stronger participation, support full-scale program delivery, and ensure federal investments generate maximum public value.

Recommendation

- Structure grants to include an upfront working capital element tied to the application and use of funds that would allow all monies to be spent on the grant program.

4. Allowing Third-Party Clean Energy Partnerships to Deliver Quality Affordable Housing

Barrier

CMHC's Mortgage Loan Insurance (MLI) Select and Apartment Construction Loan (ACL) programs disqualify projects that use third-party ownership of HVAC or energy systems. These partnerships are now common across the sector and enable developers to work with specialized firms to deploy sustainable energy technologies like ground-source heat pumps. These arrangements lower housing development costs, improve capacity for maintenance and operations, and reduce carbon emissions. This restriction undermines National Housing Strategy goals and pushes many builders to default to conventional fossil-fuel systems.

Why It Matters

Outdated CMHC rules limit the adoption of proven clean energy technologies and increase the cost of building efficient housing. Modernizing these rules would align federal programs with industry practice, support innovation, and help deliver more affordable, low-carbon housing.

Recommendation

- Revise CMHC rules to allow developers to partner with third parties, such as thermal energy firms, to implement clean energy technologies under third-party ownership.

5. Expanding Eligible Certification Under CMHC Programs to Streamline Applications

Barrier

Several CMHC housing programs, such as Eco-Plus, MLI Select, and the ACL program, require or award points for meeting a range of national, provincial, and third-party energy efficiency standards. Despite being a leading framework in Ontario and a benchmark for sustainable construction, the Toronto Green Standard (TGS) is not included. Thousands of homes have already been built to TGS tiers, and developers in the Toronto region are familiar with the standard.

Because CMHC does not recognize TGS, Toronto-based applicants must pursue an additional certification on top of the TGS and the Ontario Building Code, creating unnecessary consulting and administrative costs in a region that leads North America in high-rise construction. This omission also limits opportunities to stack CMHC incentives with Toronto's Tier 2 and Tier 3 financial incentives, reducing support for affordable, low-carbon housing.

Why It Matters

Excluding TGS increases costs for developers, creates redundant compliance steps, and slows uptake of proven low-carbon building practices. Recognizing TGS would streamline applications, reduce administrative burden, and better align federal programs with the standards already shaping sustainable construction across Toronto. It would also allow developers to combine municipal and federal incentives, strengthening program impact and supporting more efficient housing delivery.

Recommendation

- Include Toronto Green Standard Tiers 2 and 3 in CMHC programs' eligible certifications list.

6. Transferability of Clean Technology Investment Tax Credits for a Better Business Case

Barrier

The Clean Technology Investment Tax Credit (CT ITC) is one of the federal government's most important tools for accelerating low-carbon investment, but its current design is limiting its impact. While the CT ITC is refundable, that alone has not made the credit sufficiently usable, bankable, or accessible for many businesses, particularly small and medium-sized entities.

The central issue is timing and certainty. Businesses must commit capital, complete projects, and place assets in service, often before knowing whether they will receive the credit and at what value. For projects that rely on ITC support to reach a final investment decision, this uncertainty is a deal-breaker. It weakens business cases, increases financing costs, and discourages participation by less capitalized firms. As a result, uptake is constrained and the credit may end up supporting projects that would have proceeded anyway, rather than driving incremental clean technology deployment.

The federal government has recently shown through its enhanced oil recovery changes to the Carbon Capture, Utilization, and Storage ITC that clean economy tax credits can be revisited when program design does not align with investment realities or government priorities. The same pragmatic approach should now be applied to the CT ITC.

Why It Matters

This reform is increasingly important as Canada faces rising carbon exposure across the economy. Businesses need practical tools that reduce emissions and manage costs. Improving the CT ITC is one of the fastest ways to accelerate investment in electrification, clean power, storage, clean heat, and other emissions-reducing technologies. Allowing recipients to transfer or sell their credits would strengthen project financing, expand participation, and ensure the credit drives real-world deployment.

Transferability also enables businesses to convert expected credit value into upfront funding, creating clearer market signals and helping projects move forward rather than stall.

At a time when the federal government needs credible, immediate responses to carbon-related risks, enhancing the CT ITC offers a practical fix within an existing program – boosting uptake, reducing administrative burden, and supporting smaller market participants while accelerating clean technology.

Recommendation

- Introduce transferability for the Clean Technology Investment Tax Credit, allowing eligible recipients to sell all or a portion of their credits to third parties.

TAF The Atmospheric Fund

TAF is a regional climate agency that invests in low-carbon solutions for the Greater Toronto and Hamilton Area and helps scale them up for broad implementation.

We are experienced leaders and collaborate with stakeholders in the private, public, and non-profit sectors who have ideas and opportunities for reducing carbon emissions.

Supported by endowment funds, we advance the most promising concepts by investing, providing grants, influencing policies, and running programs.

We're particularly interested in ideas that offer benefits beyond carbon reduction such as improving people's health, creating local green jobs, boosting urban resiliency, and contributing to a fair society.

TAF is a proud member of the Low Carbon Cities Canada network.

The Atmospheric Fund

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TAF acknowledges that the land on which we work is part of the Treaty Lands and Territory of the Mississaugas of the Credit. The area also encompasses traditional territories of the Huron-Wendat, Haudenosaunee, Erie, Neutral, Anishinaabe, Mississaugas of Scugog Island First Nation, Chippewas of Georgina Island First Nation, and the Mississaugas of the Credit First Nations.

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