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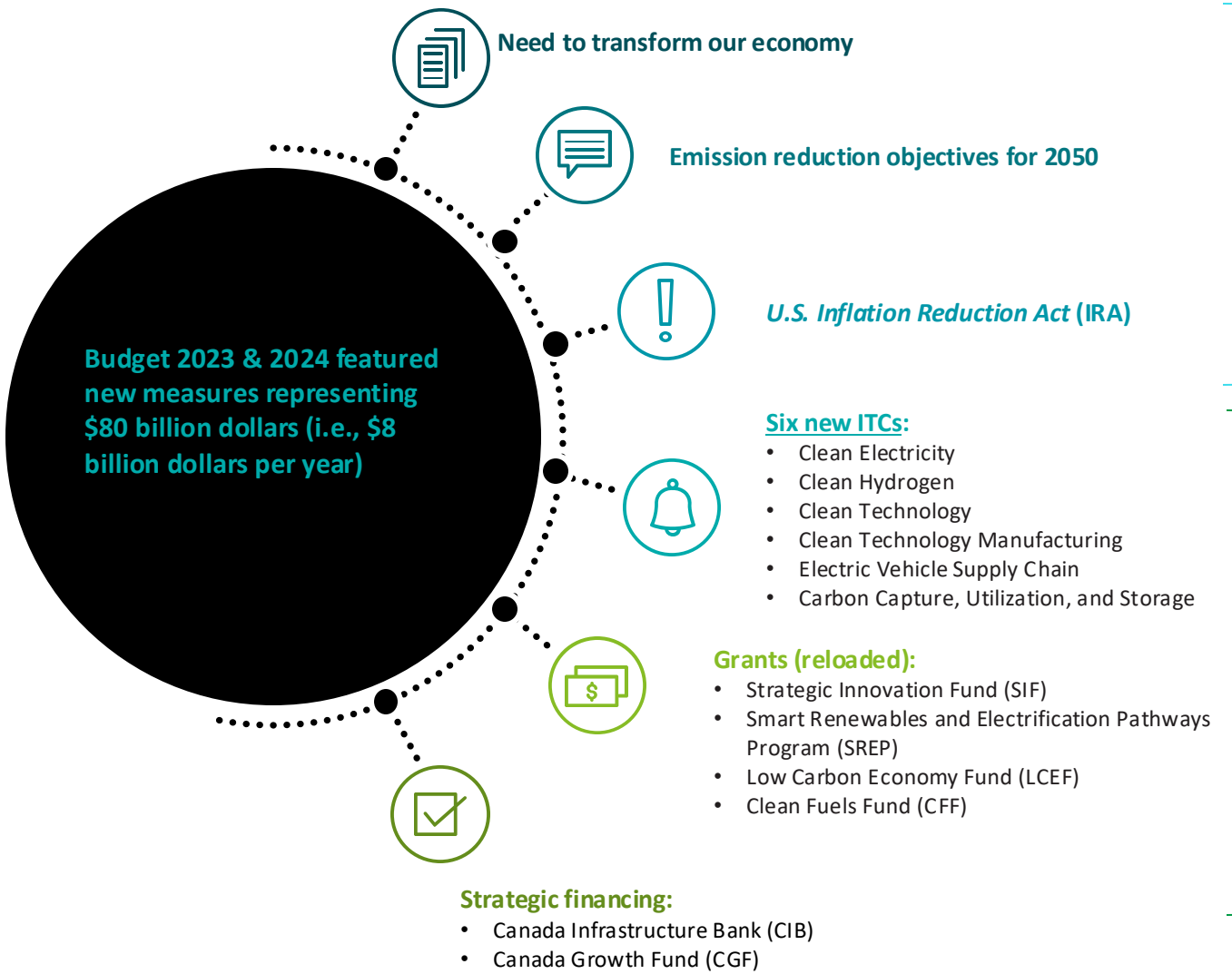
Decarbonized Summit: Government Grants & Incentives

November 12th 2024

MAKING AN IMPACT THAT MATTERS since 1845

Context

How are these measures part of Canada Strategy for Decarbonization?



Summary table of the six refundable federal investment tax credits for clean technologies (as of Aug. 26, 2024)

Name of credit	Acronym	Eligible entities	Eligible assets	Rate	Budget estimate	Effective date	End date	Status of legislation
Clean Technology Investment Tax Credit	CTITC	Taxable Canadian corporations**	Certain Class 43.1, Class 43.2 properties, and Class 56 properties	30%*	$6.9 billion by 2028	March 28, 2023	15% in 2034 0% in 2035	Bill C-59 introduced Nov. 28, 2023 (s. 127.45)
Clean Electricity Investment Tax Credit	CEITC	Canadian taxable corporations (taxable + some non-taxable ones)	New equipment and renovation of former installations	15%*	$25.7 billion by 2035	April 16, 2024	2034 (incl.)	Draft legislation – August 13, 2024
Clean Hydrogen Investment Tax Credit	CHITC	Taxable Canadian corporations	New dedicated equipment for hydrogen/ammonia productions	40%*, 25%* or 15%*	$17.7 billion by 2035	March 28, 2023	Reduced in 2034, 0% in 2035	Bill C-69 introduced April 16, 2023 (s.127.48)
Clean Technology Manufacturing Investment Tax Credit	CTMITC	Taxable Canadian corporations	Machinery and equipment for manufacturing of clean tech, extraction/processing of critical minerals	30%	$11.1 billion by 2035	January 1, 2024	20% in 2032 10% in 2033 5% in 2034	Bill C-69 introduced April 16, 2023 (s. 127.49)
Electrical vehicles Supply Chain Investment Tax Credit	EVSCITC	Taxable Canadian corporations	Buildings used for electric EV, EV battery production and cathode active material production	10%	$1.82 billion by 2035	January 1, 2024	5% in 2033-2034 0% in 2035	Possible draft legislation - 2024
Carbon Capture, Utilization and Storage Investment Tax Credit	CCUS	Taxable Canadian corporations	Assets used to capture, store and reuse CO_2	37.5% to 60%*	$9.1 billion by 2030	January 1, 2022	Reduce in 2030 0 % in 2041	Bill C-59 introduced Nov. 28, 2023 (s. 127.44)

* *This rate will be reduced by 10% if the company does not comply with the labour requirements (i.e., the compensation level meets or exceeds the relevant wage, and at least 10% of total labour hours are performed by apprentices (section 127.46)). Effective as of November 28, 2023 (s.127.46).*

** *Including certain REITs (November 28, 2023 Bill C-59).*

Clean Economy ITC and its relevance to Mining Decarbonization

Name of Credit	Eligible Asset
Clean Technology Investment Tax Credit Promote investment in adoption and operation clean technology by establishing a 30% refundable tax credit of eligible equipment	Solar, wind and water energy; Stationary electricity storage; Active solar heating, air-source heat pumps and grounds-source heat pumps; Geothermal small modular nuclear reactors; **Industrial zero-emission vehicles (e.g. heavy-duty hydrogen or electric equipment used in mining) & related charging/refueling infrastructure**; Cogeneration systems using **specified waste materials***
Clean Electricity Investment Tax Credit Promotes and accelerates investments in clean electricity via a 15% refundable tax credit (conditions and specifications below) for investments in eligible asset	Solar, wind or water, Nuclear, Geothermal energy, Biomass, Stationary electricity storage equipment, transmission of electricity between provinces and territories, Equipment that is part of an eligible natural gas energy system**
Clean Hydrogen Investment Tax Credit Promote and accelerate investments in clean hydrogen through a refundable tax credit of 15% to 40% depending on the CI for projects that produce all, or substantially all of the hydrogen as part of production processes.	NEW equipment required for the production of hydrogen by **electrolysis of water** if all or substantially all of its use was intended to produce hydrogen by the electrolysis of water. New equipment used all or substantially all for the production of hydrogen from **reforming or partial oxidation of eligible hydrocarbons** with reduced emissions using CCUS
Carbon Capture, Utilization and Storage Investment Tax Credit Capture of carbon dioxide that (i) would otherwise be released into the atmosphere or (ii) directly from ambient air & storage or use of the captured carbon	Equipment used for capture, transport and storage in designated jurisdictions (BC,SK, AB and any other jurisdiction within Canada or the US for which a designation by the Minister is in effect)

- *"Specified waste materials" means wood waste, plant residue, municipal waste, sludge from an eligible sewage treatment facility, spent pulping liquor, food and animal waste, manure, pulp and paper by-product and separated organics.
- **systems that use fuel all or substantially all of which is natural gas solely to generate electricity, or both electricity and heat, and use a carbon capture system to limit emissions). Special conditions apply

Clean Technology Manufacturing ITC as it relates to Mining Activities

Clean Technology Manufacturing Investment Tax Credit

Promotes the manufacturing of clean technologies through a 30% refundable tax credit of the capital cost of CTM property.

Solar / Wind / Battery + Geothermal + EV + Component Manufacturers + Nuclear + Fuel Cell + EV Charging + Hydrogen Refueling + Critical Mineral Processing +

- extraction of resources from a mineral deposit or tailings pond for eligible materials*;
- processing activities carried out on a mining site, a well site, in a tailings pond, mill, a smelter or a refinery, namely **crushing, grinding, milling, separation, sieving, screening, froth flotation, leaching, recrystallization, precipitation, evaporation, drying, heating, calcination, roasting, smelting, casting of ingots, refining, purification, distillation, electrodeposition and surface roughening of electrodeposited foil**, as part of or preceding a process seeking to **increase the purity** of a qualifying material* or *to **produce a material** containing an qualifying material* and without non-trace amounts of any elements other than **permitted elements*****
- **recycling activity:** sorting, disassembly, shredding of a recyclable material or treatment similar to a processing activity above, without regard of where the activity is carried out
- **synthetic graphite activity:** performed during the graphitization stage or subsequently, **and** which constitutes a material processing activity substantially similar to a transformation activity above, without regard of where the activity is carried out
- **graphite spheroidization or spheroidized graphite coating**

* **Qualifying material:** lithium, cobalt, nickel, graphite, copper, rare earth elements** and graphite.

** **Rare earth elements:** scandium, yttrium, lanthanum, cerium, praseodymium, neodymium, promethium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, lutetium.

*** **Permitted element:** hydrogen, carbon, nitrogen, oxygen, phosphorus, sulfur, selenium, sodium, potassium, halogen or noble gas.

Investment Tax Credits Characteristics

- ✓ Refundable credit = deemed instalment*
- ✓ Calculated on a property-by-property basis*
- ✓ Concept of cost of capital including purchase price and certain related costs:
  - Labour- **Labour requirement**
  - Outsourcing (detailed engineering)
  - Installation
- ✓ However, financing costs, which are capitalizable for CCA purposes, are excluded
- ✓ Concept of acquisition
  - Transfer of legal ownership
- ✓ Taxable the following year via a reduction of undepreciated capital cost (UCC) or as revenue if the UCC is insufficient (for partnerships: taxable the year of the claim)
- ✓ Concept of available for use (whichever of the following comes first):
  - When the property is used for the first time to earn revenue
  - Two years following the year of acquisition of the property
  - Just prior to the disposal of the property
  - When the property is delivered, and it could be used to produce a product or provide a saleable service, etc.

Interaction between the ITCs and other government assistance

- General principle: only one of the new federal Clean Economy ITCs can be claimed on the same property.
- An amount received (or which the taxpayer can reasonably expect to receive at the time of filing) as government or non-government assistance (grant or other tax credit or forgivable loan/loan with favourable conditions**) must reduce the capital cost of the property for the purposes of calculating the ITC.
- The federal Atlantic Investment Tax Credit (which also applies to the Gaspé Peninsula) can be aggregated on the same property.
- CTMITC and production of battery modules and cells: take note of some special contribution arrangements with the government of Canada.

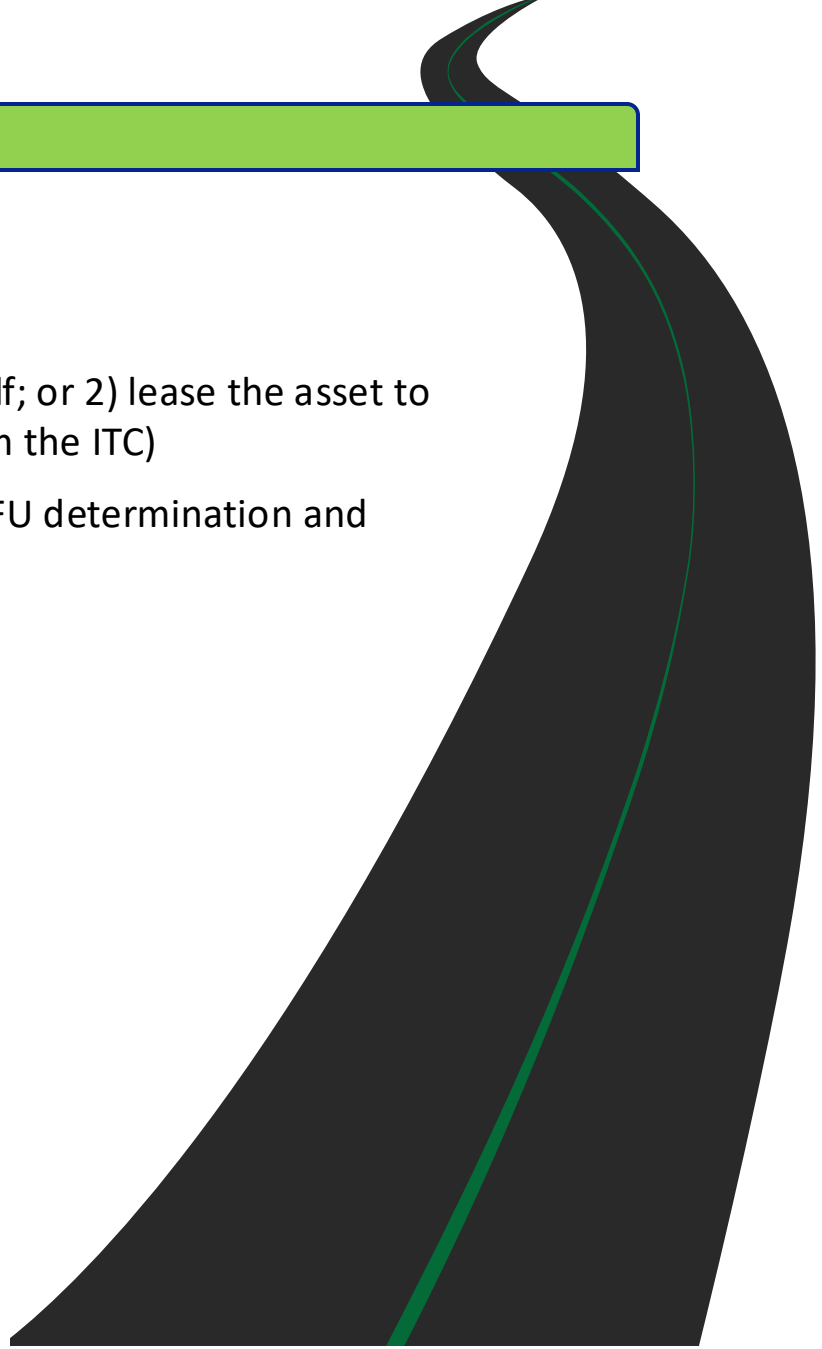
** Interest-free or low-interest loan contracted with governmental entity will no longer be considered as government assistance. This is deemed to have come into force on November 21, 2023 (as per 2023 Fall Economic Statement).

How to apply the ITCs to your project budget

- What do you need to do at the Project Planning and Budget Stages:
  - Ensure the corporate structure will be eligible
  - The claimant has to be the asset owner and must either 1) use the asset itself; or 2) lease the asset to an entity that will use it (no 16.1 election possible to allow the lessee to claim the ITC)
  - Implement detailed contracts facilitating cost segregation, acquisition and AFU determination and labour requirements obligations when applicable
  - Implement time sheets/pay codes to support capitalized labour

- What do you need to do at the Preparation and **Execution** Stages:
  - Technical descriptions supporting eligibility
  - Data-driven expenses and cost segregation
  - Legislative background
  - Forms and other prescribed formalities

- Be prepared (CRA auditors may have less experience with this type of claim)



Major Federal Funding Programs

	Funding %	Funding $	Mining Industry Alignment
Critical Minerals Infrastructure Fund (CMIF)	50%	Max $50M	The program supports the development of infrastructure crucial for accessing and transporting critical minerals needed for various industries.
Strategic Innovation Fund (SIF)	50%	$10-500M	Offers substantial funding (min. $20M costs) for innovation and large-scale transformation projects
Smart Renewables and Electrification Pathways (SREPs) Program	10-50%	Max $50M	This initiative promotes the adoption of renewable energy and electrification technologies, reducing the mining industry's carbon footprint.
Low Carbon Economy Fund (LCEF)	25-75%	$1-25M	Supports projects that reduce greenhouse gas emissions cost-effectively
Decarbonization Incentive Program (DIP)	30%	Max $10M	This program offer incentives for mining companies to reduce greenhouse gas emissions and adopt clean technologies. The program is only offered to companies based in MB, ON and NB.
Clean Fuels Fund (CFF)*	30%	Max $50M	Provides incentives for producing low-carbon fuels towards feasibility & Feed studies as well as capital projects for renewable diesel, sustainable aviation fuel and renewable natural gas

** Budget 2021 established $1.5B supporting over 60 projects. In budget 2024 (up to$500M/year from CFR compliance payment to support biofuel production; $500M from CIB; $776.3 for a retooled CFF & $375.8M to extend the program from 2026-2030)

Major Federal Funding Programs (Cont)

	Funding %	Funding $	Mining Industry Alignment
Green Industrial Facilities Manufacturing Program (GIFMP)	50%	Max $10M	Provides support for industrial facilities seeking to improve energy efficiency via training, energy management and capex retrofit
NGen – Advanced Manufacturing Projects Program- Sustainable manufacturing	37%	$1.5-8M	This program funds innovative and collaborative projects that enhance manufacturing processes.
National Trade Corridors Fund (NTCF)	50%	Max $500M	This fund improves transportation networks, ensuring efficient movement of resources to markets.
Scale AI	40%	Typically $1-$5M	Supports integrating artificial intelligence (AI) into operations to transform processes, improve productivity and optimize supply chain
Digital Supercluster	Varies	Typically $0.2-10M	The supercluster fosters collaboration on digital innovations that can be applied to decarbonizing the industry.
Canada Growth Fund (CGF)	Flexible	~$100M*	This program provides financial support to scale up innovative mining technologies and sustainable practices.
Canada Infrastructure Bank (CIB)	Flexible	~$50M*	The bank invests (Loan) in large-scale infrastructure projects that facilitate efficient and sustainable operations.

* CGF prefers to support projects that are min. $150M, CIB similarlry won't support projects under $100M

Major Provincial Funding Programs

	Funding %	Funding $	Province	Mining Industry Alignment
CleanBC Industry Fund	50%	$250k - $25M	BC	**Industrial Electrification (IE) Program:** • Streamlines funding for large industrial low-carbon electrification projects **Emissions Performance (EP):** • Supports projects that reduce emissions at an industrial operation using commercially available technologies **Innovation Accelerator (IA):** • Supports projects that demonstrate, pilot, or trial clean technologies or processes **Feasibility Studies (FS):** • Supports preliminary studies that aim to provide clarity and confidence to potential projects
Emissions Reduction Alberta – Strategic Energy Management for industry (SEMI)	50%	$500K- $1M	AB	Program funds projects that implement energy-efficient technologies and practices, thereby reducing greenhouse gas emissions and operational costs while enhancing sustainability.
Emissions Reduction Alberta - Partnership Intake Program	NA	Max $25M	AB	Provides funding for collaborative projects that reduce emissions in Alberta's industries
Saskatchewan Technology Fund (STF)	50%	Max $25M	SK	Supports technological advancements for sectors including mining within Saskatchewan, promoting technological innovation and growth.
EcoPerformance - IMPLEMENTATION	75%	Max $5M	QC	Funds projects that focus on reducing GHG emissions and improving energy efficiency
Bio-energy - IMPLEMENTATION	75%	Max $3M	QC	Supports the implementation of bioenergy projects that utilize renewable sources

EV & EV Infrastructure Programs

	Funding %	Funding $	Mining Industry Alignment
Zero Emission Vehicle Infrastructure Program (ZEVIP)	50%	$5M	Support development of charging and refueling infrastructure to support the use of zero-emission vehicles.
Incentives for Medium- and Heavy-Duty Zero-Emission Vehicles (iMHZEV)	$10-200K	$1M	Financial incentives for companies to adopt zero-emission trucks and heavy machinery, reducing their environmental impact.
Green Freight Program (GFP)	50%	$250K	Could help mining companies improve the efficiency and sustainability of their freight operations through the adoption of greener technologies and practices.
Incentives for Zero-Emission Vehicles (iZEV) Program	N/A	$2.5-5K $50K/year	Incentives for the purchase of zero-emission vehicles, encouraging companies to transition their fleets to cleaner alternatives.
Energy Innovation Program – On-road Transportation Decarbonization	50-75%	Max $5M	Supports innovative projects that reduce emissions from on-road transportation, benefiting logistics and supply chains.
Commercial Vehicle Program – BC (CVP)	33%	No cap for EV Max $10M for EV Infrastructure	Incentives and support for the adoption of low-emission commercial vehicles in British Columbia

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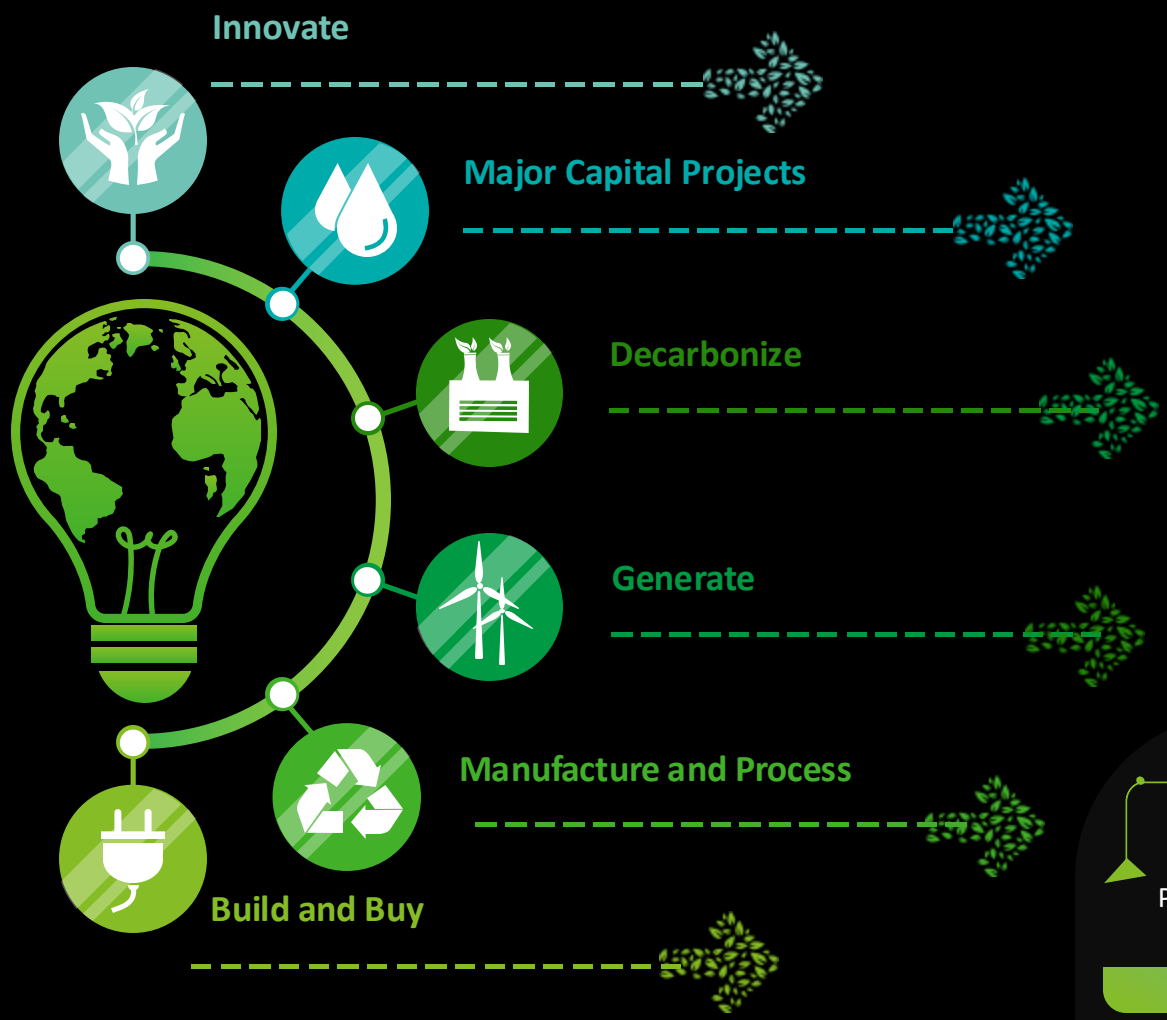
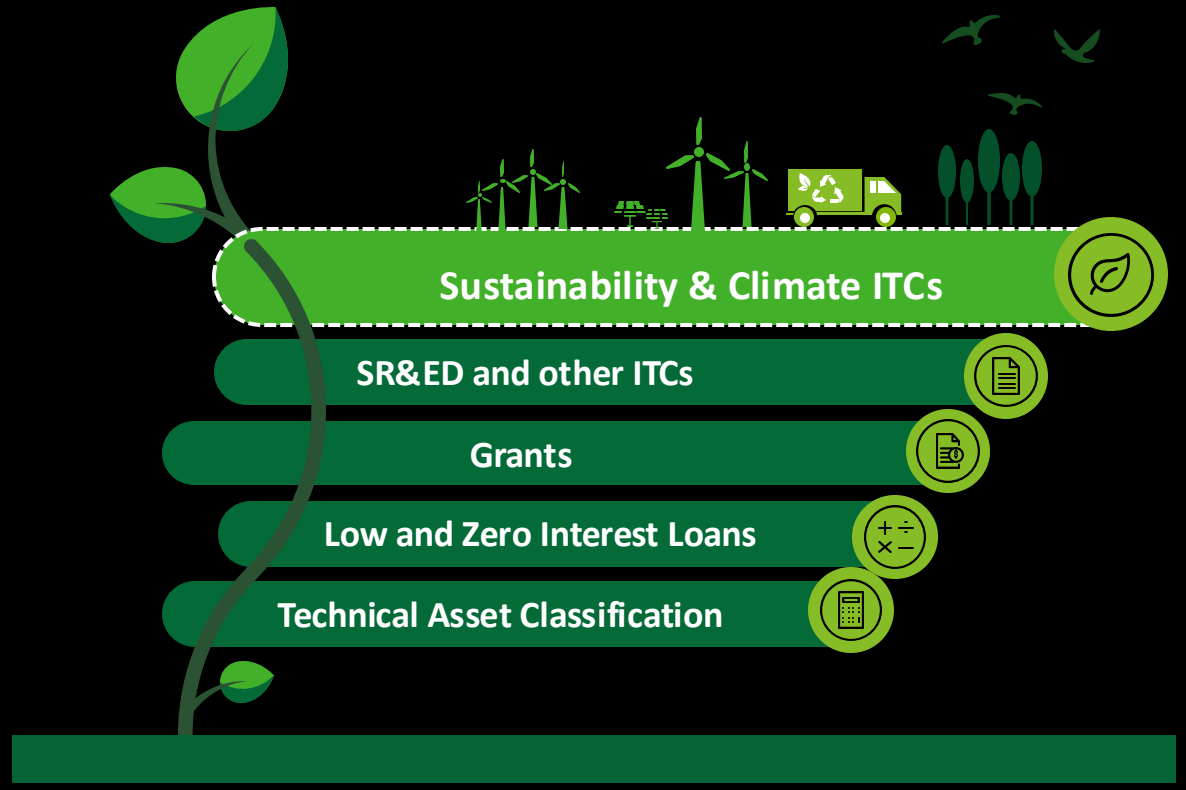
Gi3: Project Financing Through Government Support





Questions?

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