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# Standing Committee on Finance

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Chair: Karina Gould





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Tuesday, May 26, 2026

• (1605)

[English]

**The Chair (Hon. Karina Gould (Burlington, Lib.)):** Hello, colleagues. I call this meeting to order.

Welcome to meeting number 40 of the House of Commons Standing Committee on Finance. Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders.

I would like to remind participants of the following points.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mic, and please mute yourself when you are not speaking. For those on Zoom, at the bottom of your screen you can select the appropriate channel for interpretation: floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

I would like to remind all witnesses that committee members may ask questions in either French or English. If you will need interpretation, please take a moment now to prepare your earpiece and select the listening channel you need in order to take full advantage of the time allotted for questions and answers.

I will remind you that all comments should be addressed through the chair.

Pursuant to Standing Order 83.1, the committee resumes its pre-budget consultations in advance of the 2026 budget.

I would now like to welcome our witnesses. From the Aerospace Industries Association of Canada, we have Mike Mueller, president and CEO. From the Alberta Cattle Feeders' Association, we have Janice Tranberg, president and CEO, and Curtis Vander Heyden, chair of the board of directors. From the Canadian Institute of Steel Construction, we have Keanin Loomis, president and CEO. From the Helium Developers Association of Canada, we have Richard Dunn, executive director.

We will now begin with Mr. Mueller for five minutes, please.

**Mike Mueller (President and Chief Executive Officer, Aerospace Industries Association of Canada):** Thank you, Madam Chair and members of the committee, for the opportunity to appear today on behalf of Canada's aerospace industry.

I would like to start by acknowledging budget 2025's removal of aircraft from the job-killing luxury tax. That decision and the support of this committee are protecting Canadian aerospace jobs, strengthening domestic competitiveness and supporting the hun-

dreds of thousands of highly skilled workers across the industry. I want to thank the Minister of Finance, all parties and this committee for supporting the removal of the tax.

As I've said before at this committee, Canada's aerospace industry is truly a strategic national asset, with a world-class workforce and key industrial capability spanning civil aviation, defence, space and emerging technologies. Our industry contributes more than \$34 billion annually to Canada's GDP, supporting over 225,000 well-paying jobs right across the country, and we remain Canada's leading manufacturing R and D sector.

Canadian aerospace is export-driven, innovation-intensive and deeply integrated into North American defence, security and economic systems. In today's geopolitical environment, aerospace is not simply a top manufacturing sector; it is a strategic, sovereign capability, as outlined directly within Canada's new defence industrial strategy. AIAC welcomes the release of the strategy, but the focus now must shift from strategy to execution, with industry engaged early and consistently as government moves forward with its implementation.

Canadian aerospace firms require clear demand signals, long-term visibility and predictable procurement timelines to invest with confidence. As Canada's Secretary of State for Defence Procurement, Stephen Fuhr, said, "Industry doesn't invest money on 'maybe.' They want more surety...and that's what the DIS is supposed to provide—clarity on where we're headed." We couldn't agree more.

For government to deliver on the strategy, procurement reform must be a strategic imperative. Procurement systems must be not only fair, open and transparent, but also timely, effective and outcome-driven. Innovation mechanisms such as BOREALIS and the Defence Investment Agency have an important role to play in procurement reform, accelerating Canadian innovation and industrial scale-up. The investment agency in particular has the opportunity to create a more agile, responsive and outcome-driven approach, but the agency must be informed through early and ongoing engagement with industry to ensure alignment with industry timelines and supply chains.

We are pleased to see defence funding increase to 2% of GDP, along with the government's commitment to 5% in the coming years. I would encourage the committee to ensure that this is a continued recommendation.

This brings me to my next point, which is that civil aviation and defence are two sides of the same coin. One cannot thrive without the other. To that end, Canada needs a complementary federal aerospace industrial strategy. A coordinated federal strategy for aerospace would help align investments, strengthen sovereign industrial capacity and grow Canadian exports across the civil, defence and space sectors.

Canada-U.S. aerospace supply chains are deeply integrated and have been built over decades through shared production systems, certification frameworks and trusted industrial partnerships. These supply chains cannot simply be restructured or replaced overnight. AIAC is strongly encouraging governments on both sides of the border to maintain zero-for-zero aerospace trade through the ongoing tariff and CUSMA discussions.

Lastly, accelerating aerospace innovation and getting products to market depend on a responsive and well-resourced regulatory environment. Transport Canada plays a critical role in certifying new technologies, maintaining safety standards and supporting Canada's international reputation as a top-tier aviation regulator.

Canada is one of the only countries in the world capable of building an aircraft from nose to tail and certifying it domestically. That certification capability is a crown jewel of Canada's aerospace sector, and we cannot allow it to erode. AIAC is recommending a review of Transport Canada's aviation-related governance structures, alongside stable and predictable resourcing for civil aviation activities.

Canada's aerospace sector remains the country's leading manufacturing R and D industry because of its highly skilled Canadians bringing innovative ideas to life every day. The industry is ready to deliver. The opportunity is now for government and industry to move with the urgency and ambition required to strengthen Canada's economic sovereignty and security in an increasingly competitive world.

If I could offer this to all parliamentarians, we have workers and industry in every single region of the country and would be pleased to host any of you at our facilities over the upcoming summer break.

Thank you, and I look forward to the discussion.

**The Chair:** Thank you very much, Mr. Mueller.

We will now move to Ms. Tranberg from the Alberta Cattle Feeders' Association.

**Janice Tranberg (President and Chief Executive Officer, Alberta Cattle Feeders' Association):** Thank you.

The Alberta Cattle Feeders' Association is pleased to share our priorities for the 2026 federal budget.

Alberta Cattle Feeders' is the voice of Alberta cattle feeders—the beef farmers who bring calves into their farms and modify their diets from grass to high-energy feed to propel weight gain, thus using

less land, less water and producing less methane over a shorter lifespan.

Feedlots vary in size, but they remain family operations. They provide significant economic benefits to rural communities, while making large-scale contributions to food security at home and around the globe. In Alberta alone, the economic output from cattle feeding is over \$2.9 billion, and we employ over 20,000 people.

Over 70% of Canada's fed cattle production takes place in Alberta, and, in fact, 25% of Canada's production takes place in a 50-kilometre radius in southern Alberta.

With this context, I'm going to turn now to Curtis, who will outline three recommendations for the 2026 federal budget that can help Canadian farmers respond to evolving and difficult global realities.

• (1610)

**Curtis Vander Heyden (Chair, Board of Directors, Alberta Cattle Feeders' Association):** Thanks, Janice.

I'm Curtis Vander Heyden, chair of the Alberta Cattle Feeders' board. I'm a third-generation farmer in southern Alberta, along with two brothers and one sister. We have a one-time standing livestock capacity of 40,000 animals.

Our first budget recommendation is to continue to protect an unimpeded and tariff-free border between Canada and the U.S. The Canada and U.S. beef industries operate within a deeply integrated market, with cattle often crossing the border more than once in their lifetime. As an example, they can be born in the U.S., be transported and fed in Canada, and then be retransported and processed in the U.S. The limits to transporting live animals over long distances have fostered this integrated market.

Canada exports seven billion dollars' worth of live cattle and beef annually. Of that, \$6 billion is direct trade with the U.S. While we support efforts to diversify trading markets, we must continue to work towards a positive outcome for the North American beef sector, including building long-term strategies for supply chain reliability. This includes addressing infrastructure gaps, border crossing challenges and regulatory transportation barriers. To be reliable suppliers to national and global clients, agriculture producers need reliable and trusted supply changes.

Our second recommendation is to modernize agricultural business risk management tools, or BRMs, to reflect current and future realities of risk, risk thresholds, inflation, farm structure and global competition. Specifically, the AgriStability program serves as one of the only support tools for cattle feeders during unforeseen adversities. However, there has been no permanent adjustment to the payments cap within the program in the last 20 years despite profound increases in input costs and risk. The NCFR recommends that the AgriStability cap be increased to \$15 million, with the consideration to review the cap every five years.

Our third recommendation is to permanently and profoundly change the approach to labour shortages in agriculture. With the majority of Canadians unwilling to work in rural locations, foreign workers are a necessity to maintain and grow the beef sector. The majority of the foreign workers hired by cattle feeders are for year-round, long-term jobs. They're not seasonal. The foreign worker programs are fraught with delays and red tape, stunting the growth of Canada's beef sector.

Further to this, once good employees are in Canada, it's nearly impossible to transition them to becoming permanent residents. Residents who bring their families reinvigorate our rural communities. We strongly encourage the government to permanently reinstate the agri-food immigration pilot and to build a foreign worker program specific to accessing foreign employees to fill permanent, year-round agricultural jobs and become permanent residents themselves.

We must also invest in upgrading the skills of the existing workforce as technology rapidly advances, including AI, and the skill set required in agriculture shifts dramatically.

Thank you for your attention today. I look forward to a great discussion.

**The Chair:** Thank you so much, Mr. Vander Heyden and Ms. Tranberg.

We'll now continue with Mr. Loomis from the Canadian Institute of Steel Construction for five minutes.

**Keanin Loomis (President and Chief Executive Officer, Canadian Institute of Steel Construction):** Thank you, Madam Chair and the committee, for inviting me to present on behalf of the Canadian Institute of Steel Construction, and thank you for letting me do so from a Vancouver hotel room.

CISC is Canada's voice for the steel construction industry, representing the steel manufacturers, fabricators, suppliers, constructors, engineers and architects who are building Canada's infrastructure with steel. The steel construction sector directly employs 30,000 workers from Newfoundland to Vancouver Island and supports 100,000 jobs in total.

One year into a trade dispute with the United States, the domestic steel construction industry faces continued disruptions that put many high-skill jobs at risk. Recent 2026 changes to U.S. tariff policy further jeopardize the domestic market, with surtaxes now applying even on Canadian fabricated goods made with U.S. melted and poured steel. This represents a major escalation, and coordinated federal budget measures are required to stabilize market conditions, counter trade barriers and protect workers.

CISC recognizes and appreciates the federal government's efforts to support the industry, including trade measures, the buy Canadian policy and the steel trade monitoring task force.

Today and in our formal budget 2026 submission, we recommend a few key steps to strengthen Canada's response to the U.S. trade war and protect domestic jobs in the steel sector.

Our recommendations are to double the steel derivatives import surtax to 50%; optimize the buy Canadian policy by expanding its application to all federally funded projects; expedite the implementation of the budget 2025 commitment to reduce freight rates by 50% to transport steel across Canada, and expand this policy to include marine transportation; and strengthen the enforcement and monitoring of steel trade measures by continuing its work with industry through the steel trade monitoring task force and expand Canada's trade remedy and anti-circumvention tools.

My remarks will focus on our first two recommendations.

In late 2025, the federal government introduced the 25% steel derivative goods surtax order. While the measure was welcomed by industry, trade data and market trends demonstrate that it has not been sufficient to curb the flow of unfairly priced steel products from non-market economies such as China. Statistics Canada trade data show only a marginal decline in imports of key steel construction derivatives from China between Q1 2025, which was prior to the implementation of the derivative surtax, and Q1 2026, which followed implementation.

Canadian steel fabricators continue to face significant pricing pressures when competing against imports from non-market jurisdictions. For example, a British Columbia fabricator manufactures a standard steel bolt at a cost of \$26.90, while a comparable off-shore, non-market product imported from China lands in Canada at approximately \$18.90, even after the application of the 25% surtax. Similar pricing disparities exist across a wide range of steel derivative products used in construction, with some imported products entering the Canadian market at prices as low as half the cost of domestically produced steel products.

CISC recommends that the government increase the steel derivatives surtax to 50% to better address unfairly priced imports from non-market economies and strengthen the competitiveness of Canada's domestic steel fabrication sector. This measure will also support us in our long-term relationship building with the United States, which wants to ensure that Canada is not a back door for dumped steel entering the North American market.

For recommendation two, our best growth market is our own. CISC applauds efforts to support manufacturers through the buy Canadian policy. It is estimated that if the U.S. export market were entirely lost, our industry could lose 3,500 to 5,200 jobs, including upstream and downstream employment effects. The potential job gains from replacing imports with domestic production would range from 10,700 to 16,700 jobs.

The buy Canadian policy announced in December was a positive first step that recognized the importance of using public procurement to support Canada's steel construction sector and strengthen domestic supply chains. By prioritizing Canadian steel in federal construction, the policy signalled that taxpayer-funded projects should deliver the majority of their economic benefits here at home, supporting local jobs, production capacity and regional industries.

While CISC is very supportive of buy Canadian, the policy is not yet optimized to deliver maximum benefits back to Canadian communities. Gaps remain around how broadly this policy applies, how consistently it is implemented and how compliance can be assessed by industry and the public. Without clear application, stronger transparency and better coordination across jurisdictions, the policy risks falling short of its intent and limiting the benefits that federal infrastructure spending could generate for Canadian steel producers and fabricators.

• (1615)

**The Chair:** Mr. Loomis, would you wrap up quickly, please?

**Keanin Loomis:** We would appreciate you looking at these recommendations for the 2026 federal budget.

Thank you to the committee for inviting me to appear on behalf of CISC.

**The Chair:** Thank you, Mr. Loomis.

We will now continue with Mr. Dunn from the Helium Developers Association of Canada.

**Richard Dunn (Executive Director, Helium Developers Association of Canada):** Thank you, Madam Chair and committee members, for the opportunity to address you today.

Over the past few months, Canadian decision-makers have increasingly recognized the strategic importance of helium to the Canadian and global economies, and the significant potential of Canada's world-class helium resource. As well, consumers in the health care, high tech, research and defence industries are increasingly facing higher prices and uncertain supply now and into the future.

The worsening global helium supply crisis, resulting from the prolonged and growing Iranian war, and the vulnerability that it exposed within Canada's domestic helium supply chain underscore the urgent need for governments to fully recognize the seriousness

of the situation and implement the straightforward tax measures needed to strengthen Canada's struggling helium sector.

Providing helium with the standard tax treatment and access to core incentive programs that Canada provides to all other critical minerals will allow the sector to compete and attract the private investment needed for growth. In doing so, it will lay the groundwork for a secure domestic supply chain and position Canada as a reliable helium supplier to our allies, such as Japan and Korea, which are also facing the same helium supply shocks.

Helium is an irreplaceable and essential input into the modern digital economy. Helium advances defence technologies, including in aerospace; powers MRI systems; enables semiconductor manufacturing; supports nuclear energy; and is essential for critical research.

Right now, the global helium supply chain is broken, leaving Canada and our allies exposed. On March 18, an attack on Qatar's Ras Laffan industrial complex caused extensive damage to one of the world's most important helium hubs. Qatari helium production—fully one-third of global supply—is now off-line and is expected to remain significantly constrained for years.

Russia has implemented export controls, while the United States—the remaining major global producer—has limited spare capacity and is expected to prioritize its own domestic needs.

The current situation is not an isolated event. This marks the fifth helium supply shock in the past two decades, reflecting a heavily concentrated global supply chain subject to geopolitical disruption.

Despite having the world's fifth-largest helium resource, Canada has no meaningful domestic helium supply chain. The limited helium volumes we produce are shipped to the United States for processing, as we have no liquefaction capacity of our own. The reality is that we are entirely dependent on others for a strategic critical mineral resource we have in abundance. Surely, counting on Russia, Qatar and the U.S. as suppliers makes no sense.

Given this dependence and the resulting risk to domestic helium supply availability and affordability, Canadian end-users are raising their concerns. The Canadian helium users group is calling for the establishment of a “sustainable, stable, and secure helium...supply in Canada”, while the Canadian Association of Radiologists has called for Canada “to invest in a sustainable national helium supply chain.”

In the first half of this decade, led by strong Saskatchewan policies targeting production of 10% of world supply, along with significant industry investment, Canada saw helium production grow, increasing from essentially 0% to 3% of world supply. However, in 2025, Canadian helium production experienced its first decline, a direct result of the challenging tax treatment the sector faces, constraining its ability to attract private capital.

The Income Tax Act does not qualify helium as a mineral resource, the result being that helium is the only critical mineral that is not able to access the core economic tools that Canada provides to incent critical development. Those tools include competitive depreciation, flow-through shares and exploration tax credits.

The straightforward solution, supported by the provinces of Manitoba, Saskatchewan and Alberta, and consistent with the precedent that budget 2023 provided for lithium from brines, is to designate helium as a mineral resource and qualify it for the critical mineral exploration tax credit. These actions will catalyze the private investment that the helium sector needs to return to growth, and from there establish the conditions required to advance the construction of Canada's first helium liquefaction facility—a key element of a secure domestic helium supply chain.

In closing, the current global helium supply crisis has exposed the vulnerability of Canada's domestic helium supply chain, underscoring the need for government to move decisively and expedite the straightforward tax measures that will enable our helium sector to attract the private investment so desperately needed. As energy and natural resources minister Tim Hodgson recently put it, “Ultimately, access to your own critical minerals...is sovereignty”. I hope helium proves that to be the case in 2026.

• (1620)

Thank you.

**The Chair:** Thank you very much, Mr. Dunn.

We will begin this round of questioning with Mr. Bonk from the Conservatives.

You have six minutes.

**Steven Bonk (Souris—Moose Mountain, CPC):** Thank you.

My questions will be directed toward the Cattle Feeders' Association.

Ms. Tranberg, we know that the North American cattle herd is probably the lowest it's been since the fifties. Those are the numbers we're hearing. As Mr. Vander Heyden said, it's a completely integrated market between Canada and the U.S. One of the concerns we have as cattle producers in Canada is the upcoming talks with Mercosur on the free trade deal. Can you give us a perspective on how damaging and devastating that would be to the Canadian cattle industry?

• (1625)

**Janice Tranberg:** Sure. I'll start, and then I'll pass it over to Curtis.

One statistic that I talk about is that in this one area of Alberta around Picture Butte, an area with about a 50-kilometre radius,

25% of Canada's cattle reside. Should we be hit with a disease, that would completely wipe out and decimate our entire industry.

In Brazil and other South American countries, the CFIA has not done an inspection in over a decade. We are very concerned. What are their controls around the health and safety of animals? We know they recently had a BSE case. That's a very significant concern for us should these animals and this beef be allowed into Canada.

That's one part of our concern. The other part is really around pricing. They can very much undercut Canadian cattle producers. If we want to build the herd, we need prices that support that.

Curtis, I'll turn that part over to you.

**Curtis Vander Heyden:** That's perfect, Janice. You hit the nail on the head there perfectly.

This Mercosur deal gives a completely wrong market signal to everybody currently in the industry—to my generation and the new generations coming up. For reference, I'm only 40 years old. I've been in this business my whole life. I started actively working at 15 years old. For every decision I make today, it takes between one and two years to get any fruits from that labour.

There are risks along the road, with everything from labour shortages, which we spoke of, to diseases, which Janice mentioned. If we're going to start bringing low-priced beef into the country, what is giving me a market signal that I should risk more assets and capital to produce a very low-margin product with very high risk on a trade agreement that could very negatively affect my business going forward?

What does long-term food security mean? If we're not producing beef and we're not putting the dollars back in the pockets of the ranchers and finishers through the whole value chain because we're competing against a very low-cost product, Canada will no longer be a producer of world-class beef. That's not something that will come back overnight.

**Steven Bonk:** I have a couple of points on that. We know that in Canada, if there's a case of BSE, for example, it's reported within days. We've heard reports of BSE in Brazil taking over a year to be reported. That means potentially infected meat in the food chain. We have no control over what happens there.

Another thing we heard a lot about in January, when it blew up, was the traceability requirements that were being foisted upon Canadian cattle producers by the CFIA, or the CCIA. There was a huge push-back on that. We're concerned, as cattle producers in Canada. If we have to abide by all these stringent regulations, why would we have a free trade agreement with countries that don't have to follow any of these regulations?

Maybe you could just speak a bit further on that.

**Janice Tranberg:** Once again, I can start and then pass it over.

As cattle feeders, we have been following the rules around traceability. Every animal that comes onto our farm gets run through a chute. There is more data on each individual cow than there is in human health. We can tell you exactly what it has been given and what the cut-off periods are. The traceability is precise on the cattle feeding side. We're very much in support of having traceability rules.

To your point, yes, the fear is that we're going to allow beef to come in that doesn't have the same set of rules we have.

I don't know, Curtis. You probably—

• (1630)

**Steven Bonk:** I'll just jump in there, because we don't have too much time left.

In the beef industry, we have \$6 billion in trade back and forth with the United States. I know they have expressed concern that if the Mercosur deal were to happen, it would be a back door for cheap beef to go from that region into the U.S. They're very concerned about that.

What is the position of the Cattle Feeders' Association?

**Janice Tranberg:** We've been told by the industry that they're monitoring more beef coming in through Brazil. There is a concern about CUSMA, the Canada-U.S.-Mexico trade deal, that should more beef start coming in through Canada and they see it coming into the U.S., that would definitely cause a red flag. That's also a big concern for us.

**Steven Bonk:** I think I have time for one more quick question.

Mr. Vander Heyden, you mentioned increasing the cap to \$15 million. If we do some quick math, with \$3,500 a calf going into your feedlot and you having a 40,000-head capacity, \$15 million is not exorbitant by any means. Could you speak a bit further to that?

**The Chair:** Do it in five seconds or less.

**Curtis Vander Heyden:** Fifteen million dollars is about half of what today's inflation costs would cover.

**The Chair:** Thank you very much, Mr. Bonk.

We are going to continue now with Dr. Martin for six minutes.

**Danielle Martin (University—Rosedale, Lib.):** Thanks very much.

[Translation]

Thank you, witnesses, for joining us.

[English]

My questions are primarily for Mr. Mueller and are related to research and innovation.

I know that in your prior pre-budget submissions, there was a big emphasis on what we call SR and ED—where I come from—and support for research and innovation in science. I'm curious to know if you could give us a bit of an update on the status of support for research and innovation in aerospace in Canada and what more you think needs to be done there.

**Mike Mueller:** Thank you very much for the question.

As I said in my opening remarks, innovation is absolutely critical to the aerospace sector. What we're developing now will be coming to market with a very long lead time, and innovation is absolutely critical. I'm very proud of the industry—it's the number one innovative industry in manufacturing in the country—just because that drives it.

You're absolutely right. The support from government through programs like SR and ED absolutely supports the industry. We're very appreciative of the government's maintaining of that program.

We're very encouraged by the defence industrial strategy. We have BOREALIS, which is now in place and is bringing together all these different programs, such as the strategic innovation fund, SIF. We saw a pretty major announcement under the defence industrial strategy for the NRC, with, I believe, approximately \$900 million for drone technology. These are all very important pieces.

The one recommendation I have is that through some of the programs, such as SIF, we need to simplify the processes and make them more timely for industry. It's the age-old question of how to have government work at the speed of industry. It's very tough to do, but we need to take a look at some of these pieces, much like the procurement processes we have right now.

**Danielle Martin:** Building on the notion of the defence industrial strategy, I'll note that as a health care person in my former life, I'm interested in the dual-use application of many of the innovations that sit under the umbrella of the defence industrial strategy, particularly as they relate to the sustainability of Canada's health systems and access to essential medicines, vaccines and other critical supply chains and infrastructure to support the health of Canadians.

What are the big areas of dual-use that you see in the aerospace field, not necessarily for health, but for domestic well-being, if you will?

**Mike Mueller:** I have an example specific to health, which I think very much illustrates this concept of dual-use and the ability, in the case of health care, non-health care and traditional health care companies.... During COVID, we had aerospace companies pivot to designing, manufacturing, building and supplying ventilators within a span of a number of months. Government was very clear in defining the capability required, the timelines and the funding and identifying it as a bit of a sovereign capability. It's a perfect use case, in my mind, for the defence industrial strategy. You can have non-traditional companies pivoting into dual-use where required.

Some of the huge opportunities we see are in firefighting, with a great announcement from the government about procuring 10 different aerial firefighting capacities over the next while, again falling under the defence industrial strategy. If you take a look at the new drone technology, there are quite obvious military purposes for that. In a country so large and with such a large Arctic, there is a huge ability, and the technology can be used. I think of the tie-in to helium, where we have folks taking a look at some of the different airlift capacity that would be beneficial particularly in the north.

• (1635)

**Danielle Martin:** I certainly would agree with that. The more we can emphasize the dual-use principle, particularly when publicly funded research and innovation are taking place, the better for Canadians.

I have a quick question for Mr. Dunn, because I'm short on time.

You named several provinces that have supported, broadly speaking, the notion of inclusion of helium as a critical mineral for the purposes of tax incentives. Does that mean there are provinces that are against it, or simply that those other provinces have been silent on it? For my edification, I'm just trying to understand what the case is against the proposal that you've put forward.

**Richard Dunn:** Well, I don't believe there would be any case against what we've proposed. As I said, it makes so much sense for the security of supply in Canada. The provinces that I mentioned—Manitoba, Saskatchewan and Alberta—are the provinces in which helium will be actively explored for if we get the tax measures right.

Interestingly, Premier Eby, from British Columbia, about a month ago called for the government to have a first ministers' discussion on the Strait of Hormuz. He actively referenced the concerns with the restrictions on the global supply of helium.

It definitely goes beyond just the producing provinces, and I'm not aware of any province with any concerns about what we've proposed.

**The Chair:** Great. Thank you.

[Translation]

We'll now continue with Mr. Garon for six minutes.

**Jean-Denis Garon (Mirabel, BQ):** Thank you, Madam Chair.

Greetings and welcome to all the witnesses who joined us today.

I'll start with you, Mr. Mueller.

You know I'm the member for Mirabel and the Bloc Québécois aerospace critic. You also know how important this industry is to Quebec, Montreal and my riding in particular. For several years now, the Bloc Québécois, together with the industry, has been pressing the government to adopt an aerospace industrial strategy.

Yesterday, the Minister of Industry appeared before the Standing Committee on Industry and Technology. Here is the question my colleague from Joliette asked her, word for word: "Canada is the only country with such a large aerospace industry that still doesn't have an industrial strategy. Are you planning to adopt one?"

Basically, the minister responded she could table the document, if need be, that no one in the industry was asking for such a policy, and that they were instead asking for a defence procurement strategy.

Has the industry been asking for an aerospace industrial policy for a number of years, or did I dream that?

**Mike Mueller:** Thank you for the question.

[English]

I want to thank you for your strong support for the aerospace sector, coming from Mirabel, a great hub of aerospace not only in Quebec, but also right across the country.

We've been very clear on the need for an aerospace strategy. We're very encouraged by and support the government fully on the defence industrial strategy, which covers aerospace. It was identified as one of the key sovereign capabilities, which is absolutely critical, but we have been very clear on the need for the corresponding civil aerospace strategy piece. Quebec has an aerospace strategy, which is great. We have other provinces taking a look at how to drive this sector forward. It's been a long-standing ask of ours to have an aerospace strategy, defence being a large portion of that.

[Translation]

**Jean-Denis Garon:** You're saying that for many years, the industry's been asking for an aerospace industrial strategy. What do you think the parameters of such a strategy should be?

For the benefit of my colleagues across, and even for the Minister of Industry who might read the meeting transcript, can you explain the difference between a defence procurement strategy and a real aerospace industrial strategy? How do they differ?

• (1640)

[English]

**Mike Mueller:** It's going back to the other question on the dual-use nature. That's a great example of it. Defence obviously drives so much of this, and that's such a lever for the government to pull. Again, it's very complementary.

It's also about the government including the workforce into the defence industrial strategy, but you have to link that together with the civil side. Aerospace in particular, as I said in my opening remarks, is two sides of the same coin. You have defence capabilities that bleed into civil applications, and vice versa. It's also a huge opportunity to put an extra emphasis, if you will, on the civil side.

It's about certification, environmental regulations and workforce development working in tandem with a very good defence industrial strategy. That's what we're looking for.

[Translation]

**Jean-Denis Garon:** If I understand correctly, the fact that the aerospace industry is a very long-cycle industry, meaning it takes a long time to do research and development and to design new aircraft, would be recognized. In a military context like the one we're in, when it's time for procurement, we realize that not having had a strategy for a couple of decades is hurting our procurement capacity.

Did I understand that correctly?

[English]

**Mike Mueller:** You're absolutely right. They're corresponding. There are long lead times across the board. There are very good pieces with respect to the defence industrial strategy and how that knits together the innovation cycles, but the civil side also cannot be ignored. It's about certification, the environmental workforce and the innovation on the civil side.

The defence industrial strategy is a very good start. It's encouraging on the defence side, but drawing together some of the linkages on the civil side is still required.

[Translation]

**Jean-Denis Garon:** We agree. Let's be clear: We're happy there's defence procurement. We're pleased that orders have been placed and things are moving forward. However, we recognize this is the first in a long series of steps that need to be taken and have been asked for for a long time.

Some Liberal members have been caught saying a national aerospace industrial strategy would be unfair to other Canadian regions that want to develop this sector, such as Manitoba. They think it would be unfair to other provinces if such a strategy led to a stronger aerospace cluster in Montreal. Obviously, as a courtesy, I won't give any names.

Would it be wise to have such a strategy strengthen this cluster in the greater Montreal area?

[English]

**Mike Mueller:** Aerospace is right across the country. I was out in Calgary two weeks ago, and De Havilland, a great Canadian OEM, was starting up the De Havilland field.

While there is a very significant cluster in the Montreal area, it's right across the country. We'll actually be holding our board meetings with industry out in St. John's, Newfoundland, so we're absolutely coast to coast, and we feel a strategy would be of benefit right across the country.

I would also—

[Translation]

**Jean-Denis Garon:** What you're saying is that's an unjustified fear, correct?

**The Chair:** Thank you. Your time is up.

[English]

We will continue now with Mr. Viersen for five minutes.

**Arnold Viersen (Peace River—Westlock, CPC):** Thank you, Madam Chair.

I'm going to continue along a similar vein of questioning, Mr. Mueller.

It's been a frustration for me over the last 10 years that the government speaks a good game about supporting the aerospace industry but then limits some of the key inputs to the aerospace industry, one of them being pilots. I increasingly have to work with pilots to get their medical, which in many cases they need every six months. They are getting a medical exam, first of all, and then getting an approval of that medical exam from Transport Canada.

Do you have any recommendations for how that process could be improved?

**Mike Mueller:** Thank you for the question. It's a bit outside of our bailiwick, if you will. We're focused on the manufacturing side of things—

**Arnold Viersen:** If there are no pilots, nobody needs planes.

**Mike Mueller:** I was just getting to that. The broader ecosystem is incredibly important, obviously. If you don't have pilots to fly the planes, they're not flying. If airlines aren't doing well, we're not maintaining planes.

That broader ecosystem is incredibly important, but I couldn't speak to the specifics of the question you have.

• (1645)

**Arnold Viersen:** Could you confirm for me that a pilot shortage is an ongoing problem in the aerospace industry?

**Mike Mueller:** The pipeline of highly skilled workers across the board is absolutely a challenge.

I can speak more eloquently to aircraft maintenance engineers. We're doing quite a bit of work with the federal government and the provinces to build out the pipelines that are then responsive to the industry's needs. Quite a bit of work is going into that, because you're absolutely right. Over the next 10 years or so, we're going to need 50,000 new folks within the aviation industry. Some of the government's recent announcements around skills training that focus on that are a step in the right direction.

**Arnold Viersen:** Thank you.

Mr. Dunn, I was wondering what helium is used for. I've recently come across helium-3, which some folks are getting all excited about. Can you tell us a bit about what helium is used for and what this helium-3 that we're hearing about is?

**Richard Dunn:** The properties of helium are unique in that it is the lowest-condensing molecule. This is what we use to cool the magnets in MRIs and NMRs, or nuclear magnetic resonance machines. Of course, we've seen in the press in the last month or two that for the researchers who use NMRs for their research on cancer, etc., it's starting to be apportioned, and they can't complete that work.

It's an inert, pure gas. Because it condenses at the lowest temperature, it's the most pure molecule, at 99.999% purity. This purity is absolutely critical to the environment for making semiconductors. This is one of the large growth areas in the world with semiconductor manufacturing. With the United States reshoring its semiconductor manufacturing, one of the concerns is that it's starting to look inward more for its own supplies, and Canada's supply chain is at risk.

The majority of helium is the helium I was referring to. There is an isotope of a helium called helium-3—

**Arnold Viersen:** I think you've answered that question appropriately.

**Richard Dunn:** The short answer is that it's used for quantum computing.

**Arnold Viersen:** Mr. Epp, I'd like to share my time with you.

**Dave Epp (Chatham-Kent—Leamington, CPC):** Thank you.

Mr. Loomis, it's great to see you again. I want to congratulate your sector on getting the attention of the government to get some TRQs and some tariffs in place for steel imports from non-market economies. I hear you. I hear the concern that the levels aren't high enough.

I have a two-part question. First of all, what's your level of confidence that the CBSA is actually catching the majority, or hopefully all, of the imported steel that is coming from non-market economies that are subject to TRQ rates, be they 25% or, hopefully, 50%? I know the aluminum extrusion industry is still looking for the very same thing you got the first time around.

The second question is, can you explain to the committee about steel I-beams? We don't make any in Canada. How does that work when you have to export the I-beams back to the U.S.?

**Keanin Loomis:** I sure can. Thank you, MP Epp. It is good to see you again as well.

When it comes to CBSA—

**The Chair:** Answer very briefly please, Mr. Loomis. We are running out of time.

**Keanin Loomis:** Because the CBSA really didn't have to worry about this and we didn't have to evaluate the content, proportions and various products, and understand the derivative side of the industry, which is what most steel products are, it has been an education for everybody. We are working with them and coordinating with them. I think they are getting more knowledge—

**The Chair:** I'm sorry, but that concludes the time we have. Thank you, Mr. Loomis.

We're going to continue now with Mr. MacDonald for five minutes.

**Kent MacDonald (Cardigan, Lib.):** Thank you, Madam Chair, and thank you to the witnesses.

I'm going to ask a question of Ms. Tranberg, from the Alberta Cattle Feeders' Association, on the temporary foreign worker program.

In my previous life, I required temporary foreign workers because I'm in an agricultural field of year-round work that is not attractive to the youth of Canada today. We have to come to the realization that it isn't. There's an ongoing argument that they will do agricultural jobs, like milking a dairy cow or feeding a beef animal, but they'll choose not to do that, because there are a lot of opportunities for the youth of today, and we encourage them to pursue their best career paths. However, we still have to have agriculture, so your recommendation to have a direct agricultural stream would be a tremendous step forward, just to identify that we need the year-round presence. This isn't for the seasonal agricultural streams, but that's fine. They function. The people go back home and they return.

There is an Australian model I've looked at. I just want your viewpoint on it.

In Australia, an LMIA is for three to five years and is tied to a region, but it remains open. Workers who come have to stay in that region. If it's an agricultural region, like where your beef feeding is occurring in Alberta, then they could leave a particular operation, but they would have to stay in the region to complete their PR and get their PR status.

I would like to hear your thoughts on that. I think we need to incentivize the LMIA to get workers to come for agriculture, and then give them a direct path to PR.

• (1650)

**Janice Tranberg:** I was just at a conference, and they reminded me of a quote that I thought was really interesting. Primary agriculture actually employs more people than both the auto and the aerospace manufacturing industries combined.

Truly, getting people to work in rural locations in -30°C and 30°C...and it's hard work. You're right; Canadians just don't want those jobs.

When we bring these people in, they become part of the rural fabric. They grow schools. They bring their families. They become Canadians. We definitely need a process to bring them in and get them through.

I'm going to turn this over to Curtis, because he actually hires temporary foreign workers.

**Curtis Vander Heyden:** You're right. We currently have 15 foreign workers working for us right now. The furthest ones date back to about 16 years. They are actually Canadian citizens now.

These people come to Canada knowing what to expect. They come from an agriculture background. They have veterinary experience. It's very expensive to take a young person out of the city who wants the Yellowstone model, I call it. They think everything is a ranch, that everything is fun. When they get boots on the ground, that's not the case. There's quite a steep learning curve. A lot of resources are used to train these individuals, never mind getting them out to the rural locations to do the job safely.

Foreign workers are a very big asset in helping us safely produce the beef we have and are a long-term solution in our communities.

**Janice Tranberg:** I'll quickly add that an LMIA in Canada is two years. It's pretty hard to come here, get a new job, get settled and also try to get permanent residency in two years. A four-year LMIA would be fabulous.

**Kent MacDonald:** That was going to be my next question. I like your answer.

I'm going to move on to the aerospace industry. I represent a riding in Prince Edward Island, and I would be criticized if I didn't mention that there was a large investment in Summerside, P.E.I., just recently with MDS Coating, an innovative company that's providing a dual purpose for defence and other applications in the aerospace industry.

I support Mr. Garon's statement, but I want a Canada-wide strategy for aerospace. I think that's important. Can you speak to all the opportunities there for youth? We're doing a lot of apprenticeship training. Do we have to do specialized training for the aerospace industry as well?

**Mike Mueller:** Absolutely. In Slemon Park, P.E.I., there are world-class facilities, with lots of opportunities for youth.

Export is 80% of what we do. I want to make a comment in support of Minister Sidhu and the free trade agreements that he's pursuing, in particular Mercosur. They are absolutely critical for our industry and for the youth who are entering the industry, to tie it back to your question.

**The Chair:** Thank you, Mr. Mueller.

Thank you Mr. MacDonald.

[*Translation*]

To conclude this hour, I'll turn the floor over to Mr. Garon for two and a half minutes.

**Jean-Denis Garon:** Thank you, Madam Chair.

I just want to be clear: What I was pointing out is I don't think that interprovincial turf wars should prevent us from having a national strategy. We're moving in the same direction.

Mr. Mueller, I carefully read the document you submitted to the committee. In your brief, you say you'd like to see a review of Transport Canada's governance model for regulating aviation activities. That's my translation.

Do you have a model in mind? What should we draw inspiration from? What should the parameters be?

You have a minute and 50 seconds.

• (1655)

[*English*]

**Mike Mueller:** I won't give ideas on what that could possibly be because there are so many different models. The outcome is about more attention being paid to aircraft certification, and government providing more resourcing, as we talked about before.

The innovation is moving so quickly. How do you ensure you have the resources and skills for Transport Canada to keep pace with what is going on? If you take a look at the significant funding the government has put into the innovation side, we feel that needs to keep pace on the certification side. It's more the outcomes that we're looking for.

[*Translation*]

**Jean-Denis Garon:** Recently, for example, there was an episode where the White House deemed some aircraft weren't certified quickly enough here. I don't know whether the White House was right in principle, but not having enough resources to quickly certify aircraft can obviously harm our trade and exports.

More generally, can this also be an irritant in our trade relationship with the U.S.?

[English]

**Mike Mueller:** I don't want to talk about any one particular situation, because I'm probably not qualified to do that. The aerospace sector is a strategic sector for the country and a reputational sector for the country, and the ability to certify the new innovations coming forward is absolutely reputational. We're one of very few countries in the world that can do this. As I said, it's a crown jewel for the aerospace sector, and we need to keep doubling down on that, providing the resources and attention to that. It's absolutely critical.

As I mentioned before, 80% of what we do is exported. If it can't be certified here in the country, it can't be exported. This is an ecosystem altogether, and we need to be paying attention to every single part of that ecosystem, from the defence side to the civil side to the workforce to certification, and then getting in place free trade agreements and maintaining zero-for-zero trade with the U.S.

**The Chair:** Thank you, Mr. Mueller. That concludes our time.

[Translation]

Thank you, Mr. Garon.

[English]

Colleagues, this is a reminder to take your conversations outside as opposed to having them during the committee. We like to have a respectful environment and like to listen to our colleagues' questions and the witnesses' answers.

With that, I would like to thank the witnesses for joining us today.

We're going to take a brief suspension while we turn over for the next panel.

Thank you, everyone.

• (1655) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1700)

**The Chair:** Welcome back, colleagues. We're going to resume the meeting.

I would like to welcome our next round of witnesses. From CVW Sustainable Royalties Inc., we have Akshay Dubey, the chief executive officer. From New Economy Canada, we have Jason Clark, vice-president. From StormFisher Hydrogen, we have Brandon Moffatt, chief development officer. From The Transition Accelerator, we have Moe Kabbara, chief executive officer, who is joining us virtually.

I would like to remind participants of the following points.

Please wait until I recognize you by name before speaking. For those participating via video conference, click on the microphone icon to activate your mic, and please mute yourself when you are not speaking.

For those on Zoom, at the bottom of your screen, you can select the appropriate channel for interpretation: floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

I would like to remind witnesses that committee members may ask questions in English or in French. If you will need interpretation, please take a moment now to prepare your earpiece and select the listening channel you need in advance in order to take full advantage of the time allotted for questions and answers.

I remind everyone that all comments should be addressed through the chair.

We will now begin with Mr. Dubey.

You have five minutes for your opening remarks.

**Akshay Dubey (Chief Executive Officer, CVW Sustainable Royalties Inc):** Madam Chair and members of the committee, thank you for the invitation to appear today on the pre-budget consultations for the 2026 budget.

My name is Akshay Dubey. I'm the CEO of CVW Sustainable Royalties, a company that's at the forefront of sustainable finance and innovation. We began as a clean technology innovator, developing a commercially ready, made-in-Canada solution to one of the oil sands sector's most persistent challenges: treating and managing tailings. The good news is that these tailings represent a significant economic opportunity, as they are rich in resources, which can be extracted, while also accelerating environmental remediation.

Through our journey in advancing this technology, we have seen first-hand one of Canada's largest innovation challenges: Many promising Canadian technologies struggle to move from demonstration to large-scale commercial deployment due to both capital constraints and a lack of industrial adoption. In response, we have expanded our business model to include a royalty financing platform that supports emerging Canadian industrial and environmental technologies. Our objective is to help with funding between early-stage innovation and project financing for mature technologies. To date, this strategy has enabled us to finance Canadian technology companies engaged in waste asphalt shingle recycling and sustainable ice production.

Our own creating value from waste, or CVW, technology has been developed to reprocess oil sands tailings before they enter tailings ponds. In doing so, our technology can recover the hydrocarbons and valuable critical minerals that are currently being lost. Importantly, this one Canadian technology can simultaneously advance several national priorities: economic growth, job creation, emissions reduction, resource security and critical minerals development. This is not an early-stage concept. This is a commercially ready technology that has advanced through piloting, engineering and technical validation with the support of both levels of government.

If it were deployed across the industry, we could recover approximately 12 million barrels of lower-carbon oil annually, while also producing meaningful volumes of critical minerals from existing waste streams. Industry-wide deployment would recover 24% of global zircon production, 8% of global titanium production and 14% of rare earth production.

These minerals have already been extracted from the ground. They are just not being recovered today. Collectively, recovering these minerals and hydrocarbons would add \$48 billion to Canada's GDP and over 144,000 person-years of employment.

The environmental case is equally strong. By processing tailings before they enter ponds, our technology can reduce fluid tailings and water volumes and can help address long-term liabilities. CVW can also prevent methane emissions at the source by recovering solvent before it degrades in tailings, thus reducing methane emissions by 90% from the single largest area source of methane emissions in the country. Industry-wide deployment would reduce CO<sub>2</sub> equivalent emissions by three million tonnes annually, contributing one-third to the methane emissions reductions targeted in the Canada-Alberta methane equivalency agreement referenced in the MOU.

To unlock these benefits, we're proposing three key recommendations for the 2026 budget.

First, expand the CCUS ITC so that it better recognizes the full range of emissions abatement opportunities, including methane prevention. Canada's climate policy should not only incentivize the capture of emissions but also incentivize the actual technologies that prevent emissions in the first place. Technologies like CVW can deliver this outcome.

Second, broaden the clean technology manufacturing ITC to include mine waste and tailings reprocessing, as these are bona fide representations of clean technology and the circular economy, which we believe should be incentivized through this ITC. This change would also be more consistent with Canada's strategy, which includes resource recycling as part of the value chain.

Third, expand the list of eligible critical minerals under the clean technology manufacturing ITC to include titanium and zircon, which are strategically important for defence, nuclear energy, aerospace and advanced manufacturing. Notably, titanium is on Canada's critical minerals list, and zircon has been recognized on the critical minerals lists of many of our trading partners.

We are encouraged by the creation of the Canada strong fund, alongside institutions such as the Canada Infrastructure Bank, the Canada Growth Fund and the strategic innovation fund. However, a persistent challenge for many public financing programs is that they only support projects once they are already fully bankable, a stage when private capital is often readily available. In our view, Canada's greatest financing gap exists earlier in the commercialization cycle, when technologies need catalytic capital to move from demonstration to first-of-a-kind commercial deployment. This is when flexible capital is needed, and it's where these pools of capital should be focused.

• (1705)

In closing, the 2026 budget represents an opportunity to strengthen Canada's long-term economic competitiveness through targeted updates to Canada's incentive framework, which would allow the deployment of commercial technology, innovation and industrial capacity in Canada.

**The Chair:** Thank you very much, Mr. Dubey.

We're going to continue with Mr. Clark for five minutes, please.

**Jason Clark (Vice-President, New Economy Canada):** Good afternoon, Madam Chair.

[*Translation*]

Thank you to the members of the committee for inviting me.

[*English*]

My name is Jason Clark, and I'm the vice-president at New Economy Canada. We are an alliance of more than 70 businesses, labour organizations and indigenous partners. Together we represent over 485,000 workers across emerging and traditional sectors, such as manufacturing, electricity, mining, construction and clean technology, generating over \$200 billion in annual revenue.

Increasingly, Canada's economic agenda is pinned to projects that require a significant amount of affordable, reliable power. Put another way, our electricity system is central to the country's economic growth, industrial competitiveness and investment future. That's why Canada's national electricity strategy is so important. We need to double the grid and accelerate electrification while increasing the share of non-emitting sources of power as we track towards net zero by 2050.

Expanding and modernizing Canada's grid will require an enormous amount of capital, up to \$1 trillion by 2050 according to the strategy itself. A recent RBC analysis pegged electricity growth as a \$680-billion investment opportunity by 2035 alone.

The payoff is a Canadian economy that's more efficient, more productive, more energy-secure, lower in cost and ultimately cleaner. The strategy sets the right ambition with technology that exists today, improving at great speed, and costs are coming down.

To attract the scale of investment this opportunity requires, budget 2026 can focus on two priorities: extending the clean economy investment tax credits to 2040 and investing in new major transmission projects. Please allow me to elaborate.

First, budget 2026 should expand, extend and simplify the clean economy ITCs to 2040. Building a new energy regime will take dedicated long-term commitments from a diversity of investors. Stable and long-term tax credits give investors the certainty they need to deploy capital in Canadian electricity and manufacturing.

Extending the ITCs by five years to 2040 would create a longer window for development, supporting new projects alongside industry, training providers, contractors and asset owners by reducing the risk of rushed project timelines, workforce bottlenecks and missed opportunities for project development.

Expanding the criteria will help deliver on the economic potential of the tax credits themselves. Specifically, that means adding trusts, co-operatives and other community-owned entities into the clean electricity ITC. Further, refine the clean technology ITC to ensure the 2023 fall economic statement amendments include waste biomass heat generation and apply to integrated industrial process heat systems, including cement alternative lower-carbon fuel.

Second, budget 2026 should significantly invest in electricity transmission as a critical nation-building economic project. Silos of electricity are costing Canadians money and slowing economic growth.

The federal government has three critical roles to play: direction, financing and coordination. A low-cost immediate opportunity is developing a cost-benefit framework to identify the projects that will deliver the most benefits and the optimal financing to balance risk among provincial ratepayers and federal taxpayers. The government should invest in the transmission interconnect strategy using tools like the Canada strong fund or alternative mechanisms such as debt financing. Finally, the government can help establish clear roles for governments and utilities to support the provincial and territorial national energy corridor agreement.

Here's the opportunity: Canada already has one of the cleanest electricity systems in the world. That's a major economic advantage in a global economy increasingly shaped by energy security, industrial competitiveness and access to clean power. However, with the ballooning demand of electricity from industry and households, that advantage won't hold. We need to build faster, connect our grids and give investors certainty to invest here in Canada.

The electricity strategy gets the ambition right, but budget 2026 can go further by building the electricity system that growth will depend on.

Thank you, Madam Chair, for the opportunity, and I look forward to the committee's questions.

- (1710)

**The Chair:** Thank you, Mr. Clark.

We will now have Mr. Moffatt, please, from StormFisher Hydrogen.

**Brandon Moffatt (Chief Development Officer, StormFisher Hydrogen):** Madam Chair, vice-chairs and members of the committee, thank you for your time today.

My name is Brandon Moffatt. I'm the chief development officer and one of the founders of a company called StormFisher. We're based here in Ontario, but we have staff in Montreal, Calgary, Edmonton and Vancouver. We are focused on the production of low-carbon molecules, so not traditional wind and solar, but making gaseous fuels and liquid fuels for hard-to-abate sectors. This could be natural gas utilities, the maritime space or the aviation industry, both domestically and abroad. We've done this at home for the past 20 years and have been able to attract capital here in Canada and foreign direct investments across the nation.

Our flagship project is in Varennes. We acquired a project and are now focused on the production of about 75,000 tonnes of what's called e-methanol to supply the maritime sector and the large container ships you see coming into the ports, helping them to decarbonize and comply with European laws and their own voluntary interests in the space. To make that methanol, we source industrial CO<sub>2</sub>—so think about ethanol plants and landfill gas. We will purchase CO<sub>2</sub> from them to make these products that the market is asking for.

We're here today because there are a couple of tweaks or changes we'd like to see in the clean hydrogen ITC to not only unlock more investment across the country, but also allow for competitiveness. We completed an independent economic study. Philippe Gougeon worked with us, as did others in the space, to look at what the impacts of the growth of this industry in Canada could provide.

In our case, we could add \$1.1 billion of GDP over the next 10 years. You can look at that on a per capita basis. We are significantly above the average in Canada from the project in Varennes. We would create hundreds of jobs both at the facility and in construction and operation, direct and indirect, which we think is great. We'd add about \$145 million in federal tax revenues. The changes I'm going to talk to you about actually pay themselves back quite quickly, and they make us more competitive.

This isn't just a one-project situation. We think there are opportunities across Canada for the production of e-fuels. In Quebec, Manitoba and British Columbia, where you have clean grids, it makes the most sense to do that. We have the natural resources to do this, not just in Alberta with the oil sands, but also in the other areas. We can use our resources to help decarbonize both at home and abroad.

People always ask, "Who are you going to sell your molecules to?" The EU has policies in place, and they are trying to find these products globally. We are competing with China and India for the production and delivery of these products. The U.K. is looking for these products. We also see great opportunities to decarbonize the north, not just from a lower-carbon perspective, but from a head-to-head basis against diesel. We see great opportunities.

Our first recommendation is with regard to the clean hydrogen ITC. When it was originally conceived, we had the actual production of hydrogen. In that area, it was well understood that if you had a very clean grid, you could get the ITC. For the downstream conversion of hydrogen to other products, ammonia was the only one that was allowed a 15% ITC. We'd like to level the playing field and allow all derivatives—so the conversion of hydrogen to other products—to receive that 15% ITC. The economic study we did with Mr. Gougeon showed that this fits within the existing budget for the clean hydrogen ITC, so we think it would be a net positive to the country if we were able to make that change.

The other change we want to talk to you about is on the carbon intensity of the grids. Right now, the only province that can get the 40% ITC is P.E.I., so even though Quebec, Manitoba and British Columbia have some of the cleanest grids around the globe, they can't unlock the 40% ITC.

ECCC views our grid based on the embedded carbon in those assets, so they view the carbon intensity as 10 times that of the European Union. What we want to do is adopt a European-style policy where any grid that's greater than 90% renewable unlocks the 40% ITC. We think that would be beneficial not only to ourselves but also to other projects across Canada, because as we've looked to pull back the electricity that we were exporting to the U.S., this gives us an opportunity for economic development in Manitoba, British Columbia and anywhere where these grids are relatively clean and where we're looking for a large load. We can create good, very sticky jobs in these communities.

I'd like to thank you for the time today. I look forward to any questions you have.

• (1715)

**The Chair:** Great. Thank you very much, Mr. Moffatt.

I will now hear from Mr. Kabbara from The Transition Accelerator.

**Moe Kabbara (Chief Executive Officer, The Transition Accelerator):** Thank you, Madam Chair and members of the committee.

My name is Moe Kabbara. I'm the CEO of The Transition Accelerator. We are an independent organization that is focused on positioning Canada competitively within the energy transition. We work

with industry, provinces, utilities, the financial community and labour unions.

I want to start today by talking about the electricity strategy, the size of the challenges it presents and what can be done about it, specifically from the vantage point of the federal government and its jurisdiction.

For decades, Canada has invested about 0.7% of its GDP in the electricity system. For a decade, that was enough because demand was flat, but that era is over. To electrify how Canadians drive, how we heat buildings and how industry runs, we need to double that investment to about 1.7% of GDP. That is an incremental \$30 billion a year, every year, for the next couple of decades.

This is a nation-building project. The major generation and transmission distributions are going to take the better part of a decade to plan, permit and build. We're going to take the next couple of decades to deliver on the ambition of that strategy.

I'm going to talk about three things today.

First, I'll talk about proportionality. The federal government's flagship tool right now for clean electricity is the clean electricity investment tax credit. Jason just mentioned it. It's committed about \$25 billion through to 2034. As mentioned, the build-out of the grid is going to be over \$1 trillion over the next couple of decades. We've analyzed that, and it's about \$3 billion a year if we take the investment tax credit against the incremental need for \$30 billion. The question we should be asking is whether we have the right level of support, given the cost, the gap and the ambition.

We can go back to the idea that this is in provincial jurisdiction: What's the role of the federal government? The reality is that every dollar that goes into the grid is ultimately paid by one of two people or entities. We have the taxpayer and the ratepayer. Historically, it's been the ratepayer. Utilities borrow money, build and recover the costs through the monthly bills of the ratepayers. The idea of loading a near doubling of investment entirely onto the rates means that bills are going to go up at exactly the moment we're asking households and businesses to spend money to electrify and buy electrical equipment—buying an EV or a heat pump—because it's going to save them money. The rising bills don't just strain affordability; they can actually kill the very adoption and market transformation we're trying to get to with the electricity strategy.

The question, then, is what federal levers can be used. Ottawa should not and cannot fund the whole build. Most of the grid sits on provincial balance sheets, so what can be done? One thing is sending a durable signal by extending the clean electricity ITC beyond 2034 and expanding it beyond the current amount so that utilities are actually able to take this into their planning processes to be able to meet the ambition of the electricity strategy.

A second thing goes straight to the affordability question. The Prime Minister mentioned leveraging our AAA credit rating as an asset to help fund this strategy in the build-out. We can look at provincial utilities. Their debt is not equal. New Brunswick currently sits at about a 97% debt-to-equity ratio, and that results in a high cost of capital, which results in higher bills. Ultimately, whether it's loan guarantees, concessional financing or the restructuring of legacy utility debt, this is one lever that can be within federal jurisdiction, and it is a clean way to basically help shift the burden off of the rate bearers—Canadians—and help bring bills down for them.

Lastly, I'm going to talk about end-use electrification. Ultimately, we're trying to make sure we have the electricity, but we're also trying to electrify our economy. There are things like the iZEV consumer rebate. We've seen what happens when it runs out of money abruptly and is then paused. When we're thinking about other types of end-use electrification incentives, I really encourage a dynamic similar to what was announced last year on the iZEV, whereby we have a bit more of a scheduled ramp-down. The ZEVIP—the zero emission vehicle infrastructure program for infrastructure—runs out of money next year. There's no clear signal on whether that's going to be recapitalized.

It's really about trying to send clear signals on the end-use electrification side in terms of the role the federal government is going to play fiscally in order to support the long-term build-out of infrastructure, eco-electrification, heat pump adoption and industrial electrification.

● (1720)

Thank you.

**The Chair:** That's great. Thank you very much, Mr. Kabbara.

[*Translation*]

Mr. Généreux, you have the floor for six minutes.

**Bernard Généreux (Côte-du-Sud—Rivière-du-Loup—Kataskomiq—Témiscouata, CPC):** Thank you very much, Madam Chair.

Thank you, witnesses, for joining us.

Mr. Dubey, Mr. Clark, Mr. Moffatt and Mr. Kabbara, based on what you've just said, the government has good intentions, but it hasn't taken the necessary steps to quickly move forward and implement all these good intentions.

What's the most important element in each of your strategies or in government strategies?

[*English*]

What is the burden?

[*Translation*]

For each of you, what's the most frustrating element that can stand in the way of your overall ambitions?

Mr. Dubey, you can start.

[*English*]

**Akshay Dubey:** From our perspective, our technology would fit very much within the definition of what the government is looking to do. It provides access to critical minerals, it provides access to hydrocarbons and it reduces emissions. However, when you look at the major pieces of the investment tax credit policy that's been put forward, there isn't a single incentive that fits our technology, and that's because our technology fits between a few different verticals.

It's about taking, as you said, good intentions and a target for the federal government and implementing them in some processes and regulations that actually get the results we're looking for. Specifically for us, those would include something like the clean-tech manufacturing ITC due to the benefits we provide that are consistent with the goals of that policy.

● (1725)

[*Translation*]

**Bernard Généreux:** Mr. Clark, go ahead.

[English]

**Jason Clark:** What we've seen, for example, is the government investing in the CRA in the recent spring economic update, which is really important. We've seen challenges for project proponents seeking to utilize the ITCs, wherein there are significant requirements around project criteria and the accounting. We've seen some delays at the CRA that the government has moved to try to address. It's unclear at this moment the extent to which that will happen.

We think there's further opportunity to simplify the ITCs that will match the ambition the government has set for their uptake.

[Translation]

**Bernard Généreux:** Mr. Moffatt, what do you think?

**Brandon Moffatt:** Thank you very much for the question.

[English]

Originally, when the policy on the clean hydrogen ITC was developed, it was focused on a narrow set of parameters, and there was a worry the industry was going to explode and not fit within the budget. That has not been the case. What you're seeing is a request to reset the conversation, as the industry has come back down, to core projects.

We've engaged, both at the political level and with senior staff, to say the industry is adjusting. We're trying to move more quickly around those types of changes to allow projects to be unlocked and create the jobs I mentioned earlier.

The other thing is around ECCC and the carbon intensity of the grids. We're actually treating our grid 10 times worse than the Europeans treat their grid. What we're trying to do is unlock value here at home through the carbon intensity of our grids. The Quebec grid, as a whole, is 99.6% renewable. Why in the world would that be treated as a dirty grid, from our perspective?

We see the ITC and the treatment of the carbon intensity of the grids as being critically important.

[Translation]

**Bernard Généreux:** Thank you.

Mr. Kabbara, go ahead.

[English]

**Moe Kabbara:** I'm not here to talk about this, per se, but I would echo the comments on the hydrogen ITC, because it doesn't make any sense to try to.... I've worked a lot on that, and it doesn't really make any sense that we're treating Quebec's grid, which is not one of the best grids we know the world has...and not being awarded the full credit.

In terms of the focus now for us and what I think is needed, what is the fiscal dimension of the electricity strategy that was announced about 11 days ago? The scale here is hundreds of billions of dollars, which we're going to be spending over the next couple of decades. It's \$1 trillion plus.

The ITCs were a good tool. The expansion of the ITCs at the intraprovincial transmission.... Before that, the ITCs included transmission between provinces. Now the strategy has signalled that it's going to expand that to within a province, which we know is the

majority of the transmission that's going to get built. I think that was a positive.

We would have also liked to see ITCs at the distribution level. We know we're going to have transformers, poles and wires. All of these things and transmission are going to be at least half of that \$1 trillion, but we don't currently have a mechanism to support that.

It really comes back to what role the federal government should play in making sure that we're managing rates for Canadians. As I said, I'm not suggesting that this is wholly within the responsibility of the federal government. A lot of it is provincial. The strategy set a new level of ambition, and we still have only the investment tax credits based on the previous, future-looking approach we had.

[Translation]

**Bernard Généreux:** About 10 years ago, the Trudeau government had an ambition, which was to plant trees. In the end, those trees were never planted. What's worse, the current government decided to throw them in the garbage.

When you plan development strategies, such as the one we just announced for electricity, you also have to put in place the necessary conditions for them to be carried out. Honestly, I don't get the impression the conditions are there at the moment, because there's still too much regulation. Also, as you just said, in Canada, the current electrical energy—

**The Chair:** Thank you, Mr. Généreux. Your time's up.

[English]

**Bernard Généreux:** That's not fair.

[Translation]

**The Chair:** Mr. Lavoie, you have the floor for six minutes.

**Steve Lavoie (Beauport—Limoilou, Lib.):** Thank you, Madam Chair.

Thank you, witnesses, for joining us. I took the time to read a bit about what you do and I listened to your opening remarks. It's very interesting.

My first question is for you, Mr. Clark and Mr. Kabbara. It came to me while listening to you earlier. I'll draw a link and ask for your opinion.

Three years ago, when I chaired the *Chambre de commerce et d'industrie de Québec*, there was a lot of talk about investment and the environment, and people were mixing them up and pitting one against the other. We decided at the time to conduct a survey using the credible Leger firm. The margin of error was less than 4%, so it was a very credible survey. I'd like to take advantage of your appearance here to get your opinion on the survey question, which was: In the context of economic development, what should be prioritized in decision-making: the environment, the economy, or both equally?

Some were surprised by the results: 66% said both should have equal weight in decision-making, only 17% said the environment should be a priority, and only 17% said the economy should be a priority. This survey was conducted in a city. Three years later, I still wonder whether it's realistic and achievable across the country. Do you think so?

Either one of you can go first.

• (1730)

[English]

**Jason Clark:** That's one of the most exciting things about the national electricity strategy, with the potential and the level of ambition put forward within it. It's the idea that not only do we have the potential to double our grid, but we are putting some of the cleanest electricity in the world at the centre of our economic growth and potential. Electrifying across the economy has all of the benefits I talked about. It's fundamentally a growth strategy and a competitiveness strategy, and it has the benefit of being cleaner.

However, the opportunity is really about economic growth and the future of the country. There's huge potential. The government signalled, obviously, that we likely have some time in which to consult. The provinces and territories are fundamentally critical, but we have a moment here. We have that opportunity.

I would posit that the potential for efficiency and the productivity growth we've all been searching for across the country could be embodied within what we see in the national electricity strategy.

I'll pass it to Moe.

**Moe Kabbara:** I'll start by saying that in 1988, James Hansen presented to the U.S. Senate that the world was warming. That was almost 40 years ago.

Photovoltaic solar was invented in the fifties and was deployed in satellites in outer space and in little hand calculators. The drive to reduce emissions and to deal with climate change gave rise to R and D in the commercialization of these technologies, but very quickly we've seen what happens when you have learning curves and you deploy manufacturing at scale and those costs drop down. We have costs that are 95% cheaper on batteries and solar.

I would say the climate was really the initial catalyst. The economics made it a better option in a lot of cases, and now the geopolitics are making it strategic. Those are the geopolitics we're seeing with the oil shock and how that's driving things. Look up what's going on in Korea. The other thing is what's happening with China dominating that industry.

When we talk about the competitiveness imperative for Canada, that's what we mean. Right now, I don't think, as you were saying, there really is a choice between the environment and economic development. I would agree with the 50% of people who voted that those things should go hand in hand, but because of the drivers and the idea that technologies have been developed that are superior from a cost-performance perspective and can secure sovereignty for countries in terms of energy security and not having to rely on inputs....

What I would say there is that I totally agree that this is an imperative for us and that electrification is currently driven by economics and sovereignty, which is why it's important for Canada to position itself. We don't want to spend \$1 trillion importing stuff from the rest of the world.

That's why I was really encouraged to see in the electricity strategy an emphasis on supply chain development so that we are making components here at home. We have companies like Hammond Power in Guelph, which increased their transformer exports by 200% and some over the last two to three years, because that's what the world needs to power things like data centres, electric vehicles and industrial electrification.

I would say that not only is it okay or possible to do both; I think we have to.

• (1735)

[Translation]

**Steve Lavoie:** I see my time's running out. I have about 15 seconds left. Thank you for that.

Thank you, Mr. Clark.

It reassures me that economic development and the environment are not being pitted against each other and that we can consider both of them.

Thank you very much.

**The Chair:** Thank you, Mr. Lavoie.

Mr. Garon, you have the floor for six minutes.

**Jean-Denis Garon:** Thank you, Madam Chair.

Once again, I thank all the witnesses for joining us, as well as for the briefs they've submitted or are about to submit. They're always an interesting read.

Mr. Kabbara, I'll start with you, since you're interested in the transition, but also in the technological and industrial means to get there.

Do you think Canada is currently on track to meet its interim net-zero target?

[English]

**Moe Kabbara:** I think the interpreter said “2026”, so on that I would say definitely not, but I'm assuming your question is for 2050—

[Translation]

**Jean-Denis Garon:** You're spoiling the element of surprise. I have more questions. You're getting ahead of me and I don't like it. I'm kidding.

Are we going to meet the Paris Agreement target by 2030?

[English]

**Moe Kabbara:** I think this is a challenge that the world is facing. Net zero and emissions reductions were never easy.

We hold the view—and this is something you can look at—of what's called the pragmatic climate reset. The reality was that the world committed to the Paris Agreement, but there was no viable pathway to get to the 2030 target, which was a 45% reduction globally in emissions relative to 2005.

[Translation]

**Jean-Denis Garon:** Are we on track to meet our 2035 targets?

[English]

**Moe Kabbara:** Right now, we're not on track, and I would argue—and we've been arguing—that we were never on track and no other country is on track.

[Translation]

**Jean-Denis Garon:** Therefore, you agree with Mr. Guilbeault, who decided to leave us today.

Based on the current measures, are we on track to meet our 2050 targets?

[English]

**Moe Kabbara:** I don't think 2050 is off the table, but we'd have to basically think about this through a transformational change of the system, which would include things like the ambitions of our electricity strategy. I would say that our electricity strategy is probably the strongest anchor we've had to realistically reach that level of ambition when it comes to dealing with emissions at that scale.

[Translation]

**Jean-Denis Garon:** You say it's not “off the table”. That means it may be technically possible, but right now, we haven't adopted the policies needed to even think about achieving those objectives. Did I understand correctly?

[English]

**Moe Kabbara:** I mean, we believe policies are one aspect. We follow the principle of three pillars: policies that include regulation standards, policies that fall under pricing mechanisms and then the third pillar, which is innovation and investments. Currently, I don't think we have all three in place so that we can confidently say that we're going to hit net zero, but it's also about what we're trying to do to position Canada to follow a path to net zero.

With the ambition of the electricity strategy that was enunciated, I have way more confidence right now than before the electricity strategy that we are definitely on the right track.

[Translation]

**Jean-Denis Garon:** I understand you're more confident now than you were before. That's good.

I'd like to come back to yesterday's Standing Committee on Finance meeting on pre-budget consultations. We had Ms. Helen Tooze from the Canadian Climate Law Initiative. In her brief, she wrote the federal government's climate commitments fluctuate.

How can we achieve objectives that are constantly changing based on current events, geopolitical international tensions, the colour of the government or even the Prime Minister's colour?

How can we achieve objectives that change like the weather?

[English]

**Moe Kabbara:** This is why I think focusing and anchoring the progress of our pathway to net zero on something like electrification, which is now, as I mentioned, all about economics and sovereignty, will definitely be more durable across political stripes.

● (1740)

[Translation]

**Jean-Denis Garon:** Mr. Kabbara, your organization emphasizes the need for an integrated, economically viable, socially acceptable and credible approach with a clear and predictable plan, as well as strong coordination among stakeholders. I don't think that's consistent with fluctuating climate goals, but I want to go further with you on that.

I'd like to know whether the federal government's current path is consistent with this approach, particularly when it comes to its intention to build new pipelines with Alberta, further develop the oil sands and increase oil production and export.

Is this part of an economically viable, socially acceptable and credible approach that will enable us to achieve our 2050 objectives?

[English]

**Moe Kabbara:** I think global oil demand is uncertain. As I mentioned, it is evolving very quickly. We're seeing what's happening in Asia. We're seeing what's happening in some of the developing countries. When I look at Ethiopia and see that six out of 10 vehicles sold there are EVs—

[Translation]

**Jean-Denis Garon:** I have 30 seconds left, so I'll clarify my question.

Do you think increasing oil sands production is part of the transition?

[English]

**Moe Kabbara:** I believe electrification will be the main pathway that will transition our economy towards net zero.

[Translation]

**Jean-Denis Garon:** Thank you, Mr. Kabbara.

**The Chair:** Thank you, Mr. Garon.

[English]

We will continue now with Mr. McLean for five minutes.

**Greg McLean (Calgary Centre, CPC):** Thank you, Madam Chair.

Welcome, witnesses.

My first question is for you, Mr. Dubey. Welcome. It's nice to see you.

You have a technology that will reprocess waste and bring us more revenue from waste oil, which we can collect revenue from. Thank you very much for looking for the low-hanging fruit that makes a lot of sense in the Canadian economy. You're going to get titanium, zircon and rare earth elements, all of which are in strong demand in the country right now. You're also potentially going to get some methane reductions across the economy.

It sounds like a win-win-win with regard to the environment, meeting the market and getting some economic returns. Can you tell me what's holding back investors in this scenario?

**Akshay Dubey:** There are probably two big challenges, which I highlighted in my initial statement. One is the adoption by industry. The Canadian oil sands industry over the past decade has been not as forthcoming when it comes to innovation and deploying new technology. Part of it is that they've gone into an environment where the regulation has evolved. They've been thinking about where to spend investment dollars. I'd say there is an industrial side of things.

On the incentives, I believe, again, there have been some changes in regulation, including with the carbon tax regime. That has evolved over the last couple of weeks. We've had a new announcement with Alberta. That's now provided a bit more direction in terms of where things are going, the stability of the investment environment, first and foremost, will be important for the oil sands to implement these technologies.

**Greg McLean:** You mentioned getting some potential money because of the announcement of the Canada strong fund. Is it your opinion that the Canada strong fund will give you below-market capital?

**Akshay Dubey:** We don't have a strong opinion yet. The fund has just been announced. We have looked at some of the other funding agencies that are already out there, like the strategic innovation fund and the Canada Growth Fund. I'd say the challenge we've faced when speaking to these government financing agencies has generally been that they need a fully financeable project right at the finish line before they'll get involved.

**Greg McLean:** The end result is that unless something provides a bit of a subsidy in the financing mechanism—which isn't being met by the market right now—that's where it's going to land for you, but the funds that are looking for market returns already exist. Is that correct?

**Akshay Dubey:** I believe so.

**Greg McLean:** Thank you.

I'll move my questions now to Mr. Kabbara.

Mr. Kabbara, you talk about how we're on the right path with the electricity strategy. I noted that. However, I'm a realistic skeptic, and you won't mind my saying that, because quite frankly, you've been at it since 2019, and I haven't seen results around the world.

It seems like we're increasing emissions with the strategy. We're less sustainable as far as our electricity system goes. We're importing electricity now. We're unreliable, so we don't have electricity at key points, including points when it's too cold or too hot and we actually need electricity.

At what point in time are you going to indicate that maybe Canadians have to spend a lot more money on electricity? You talked about ratepayers versus taxpayers. With the two combined, it's going to cost a lot more, and that will more or less drive us out of being in a competitive position in the world as far as our electricity provision goes.

• (1745)

**Moe Kabbara:** I don't think I understand the question. I guess if you're saying that we have not necessarily—

**Greg McLean:** Let me restate it, then. Your policies are going to make electricity more expensive and less reliable. How is that good for Canada?

**Moe Kabbara:** Excuse me, but what policies are you referring to?

**Greg McLean:** I mean your policies about greening everything and the transition economy. I noticed how much you've been gifted by the federal government to get us through this policy equation. So far, you've led us down a black hole, if you don't mind my calling it that, because electricity is more expensive for Canadians. There are a whole bunch of electricity costs being buried in taxpayer subsidies, and effectively, we are unreliable now. We have to import electricity because of the policies we've pursued over the last 10 years.

Can you comment on that at all? How do you not think this is an absolute failure as far as a policy for a country goes?

**Moe Kabbara:** What I'm referring to here is the most recent policy, which also indicated, for example, the revisiting of the clean electricity regulations, which we have been supportive of revisiting because we believe in conserving affordability and reliability. We have worked with folks from the Alberta Electric System Operator and Nova Scotia Power, acknowledging that baseload power and basically managing the grid require more flexibility, instead of just trying to get to a perfectly clean grid. What I actually wrote—

**The Chair:** Thank you, Mr. Kabbara. We'll have to end it there.

We'll continue now with Mr. Leitão for five minutes.

**Carlos Leitão (Marc-Aurèle-Fortin, Lib.):** Thank you, Madam Chair.

Gentlemen, thank you very much for being here. I only have five minutes.

One common element in your presentations is the need for the government to review, improve and simplify the ITCs, the clean energy investment tax credits. I think the message is loud and clear, and that's the purpose of pre-budget consultations. That message will definitely be passed along, and I will certainly be doing that follow-up.

I have a couple of things to say—and again, thank you all of you for your presentations. We don't have much time, but Mr. Kabbara, you seem to be the person on the spot, so I'd like to pursue this with you because what you presented is actually quite interesting. You talked very briefly about the pragmatic climate reset. Could you perhaps expand a bit on that? I ask because I don't think you had much time to talk to us about it.

**Moe Kabbara:** It's the reality that when the world adopted the targets.... Actually, this is why I was a bit confused when I was asked earlier about the green agenda. We're trying to push for a pragmatic agenda focused on economics, instead of trying to chase, for example, short-term emission reductions that can actually hurt our competitiveness. The pragmatic climate reset is about truly acknowledging that when the world said it was going to reduce emissions by 45% by 2030, it meant we had to accept that we were going to erase trillions of dollars in assets globally, and there was just no path for that.

Now the world is waking up to that reality. We can sign agreements. We can sign deals. I think there's actually an opportunity for Canada to be a global leader in this space—to acknowledge the challenge of net zero, carbon management and removing or reducing emissions.

It's not easy. It's not easy at all. I don't think we can just paint it as a rosy picture and pretend there aren't economic challenges that affect things like reliability and flexibility. This is why we really need to chart a path that focuses on conserving those things.

I presented why I think doubling the grid.... Right now, it's 82% clean. If we can get it to be 90% clean and it's double, I think most people would say that's a great thing. However, that would not have been permissible under the existing clean electricity regulations. The clean electricity regulations were designed for a 1.5x grid. We're talking about a 2x grid. Not only should the government revisit those regulations, as it has enunciated in its electricity strategy,

but it has a duty to, given that the burden of proof for the cost to society has not been properly assessed, and given the level of ambition that was articulated in the strategy.

The pragmatic climate reset is really about trying to figure out what is going to intersect with our other priorities related to the economy and affordability, as well as, increasingly, the geopolitical priorities we have as a country.

• (1750)

**Carlos Leitão:** The geopolitical strategy is usually important.

You raised a very interesting question—and we have a bit of time left—that I think is crucial to all of this. If ratepayers have to pay a very high rate, that defeats the purpose.

You talked about restructuring legacy utility debt. You see a role for the federal government in this process. Perhaps you could expand on that a bit.

**Moe Kabbara:** I don't really have anything prescriptive, but this is something we need to be considering because there is a lot of debt sitting on the utility books, with higher interest rates than what we would get at the federal level. Canadians are the ones paying for that through their rates.

We need to think about how we potentially restructure some of these utility debts through some sort of federal program, to basically unlock balance sheets and allow companies and the utilities to borrow to build the big grid that can be reliable and affordable for Canadians.

**Carlos Leitão:** I have one last thing. It's not a fair question with the few seconds I have left.

What's your view on data centres? There's a great race to build data centres. AI is growing very fast. Data centres consume huge amounts of energy and electricity. How do we square this circle?

**The Chair:** Answer in 10 seconds or less, please.

**Moe Kabbara:** I don't think we can avoid them. I think we need to plan for them and basically figure out how we're going to accommodate them through our other priorities.

**The Chair:** That's excellent. Thank you very much.

[Translation]

To conclude this hour, I'll turn the floor over to Mr. Garon for two and a half minutes.

**Jean-Denis Garon:** Thank you, Madam Chair.

Mr. Moffatt, naïvely, I'll admit I'm not very knowledgeable about hydrogen and its manufacturing processes, among other things, but I understand there's clean hydrogen, which can be used for the transition, and dirty hydrogen, which is made from oil sands hydrocarbons, in particular.

Can you explain the difference between the two? What makes hydrogen clean or dirty?

[English]

**Brandon Moffatt:** Today, grey hydrogen is produced by cracking natural gas, and then you have hydrogen and CO2. It's used in refineries.

Clean hydrogen—what we're focused on—is about taking renewable power off the grid and splitting water to make hydrogen and oxygen. Both need to be either utilized on the spot or converted into something else to be able to move that molecule to the market.

In the case of the province of Quebec, you have a natural resource, which is the power grid. To the conversation earlier, we can actually come off-line when the grid needs our power. The rest of the time, we are a consumer and are part of the consuming base of that power, making clean hydrogen and utilizing the natural resources of the province to make clean hydrogen.

[Translation]

**Jean-Denis Garon:** In your brief's conclusion, you say the changes you're asking for regarding the investment tax credit would cost \$94 million over 10 years, but that this would be offset by \$145 million in tax revenue for the federal government.

How did you get those numbers? Would the new way of calculating the investment tax credit increase tax revenues?

What ratio of those tax revenues would go to the Quebec Government, for example?

[English]

**Brandon Moffatt:** In the case of the tax credit, it's a construction credit in the investment. We put the infrastructure to work. We're actually paying tax during the construction phase and during the operation phase. This helps us to pull down the cost of capital and our cost to contract for the offtake of the product. What we're doing is using the credit now but paying it back over time.

From our calculations with an independent economist, it is very accretive to the overall economics. All this money is already in the budget right now. We're just trying to retool the policy to allow us to unlock more and more investment both in the province and in other parts of Canada.

[Translation]

**Jean-Denis Garon:** Thank you.

**The Chair:** Thank you, Mr. Garon.

[English]

On behalf of the committee, I would like to thank our witnesses.

We will briefly suspend while we turn over for our next panel.

• (1750)

(Pause)

• (1800)

**The Chair:** Good evening, everyone. We're going to get started on our final hour this evening.

Before I take a moment to welcome the witnesses, I want to let committee members know that next week we will be beginning the study on Bill C-30. The witness lists are due by 5 p.m. tomorrow, so please make sure you get those to the clerk. The clerks will send out an email reminder as well tomorrow for Bill C-30.

I would like to take a moment to welcome our witnesses.

We have, from the Canadian Craft Brewers Association, Brad Goddard, chair of the policy committee.

[Translation]

From the Conseil québécois du commerce du détail, we have Mr. Damien Silès, chief executive officer.

[English]

We have Mr. Tim Tierney, first vice-president, from the Federation of Canadian Municipalities.

[Translation]

From the Union des producteurs agricoles, we welcome Mr. Charles-Félix Ross, general manager, and Mr. David Tougas, coordinator, business economics.

[English]

Before we start, I will give you some background information and remind participants of the following points.

Please wait until I recognize you by name before speaking.

For those participating by video conference, click on the microphone icon to activate your mic, and please mute yourself when you are not speaking. For those on Zoom, at the bottom of your screen you can select the appropriate channel for interpretation: floor, English or French. For those in the room, you can use your earpiece and select the desired channel.

I would like to remind witnesses that committee members may ask questions in either English or French. If you will need interpretation, please take a moment now to prepare your earpiece and select the listening channel you need in advance in order to take full advantage of the time allotted for questions and answers.

That said, we will start with Mr. Brad Goddard from the Canadian Craft Brewers Association.

You will have five minutes.

**Brad Goddard (Chair, Policy Committee, Canadian Craft Brewers Association):** Thank you, Madam Chair, honourable members of the committee and Canadians watching at home.

I want to start with a simple truth that anyone who has ever stepped foot in a taproom already knows: Craft beer isn't just a beverage. It's a community engine. It's a small-town employer. It's a tourism magnet. Occasionally, it's the reason a group of strangers end up debating the merits of socks and sandals at 11 p.m. on a Tuesday night. However, behind that easygoing "pull up a stool" charm is a sector that works incredibly hard—and right now, harder than it should have to.

Across Canada, 1,200 independent craft breweries are facing a challenge that isn't about creativity, quality or consumer demand. It's about a tax framework that hasn't kept pace with the industry it's meant to support. The Excise Tax Act, the backbone of how beer is taxed in this country, still treats craft breweries as though it's 2006, back when flip phones were cool, Western Union was still sending telegrams and the idea of a 500,000-hectolitre independent craft brewery in Canada felt like science fiction. I should add here that a "hectolitre" is just a metric measurement of 100 litres, or two kegs of beer.

Today, the federal definition of "craft" tops out at 75,000 hectolitres. Provinces and the Canadian Craft Brewers Association recognize craft up to 500,000 hectolitres. This gap isn't just a rounding error. It's a steep climb.

Too many breweries hit the top before they hit their stride. To be fair, the federal government has taken meaningful steps. In April 2024 and again in April 2026, craft breweries received a significant excise reduction on their first 15,000 hectolitres of production. That was welcome news. We applauded it then as we applaud it now.

However, here's the catch: More than 60% of all the craft beer in Canada is brewed by breweries producing more than 15,000 hectolitres. These are the regional anchors—the ones hiring dozens of people, investing in equipment, building destination taprooms and drawing tourists into communities that don't always have a lot of tourists. Under that current framework, these breweries receive limited benefit. Their ability to grow is constrained not by ambition or demand but by a tax schedule that punishes success.

Let me put it into perspective. A craft brewery producing 25,000 hectolitres in the United States pays about \$200,000 in excise. In Canada it's \$445,000. That's more than double and more than half of a brewery's net profits. If you scale that up, at 100,000 hectolitres a U.S. craft brewery would pay \$850,000 and a Canadian craft brewery would pay \$2.8 million. As a brewery grows, so does the disparity and so does the disadvantage.

Meanwhile, craft breweries here at home are doing everything right. They invest locally. They hire locally. They buy Canadian ingredients. Their cost inputs are three times higher than those of large foreign-owned breweries, yet they still produce 17% of all the beer we enjoy as Canadians while generating 75% of the jobs.

We have 30,000 people working in our sector, 9,000 of them in tourism alone. This sector punches far above its weight. It contributes \$1.7 billion to Canada's GDP. It anchors rural communities. It keeps money circulating in Canada rather than flowing out of it. It does all this while navigating U.S. tariffs and global trade pressures that don't exactly make life easier.

What are we asking for? We're asking for something simple, something fair and something modern. We're asking that the Government of Canada adopt a progressive, growth-oriented excise rate schedule that allows breweries to grow to 500,000 hectolitres to help smooth out the climb towards the top excise rate. We're asking for the temporary relief on the first 15,000 hectolitres to be made permanent. We're also asking for a modernization of the rates between 15,000 and 500,000 hectolitres so that scaling breweries—the ones creating jobs, building communities and strengthening domestic manufacturing—can continue to do exactly that.

This isn't a handout; it's a hand-up. It has the potential to be revenue-neutral for the government. An economic impact study that we developed with MNP has shown that every dollar saved goes straight back into equipment, growth and the people of Canada. More importantly, it aligns federal policy with provincial definitions, industry realities and the economic priorities of a government that has said clearly that it wants a stronger, more resilient Canadian economy that works for everyone. Craft breweries are ready to help that economy. We just need a tax framework that helps us grow.

Thank you very much.

• (1805)

**The Chair:** Thank you very much, Mr. Goddard.

[*Translation*]

We'll now go to Mr. Silès from the Conseil québécois du commerce de détail.

You have the floor for five minutes.

**Damien Silès (Chief Executive Officer, Conseil québécois du commerce de détail):** Thank you, Madam Chair.

Members of the committee, thank you for inviting me.

My name is Damien Silès and I'm the chief executive officer of the Conseil québécois du commerce de détail, or CQCD.

The CQCD represents most Quebec retailers of all sizes and in all sectors. We're here today to draw your attention to a now-major issue for the future of Canadian retail: the rapid rise of ultra-fast fashion and foreign platforms, such as Temu and Shein, offering merchandise at very low prices.

Let me be very clear: The CQCD is not asking for protectionism. We're just asking for a level playing field. Canadian retailers are okay with competition. They innovate, invest and adapt, but they're asking that businesses that sell massively to Canadian consumers be subject to the same rules, obligations and standards, and that's not the case.

Ultra-fast fashion is no longer a marginal phenomenon. For a while, many thought Temu and Shein were just a fad, but our data shows the exact opposite. By April 2026, 30% of those contacted in Quebec said they'd purchased on Temu in the last six months, and 19% had purchased on Shein. Moreover, the frequency with which people make purchases on these platforms is sharply increasing. It's no longer occasional impulsive purchases; we're talking about recurring purchases, sometimes weekly.

There's a significant competitive inequity. Canadian retailers have to comply with an important set of obligations. They pay taxes, meet safety standards, enforce labelling requirements, bear environmental costs and manage returns, product recalls, regulatory compliance and traceability. The problem is when foreign platforms can access the Canadian market without the same level of constraints or controls. This creates a concerning situation where compliance becomes a competitive disadvantage.

Consumer safety is also at stake. Trade is based on a key element: trust. When a consumer buys a product in Canada, they must be able to assume it's safe, compliant, traceable and properly labelled. However, many investigations have raised concerns about certain products sold on foreign platforms, including potential presence of prohibited substances, non-compliant children's products, recall issues, poor traceability, and so on.

Again, the rules aren't the issue; it's their uneven application. No matter where a platform is, if they're selling to Canadians, they have to meet Canadian standards.

We're also facing a major environmental issue. Ultra-fast fashion is based on a simple model: high volume, very low price and quick renewal. As a result, there's more waste, more packaging, more deliveries and more unsustainable products that are naturally more difficult to recycle. The environmental costs of ultra-fast fashion are still largely passed on to people.

Now, allow me to explain why federal intervention is necessary. This issue goes beyond provincial boundaries, as it concerns international trade, customs, taxation, product safety, competition and consumer protection. In short, this is a federal responsibility.

We have three recommendations to make. First, ultra-fast fashion must be legally defined. There's no clear definition at the moment. Without a definition, it's difficult to target practices, carry out inspections, provide oversight and apply appropriate measures. We are therefore asking for a legal definition that clearly identifies this business model. We want a targeted definition, not a measure against the entire fashion industry.

Second, federal inspection and enforcement capabilities must be strengthened. Canada already has rules. The real issue is often the capacity to enforce them. We're asking for additional resources to increase inspections, strengthen customs control, improve coordina-

tion between agencies, further verify product compliance and clarify platforms' responsibilities.

Third, we recommend launching a national awareness campaign. Consumers are attracted to low prices, but many are still unaware of the real consequences of this model, particularly regarding product safety, product lifespan, the environment, privacy and local businesses. We're not proposing to limit consumer choice, but rather to better inform the consumer.

In conclusion, I'd like to leave you with a very simple message: Canadian retailers are not asking for special treatment; they're simply asking for fairness. You can count on the support of the CQCD.

• (1810)

Thank you very much for giving me the floor. I'll be happy to answer questions later.

• (1815)

**The Chair:** Thank you very much, Mr. Silès.

[English]

We will continue now with Mr. Tierney for five minutes.

**Tim Tierney (First Vice-President, Federation of Canadian Municipalities):** Thank you, Madam Chair and committee members.

First of all, I'm here representing the Federation of Canadian Municipalities. We represent 2,000 communities across the country from coast to coast to coast. FCM is the national voice for Canada's municipalities across the country. We also deliver the green municipal fund, in strategic partnership with the federal government, and numerous international development programs that help advance Canada's trade diversification and broader geopolitical objectives.

[Translation]

My name is Tim Tierney, and I represent the Beacon Hill-Cyrville ward.

[English]

I am a proud city councillor here in Ottawa and the incoming president of FCM.

Canada is at a defining moment, and municipalities are here to rise to the challenge. We are building and maintaining roads, water and sewer systems, transit, and community infrastructure, and we're enabling new housing and economic growth. We are also responding every day to the growing problems of the homelessness crisis that's unfolding within communities of every size from coast to coast.

We want our message here to be clear: The 2026 budget must strengthen the partnership between all orders of government, invest at pace and scale in the local infrastructure and help us power Canada. We must also work together to end the homelessness crisis.

Budget 2025 took an important step forward through the creation of the build communities strong fund. It recognizes what municipalities have long understood: that local infrastructure is the backbone of the Canadian economy and is essential to meeting national priorities. Municipalities are ready to build. Be it building housing, strengthening our trade corridors, improving productivity, supporting defence resiliency or enhancing climate resilience, success depends on local infrastructure. Municipalities own and maintain 60% of Canada's infrastructure, yet we receive 8% of the total tax revenues collected by Canada.

The winding down of the investing in Canada infrastructure program creates an urgent need to renew long-term investment. Specifically, FCM is calling for the federal government to scale up dedicated municipal infrastructure investments through the build communities strong fund and to work with the provinces and territories to maintain and expand the infrastructure previously delivered through the ICIP.

We specifically recommend the significant acceleration of the direct delivery and community streams of the BCSF, which will ensure that the partnerships from provinces and territories are dedicated to municipal allocations. Canadians know that the net of the infrastructure is offset by the existing available funding that is delivered to communities. This matters because the infrastructure delivers the results. Every dollar that's invested in municipalities generates \$1.8 billion of impact to the Canadian economy and supports 9,000 jobs.

Rural and northern Canada cannot be left behind. With more than \$108 billion in rural assets in poor or very poor condition, securing dedicated funding for rural and northern municipalities under the build communities strong fund is essential.

When it comes to homelessness, this conversation is not only about economic growth and job creation; it is about the quality of life and dignity of Canadians. Homelessness across Canada has increased by 20% in the last decade. In rural, northern, remote, suburban and urban communities alike, local governments are responding to the growing encampments, the rising shelter demands and the increased pressures on emergency community services.

Mayors and councillors are doing everything they can, but municipalities can't solve this on their own. Canada needs a renewal of the national housing strategy, with a much stronger focus on homelessness and homelessness prevention.

This national crisis requires an ongoing national response. Communities need stable and predictable funding. The Reaching Home program should have an additional \$3.5 billion in permanent annual funding indexed to inflation.

Stopping people from falling into homelessness is the first key to success, and it's why we're calling for a renewal of investment in non-market housing, supportive housing, portable housing benefits, and prevention-focused programs. To tackle homelessness, we must recognize that housing, health care, mental health, addictions, jus-

tice, and social services are all connected. Municipalities are ready to work with the federal government, the provinces, the territories, indigenous partners and community organizations to make sure all Canadians have a place to call home.

● (1820)

In conclusion, budget 2026 is an opportunity to match local ambition with national leadership by investing in local infrastructure through the build communities strong fund.

I look forward to any questions you have for us today.

**The Chair:** Thank you very much, Mr. Tierney.

[*Translation*]

We'll now continue with Mr. Ross, from the Union des producteurs agricoles.

**Charles-Félix Ross (General Manager, Union des producteurs agricoles):** Madam Chair, members of the committee, thank you for welcoming us as part of the pre-budget consultations.

The Union des producteurs agricoles, or UPA, which represents Quebec's 28,000 agricultural businesses, has a fairly simple message today: Canada's agricultural sector is strategic, but it remains underfunded relative to its importance.

Our agricultural producers feed the population, work the land, support regional economies and must also cope with growing instability, whether it be market volatility, trade and geopolitical tensions, rising production costs, extreme weather events or ever-increasing investment needs.

In this context, our main recommendation is that the federal government significantly increase its support for the agricultural sector. This is not simply a matter of achieving a budget target, but of ensuring that Canadian producers have a level of support comparable to that provided by other countries to their own agricultural sectors. Today, Canada is lagging behind in this regard. Increased funding and a structured action plan are needed. Without such an increase, agricultural businesses across the country will continue to lack the tools needed to absorb shocks, remain competitive and invest in innovation, productivity and climate change adaptation.

Beyond this general recommendation, our brief highlights three key priorities. The first concerns risk management.

Production costs have risen sharply in recent years. Average spending on crops and livestock rose from about \$202,000 in the 2015-20 period to nearly \$299,000 in the 2021-24 period, an increase of almost 50%. Given the situation, cash flow has become a central issue. That's why we're asking that the interest-free portion of the advance payments program be permanently set at \$350,000. This measure would give businesses the predictability they need, rather than having to renegotiate the threshold year after year.

We are also calling for a complete review of the AgriRecovery framework, which has been in place since 2008 but remains too slow, unpredictable and inconsistent in its application. In the face of a disaster, assistance for farms must be immediate and equitable, regardless of the province affected.

Finally, we would like to see the AgriStability program enhanced by raising the trigger threshold to 85% of the reference margin and making the 90% compensation rate permanent, as was offered in 2025. The program should also include a minimal support level to ensure basic assistance for businesses that have been facing difficult circumstances for a number of years.

Our second priority focuses on research, innovation, climate adaptation and organic agriculture.

The agricultural sector needs strong, independent and applied public research. Budget cuts and the closure of Agriculture and Agri-Food Canada research centres are undermining the sector's ability to find concrete solutions to address climate change, improve practices and ensure the competitiveness of Canadian farms.

Therefore, we call on the government to reconsider its decisions, strengthen research and technology transfer—particularly through initiatives such as living laboratories—and provide more support for climate change adaptation programs.

We also call for a federal cost-sharing program for organic certification, as well as permanent funding for the organic standards review process. If Canada wants to develop this sector, it must support its foundations.

Our third priority concerns the workforce, investment, succession and private forestry.

Agricultural employers who host temporary foreign workers face increasing housing requirements. The Union des producteurs agricoles supports improved housing conditions, but it calls on the federal government to provide financial support to producers. We also propose that these housing units be recognized as farm buildings for tax purposes, particularly to allow for the recovery of the goods and services tax on materials and supplies.

On the tax front, we propose a 40% tax credit for small agricultural businesses that invest in equipment. More than 43% of Canadian farms have annual gross revenues of less than \$50,000. These businesses need leverage to modernize their equipment, improve their profitability and continue to expand.

We also call for the transfer of farm assets to a nephew or niece to receive tax treatment comparable to that applicable to a child. The reality of farming has changed: Many businesses are now run by more than one family, and succession doesn't always follow a direct line of descent.

We also call federal tax assistance for food donations to be harmonized with that of Quebec in order to more fairly recognize the social contribution of producers.

Finally, we support the creation of a personal silvicultural savings and investment plan for Canadian forest owners to support the sustainable management of private forests.

• (1825)

In conclusion, budget 2026 must recognize that agriculture is not a secondary expense. It's an investment in food security, the vitality of our regions, climate adaptation and Canada's economic resilience.

**The Chair:** Thank you, Mr. Ross. That concludes your speaking time.

We will now begin the question and answer period.

Mr. Lefebvre, you have the floor for six minutes.

**Eric Lefebvre (Richmond—Arthabaska, CPC):** Thank you, Madam Chair.

I'd like to thank all the witnesses who are with us today for participating in this question and answer period.

My first question is for Mr. Goddard, from the Canadian Craft Brewers Association.

What is the impact of the automatic annual increase of the alcohol tax on producers and consumers?

[*English*]

**Brad Goddard:** There is an impact for the 2% annual increase. For the brewery I work at, the increase claws back all of the reduced excise I would pay earlier in the year, because excise is progressive. That 2% escalator has an impact. The impact is smaller if breweries are quite small, but as the regional craft breweries grow, the impact is a bit more profound.

Saving the 2% escalator probably wouldn't be a big enough change to the Excise Tax Act to truly help grow independent craft breweries.

[*Translation*]

**Eric Lefebvre:** Thank you very much.

Earlier, you talked about the policy changes you would like to see implemented. Could you elaborate on what you would like us to look into?

[English]

**Brad Goddard:** Right now, Canada's definition of a small independent craft brewer is 75,000 hectolitres. Many of the fastest-growing craft markets in Canada define it as 350,000, 400,000 or 500,000 hectolitres. That is the big challenge of the Excise Tax Act right now. It measures the size of a business of 20 years ago, not the size that our businesses have grown to. That is the top challenge.

Excise in and of itself is built structurally quite well. It's a progressive tax. On January 1, all breweries start at the lowest tax bracket, and then, regardless of brewery size, as you grow each month, you get remeasured for your tax rate.

We like the functional structure of it. It's just that we would like a longer runway, as it were. Instead of a brewery hitting the top tax bracket at 75,000 hectolitres, the brewery would hit the top tax bracket at 500,000 hectolitres. That would be the top change, and then all of the graduated rates in between those two points would fall in step.

[Translation]

**Eric Lefebvre:** According to your analysis, the formula you are proposing would have few financial repercussions. Would it be possible to submit your proposal to the committee in writing?

[English]

**Brad Goddard:** Yes, absolutely.

We worked with MNP to model out proposed excise tax rates at a 50% reduction using 500,000 as a top rate. Working with MNP, we were able to model out the economic impact of very modest growth for the breweries that are impacted by this excise tax reform. The growth that goes along with those breweries offsets the lost revenue to the government.

We will send that along to the committee.

[Translation]

**Eric Lefebvre:** Thank you.

My next question is for Mr. Tierney, from the Federation of Canadian Municipalities.

Good evening. Thank you for being here with us.

People here know that, before becoming a federal member of Parliament, I had the privilege of serving as a member of the provincial legislature for eight years, but I also had the privilege of serving as a municipal councillor in my home city, in the city centre, just as you have been doing for a number of years in Ottawa. I see your commitment and I find your career path very impressive.

I would like you to provide a brief update. When it comes to municipal infrastructure, we always use the example that we are about to forge ahead blindly.

In your opinion, if nothing is done in the next few years, what will happen to municipalities?

• (1830)

[English]

**Tim Tierney:** Thank you for the work you've done federally, provincially and municipally. That's very important.

Look, we see a big problem that's taking place with infrastructure. People remember how much they pay in municipal taxes, as you know. They have a harder time with federal and provincial taxes.

We always need the assistance to ensure our infrastructure stays in place and is well built. This ties directly into what our ask is. I'm a city councillor here in Ottawa, and with the assistance of the housing accelerator fund and a lot of the great programming that's coming out, in Ottawa we've actually doubled housing to create new housing for people. There is a massive connection between having stable infrastructure.... It allows us to help out more on the homeless side as well.

We see in Calgary and we've seen in Ottawa in the past...where infrastructure is failing across the country. Certainly, that's why we're here today. It's to preach on the fact that if we can get more money for infrastructure, you will see, dollar for dollar, a return within your communities.

[Translation]

**Eric Lefebvre:** One of the things you're telling us is that, if we don't have the necessary infrastructure in place, 36,000 housing units cannot be built. We recognize that we are facing a housing challenge and that we need to build, but if the basic infrastructure isn't there, we can't build. So it's a chicken and egg situation. We have to invest heavily and give you the necessary tools to build.

[English]

**Tim Tierney:** It really is. That's exactly it. In every municipality across the country, we're not looking for big, beautiful things to build anymore. We're really focused on municipal infrastructure so we can deliver what Canadians want and need right now.

We have a homelessness crisis right now. To achieve what we want to do with the assistance of the federal government, we need infrastructure in place, because there is a big cost. There is a noted change from what we've seen in the past, which we're very thankful for, but we need a bit more.

**The Chair:** Thank you, Mr. Tierney.

[Translation]

Thank you, Mr. Lefebvre. That concludes your speaking time.

Mr. Leitão, you have the floor for six minutes.

**Carlos Leitão:** Thank you very much, Madam Chair.

I will be sharing my speaking time with my colleague Mrs. Church.

Gentlemen, thank you very much for participating in this exercise, which is very important for us as we prepare the upcoming budget.

Mr. Silès, I'll start with you. We actually spoke not too long ago. You raise a very important issue that is perhaps not discussed enough: fast fashion. This is certainly not just a passing trend. We can see that it's taking root.

As you well know, consumer protection falls under provincial jurisdiction. However, the federal government can and must also play a role, that's for sure. How do you see that? What would you like the federal government to do? Should it take action in terms of product traceability or in terms of protecting Canadian consumers' health?

How do you see the federal government's role in this matter?

**Damien Silès:** Thank you, Mr. Leitão.

Your question is essential, as it addresses a problem that is currently exploding in Quebec and Canada.

If you are sick, before taking medication, you will have a doctor assess your symptoms. The reason we are asking for a legal definition of ultra-fast fashion is that we need to give customs officers tools, for example, so they know which products to inspect. Hundreds of thousands, if not millions, of products arrive by plane at airports across Canada and around the world. So we have to be able to identify these products.

I'll give you an example. Temu manufactures 7,300 new products a day. That's ultra-fast fashion. Zara, which is also considered a fast-fashion company, manufactures 150 new products a day. So, it's clear that we are not talking about the same things. To be able to give customs tools, for example, we first need to be able to legally define ultra-fast fashion.

We're not alone in this. Europe is ahead. It has decided to impose taxes on these products. The United States, for its part, has decided to eliminate the de minimis threshold to regulate this very issue.

However, the first thing we need to do is determine exactly how to define this. Once we have that definition, we can envision working with customs and then begin identifying specific products.

Temu has 600,000 products priced under \$30. Typically, inspections start between \$20 and \$30. So, if we don't have rules to define ultra-fast fashion, it's very difficult to—

• (1835)

**Carlos Leitão:** Thank you, Mr. Silès. Time is passing quickly.

I now give the floor to you, Mrs. Church.

[*English*]

**Leslie Church (Toronto—St. Paul's, Lib.):** Thank you very much.

Thank you for a very rich and expansive discussion this evening on a variety of topics.

Mr. Tierney, I'd like to come to you and the question of housing and homelessness. Thank you very much for raising such an important topic for us.

As you know, as part of Build Canada Homes, there is a set-aside of \$1 billion being directed towards supportive and transitional housing. It offers a great opportunity for collaboration with municipi-

palities by unlocking land and with non-profits, with wraparound supports being built into projects from the ground up.

How can we ensure that these funds are used or deployed as efficiently as possible to get the right kinds of projects up and running quickly to tackle the problems you're talking about?

**Tim Tierney:** It is absolutely that: Accountability is key, as is making sure that delivery happens almost immediately. Ottawa is a gold star example of what we're doing right now. You're seeing the money being invested immediately.

Municipalities across the country also want to invest immediately, but having the development charge made whole was always a concern. It looks like there's been a lot of clarity on that. I think it's going to help.

Obviously, there's still concern about the rural and less suburban northern areas, but we're working with the government and we think we have a plan. We're going to roll that out even if it means working with the provinces. We have no objection to that, but we must ensure there are benchmarks so we're rolling things out in a timely fashion.

Municipalities are ready to deliver. We've proven it here in Ottawa, and across the country we're quite ready to do the same.

**Leslie Church:** If we had to prioritize one or two spots among the different types of services or different features of these projects as they're coming together, what would they be? What could we really hone in on while working with you to get these projects up and running quickly? Is it the wraparound piece? Is it finding the municipal land and better ways to unlock it, or is it the matchmaking between the partnerships? What advice would you have for us to really accelerate what we're doing?

**The Chair:** Make it a very brief response, please.

**Tim Tierney:** Do you know what? It's all of the above, unfortunately.

In Ottawa, we have a great relationship with all, but at the same time, again, it's about making sure we have money for infrastructure. That leads to creating even more homes for people, which is important.

**The Chair:** Thank you very much.

[*Translation*]

Mr. Garon, you have the floor for six minutes.

**Jean-Denis Garon:** Madam Chair, thank you for the third time today.

I'd like to welcome all the witnesses and thank them for being here with us today.

I'll start with you, gentlemen from the Union des producteurs agricoles. Welcome.

Mr. Ross, in your brief, you reiterated the importance of adequately funding research and innovation related to agricultural practices. You can see where I'm going with this. As a result of the cuts imposed by the Carney government, Agriculture and Agri-Food Canada has just closed its research and development centre in Quebec City, in Minister Lightbound's riding, after 58 years of operation.

What will be the real consequences of these decisions, and why is it essential to preserve our agronomic expertise?

**Charles-Félix Ross:** One of the consequences is a loss of competitiveness in international markets. Already, if we look at agriculture and agri-food as a share of the gross domestic product, Canada invests 50% less in public and private research than other comparable countries, such as the member countries of the Organisation for Economic Co-operation and Development or our neighbour to the south. These cuts will undermine the competitiveness of Canadian agriculture in the markets. So we'll be taking a step backward instead of moving forward.

• (1840)

**Jean-Denis Garon:** Thank you very much.

I would add that, in a context where we're talking about increasing productivity and adapting to climate change, this is all the more important, but the government is closing this centre, which is of critical importance.

I would like to talk to you about AgriRecovery. I don't know the program in great detail, but I remember that, a few years ago, there were floods, and the Bloc Québécois agriculture critic asked the minister in charge to trigger the program. He was chasing after the minister, almost like an uncle chasing after a case of beer, but he couldn't find him. It has been very complicated, which leads us to believe that the program is not triggered quickly enough and that the criteria are unpredictable. There are Canada-wide criteria, among other things.

You are constructive in your brief. You say that the AgriRecovery objective is sound, but that the way to achieve it is inadequate.

So what are the needs of Quebec farmers that should be taken into account in the context of an AgriRecovery reform? How should this program be modified?

**Charles-Félix Ross:** When disasters or very serious climate events, such as floods, occur and core programs like AgriStability, AgriInvest and AgriInsurance are unable to respond quickly to assist businesses, either because they don't cover the losses incurred by those businesses or because those losses are extraordinary, agricultural producers need rapid assistance to meet their cash flow needs or to restart their operations with new investments.

In the case of the AgriRecovery program, the full extent of the losses must be assessed, a diagnosis carried out and a request submitted to the provincial government concerned. The provincial government must then agree to ask the federal government to inter-

vene, and at that point, a series of criteria and frameworks come into play. If assistance has already been provided for the same type of losses in the past, it is not possible. These criteria make it difficult to obtain additional funding when the same type of event occurs again. The demonstration the provincial government must make to the federal government is very difficult. Moreover, first and foremost, the provincial government must also be convinced, as it is responsible for 40% of the cost.

**Jean-Denis Garon:** In short, if I understand correctly, there are too many steps, it's too long and proper oversight could be exercised over the application of the program's criteria without having to go looking for the famous A38 permit all the time.

**Charles-Félix Ross:** Exactly.

What we're proposing is really an improvement to the AgriStability program. The problem is that when revenues have been low for several years and costs are too high, producers no longer have a safety net. Their reference margin, which determines their level of support, disappears. As a result, the AgriStability program becomes ineffective.

What we're proposing as part of the pre-budget consultations is something we've been proposing for several years. It involves establishing a floor for the AgriStability program. At a minimum, a portion of the investments made by businesses in a given year should be guaranteed, particularly for planting and for feeding animals. If revenues fall short at the end of the year due to all kinds of events and risks—

**Jean-Denis Garon:** Since time is running out, I'd like to quickly ask you about investments, which you mentioned.

We have a different agricultural model in Quebec from what we see elsewhere in North America. It's a land-use model characterized by smaller family farms. It's often more environmentally friendly, and we want to preserve it.

I understand that you're proposing a 40% tax credit for small farm businesses that purchase equipment. Could you explain the importance of such a measure for the Quebec model specifically?

**Charles-Félix Ross:** In Quebec, 42% of our 28,000 members have a farm that generates \$100,000 or less in revenue. These are people who may farm part time, but they often do so with the goal of developing a business. We think that a tax credit for investments would really help these businesses grow, expand and become full-time farm businesses that can ultimately make a living from farming.

**Jean-Denis Garon:** It could also encourage new generations or new people to enter the agricultural sector, which is something we need, isn't it?

**Charles-Félix Ross:** Exactly. What we've seen in recent years is the phenomenon of intensive market gardening, where producers grow vegetables on one, two or three hectares of land with very little—

**The Chair:** Thank you, Mr. Ross. I'm sorry for interrupting, but the time is up.

Thank you, Mr. Garon.

[English]

We will now go to Mr. Vis for five minutes, please.

**Brad Vis (Mission—Matsqui—Abbotsford, CPC):** Thank you, Madam Chair.

My questions will be directed to Mr. Tierney today.

Congratulations on your new role with the federation.

I represent Mission—Matsqui—Abbotsford. In 2021, we experienced one of the most costly natural disasters in Canada. My riding was also burned to the ground in the Fraser Canyon region. Just last year, we had another major catastrophic flood.

The Sumas Prairie region of the Fraser Valley has an international airport, and the new national firefighting fleet is being constructed there. We have hydro transmission lines. We have the Enbridge pipeline that was just approved for expansion by the government. We have 37% of all oil going to United States through the Trans Mountain pipeline, and it goes right through the flood zone. The pipeline looked like a toothpick because all the land got washed away around it during the floods.

We have an international border crossing. We have a major arterial road connecting the Fraser Valley with Vancouver and the rest of the province. We also have a southern rail line, which is a rail line to the United States, in addition to CN and CP just a few kilometres away in Matsqui Prairie. We are the breadbasket of British Columbia and produce a large majority of the vegetables, fruits, poultry and dairy that are consumed in British Columbia.

What advice would you have for Abbotsford, which has not received any additional infrastructure dollars from the federal government to protect national supply chains, the sovereignty of our country and the well-being of millions of people who are connected with these critical infrastructure points?

• (1845)

**Tim Tierney:** That speaks to a lot. You mentioned wildfires. FCM has been very strong there. We have a \$3-billion investment. We work with the federal government on providing a lot of resiliency. That is a very key part that we want to continue to work with the federal government on and roll out.

When it comes to things like infrastructure, that's clearly what we're here to talk about today. Of course, there are other items we look at, such as crime and safety and bail reform, as part of what we do. That being said, we have a lot of resources within our country, and what's critical, obviously, is leadership.

When it comes to the questions of resiliency, we have opportunities that municipalities should take advantage of through our green municipal fund.

**Brad Vis:** You mentioned the build communities strong fund. I know \$6 billion has been allocated out of the \$50 billion, over a 10-year period. Would the Federation of Canadian Municipalities be supportive of Abbotsford receiving a portion of that fund to protect this national corridor, the supply chains and the billions of dollars in taxpayer money that is generated from this key area in Canada?

**Tim Tierney:** We'll take that back to our membership. We have our AGM coming up next week, in Edmonton, oddly enough.

Thanks for the tee-up there. At that point, we'll have discussions with members about where we see priorities. Certainly that has come up, as have many other areas within Canada.

That's why we're here. It's to make sure we all sing from the same songbook and ensure that we receive the monies that are appropriate for municipalities in need.

**Brad Vis:** You mentioned that it was a defining moment. I invite you to Abbotsford. We'd be happy to have you. It's a defining moment for our community.

The Fraser Valley is a region that is not really well understood by Ottawa. We're very far away, but when the port of metro Vancouver was cut off from the rest of Canada, that opened up some appreciation for how important we are and how the port of metro Vancouver is connected to all this vital infrastructure as well.

Thank you for your time today. I look forward to seeing you.

That's my time.

**Tim Tierney:** Thank you very much.

**The Chair:** You're early, Mr. Vis. Thank you.

[Translation]

Mr. Lavoie, you have the floor for five minutes.

**Steve Lavoie:** Thank you, Madam Chair.

I'd like to thank the witnesses for taking part in this very important exercise this afternoon.

I will be sharing my time with my colleague Mr. MacDonald.

Mr. Goddard, I have a question for you. There are two microbreweries in my riding: Stadaconé and La Souche. I recently participated in a round table with business people. Jean-Pierre, from Stadaconé, raised concerns about aluminum processing. I'd therefore like to know to what extent the cost of aluminum for cans and packaging hurts the profitability of microbreweries.

What role could the government play to help you?

[English]

**Brad Goddard:** Aluminum is a huge concern. Quebec makes most of it for North America. Second only maybe to kegs, which are made of steel, aluminum is the primary way that craft beer gets to market.

The current tariffs have seen our aluminum prices skyrocket at a time when Canadian consumers aren't really willing to pay more for beer. Generally, the increased cost of aluminum that we've been experiencing over the last year has come out of margins or bottom lines of breweries, rather than coming out of the consumers' pocketbooks.

It would be good. There are some things that the federal government could help encourage to create more sheet aluminum in Canada. We actually make a lot of beer cans in Canada. We make a lot of aluminum ingot. It's just that the aluminum ingot has to go to the U.S. and then come back to Canada to be made into cans. There's probably an opportunity there.

As a craft brewer, I can say aluminum cans are a huge strain on our business because they are our path to market.

• (1850)

[Translation]

**Steeve Lavoie:** Thank you.

I will give the rest of my time to Mr. MacDonald.

[English]

**Kent MacDonald:** Mr. Goddard, I have another question on craft brewing.

In your presentation, you talked about the excise tax and the 50% reduction on the first 15,000 hectolitres. You didn't think that was high enough. Where would you be looking at offering a reduction in excise tax? To what volume? You mentioned that most of the mid-sized craft breweries are producing a lot more, and they need more benefit.

**Brad Goddard:** The 15,000 hectolitres is great support. What we'd look at is stretching it from 75,000 hectolitres, which is currently the federal government's measuring stick for a small craft brewery. We'd look for the federal government to match Canadian provinces like Saskatchewan, which define craft breweries at 500,000 hectolitres.

I talk in hectolitres. A friend of mine uses a great analogy to ground it. Imagine we're using the word dollars instead of hectolitres. It helps to do this because volume is kind of difficult to understand. Right now, a brewery making \$75,000 pays the same income tax as a brewery making \$1 million.

We would look at revising that top runway from 75,000 to 500,000 hectolitres, which will create a gentle slope up to that top tax rate that we think small businesses could plan around. Right now, it's quite steep, and it's hard for a small business to invest capital to grow a business with their incremental tax rate. I mean, excise right now doubles basically in the first few steps. It doubles every 2,500 hectolitres. It is maybe the only industry that has such a rapid rise in tax rates.

**Kent MacDonald:** If the move were made to 500,000, what percentage of the beer industry would be represented in that group of companies?

**Brad Goddard:** Sixty per cent of the beer that we drink as Canadians is made by brewers north of 15,000 hectolitres. A pretty significant portion of the craft beer that Canadians drink would benefit from that reduction in excise tax.

**Kent MacDonald:** Quickly, to the Union des producteurs agricoles, in Quebec, you mentioned increasing the advance payments program and also the AgriStability trigger. Did you say 85%, from the 70% it's currently at?

**Charles-Félix Ross:** Yes, exactly.

[Translation]

It involves guaranteeing 85% of the reference margin.

[English]

**Kent MacDonald:** That's very much in line with a lot of the other recommendations we've heard at the ag committee.

Are there any other improvements to AgriStability that you could recommend?

[Translation]

**The Chair:** Give a very brief answer, please. There are 10 seconds left.

**Charles-Félix Ross:** Okay.

We recommend establishing a floor and ensuring a minimum reference margin for agricultural businesses, because after a few years of poor revenue, there is no longer a reference margin, so there is no longer a safety net.

**The Chair:** Thank you.

To conclude this meeting, I give the floor to Mr. Garon for two and a half minutes.

**Jean-Denis Garon:** Thank you very much, Madam Chair.

Mr. Ross, I want to address an issue that I find sensitive. The government has already invested \$4 billion in a high-speed rail project that doesn't exist. It's a project for which no independent cost-benefit analysis has been conducted. It's a project that was developed without any form of consultation and for which the government has adopted, through Bill C-15, measures that create two classes of citizens when it comes to expropriation. Those along the Alto corridor will be second-class citizens, as they are being stripped of the right to request a hearing to assess the need for expropriation.

We know that Alto will have to finance 15% of the project and that it will expropriate more citizens than necessary for the purpose of capturing land value. Alto has already spent a significant amount of money on lobbying and media advertising. It has almost become a communications firm that engages in intimidating behaviour toward farmers, particularly in my riding.

I'm very concerned. I think you know that. The people of Mirabel are concerned, too, and rightly so. I would like to know what you think of the measures adopted as part of Bill C-15 and, more generally, what you think of the government's approach to this project.

• (1855)

**Charles-Félix Ross:** In fact, this concerns the people of Mirabel, but also of Lanaudière, Portneuf, Mauricie and certain rural areas of Ontario. This project will split 2,000 properties in two. That's huge.

We disagree with the provisions in Bill C-15 aimed at expropriating producers quickly. We believe that the Alto project is a bad project. We're calling on the federal government of Mr. Carney to reconsider it. We're not opposed to trains or economic development, but we think there are better solutions. Existing CN rights-of-way could be used, and a high-frequency train could be implemented at five times lower cost.

**Jean-Denis Garon:** I have 20 seconds left.

Do the agricultural producers along the route currently feel respected by the government?

**Charles-Félix Ross:** We don't want to get into the issue of respect or lack thereof. What we're asking the government is really to

reconsider this project, which is economically unsound. It's going to cost the Canadian government over \$200 billion. Instead, that money could be invested in agriculture and used to develop Canada's agricultural economy.

**Jean-Denis Garon:** Thank you very much.

[*English*]

**The Chair:** On behalf of the committee, I would like to thank all of the witnesses for appearing with us this evening.

With that, the committee is adjourned.

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