

Written Submission for the Pre-Budget Consultations in Advance of the 2026 Budget

Brendan Haley

Suggested citation

Haley, B. 2026. "Written Submission for the Pre-Budget Consultations in Advance of the 2026 Budget." Efficiency Canada, Carleton University, Ottawa, ON.

April 27, 2026

© Efficiency Canada
c/o Carleton University
1125 Colonel By Drive
Ottawa, ON K1S 5B6
<https://www.encycanada.org>

Facebook: <https://facebook.com/EfficiencyCanada>

LinkedIn: <https://linkedin.com/company/encycanada>

Instagram: <https://instagram.com/encycanada>

List of recommendations

- **Recommendation 1:** That the government renew \$400 million in funding for the Green Industrial Facilities and Manufacturing Program.
- **Recommendation 2:** That the government dedicate \$4.5 billion in low-cost repayable capital for Canadian home energy upgrades.
- **Recommendation 3:** That the government fund \$300 million to modernize and scale building retrofits.
- **Recommendation 4:** That the government increase funding for low-income energy efficiency through the Canada Greener Homes Affordability Program to \$2 billion.
- **Recommendation 5:** That the government simplify application and expand eligibility to the Clean Technology Investment Tax Credit.



Energy efficiency as a nation-building project

Improving Canada's energy efficiency contains all the elements of a promising nation-building project. Saving energy:

- Increases productivity by using less energy per unit of GDP and returning \$4–\$7 more GDP per \$1 invested.¹
- Improves affordability for Canadians by helping them spend less on energy.
- Is a sovereign energy resource because energy savings are found in the buildings and industries within our borders, and efficiency upgrades are largely delivered by Canadian service providers and manufacturers.²
- Is regionally fair because the opportunity to save energy is found throughout Canada.
- Can produce results within months and is highly adaptable due to the use of multiple technologies across several sectors.

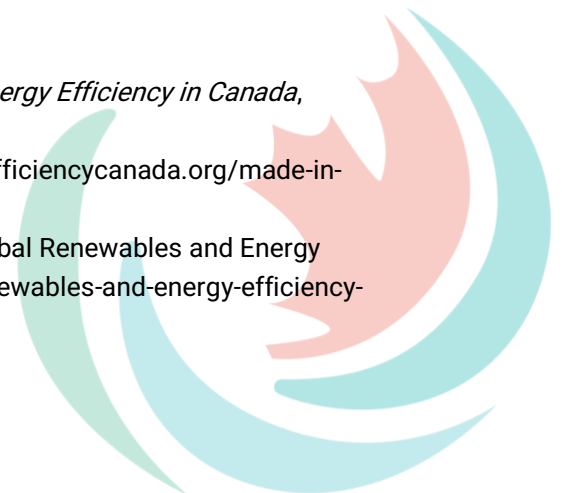
Making energy efficiency a nation-building project could be guided by two goals. First, doubling the rate of energy productivity improvement in Canada to build a more competitive and resilient economy.³ Second, eliminating energy poverty, ensuring energy is affordable for everyone.

Budget 2026 could launch an energy-saving nation-building project with five actions. Together, these investments present a balanced portfolio of initiatives that serve Canadians across markets (industry, middle-income households, low-income households, and large commercial and residential buildings) and strategies that support both quickly achievable energy savings and transformative change.

¹ Dunsky Energy Consulting, *The Economic Impact of Improved Energy Efficiency in Canada*, <https://www.energycanada.org/less-is-more>.

² *Energy Efficiency: The Made in Canada Resource*, <https://www.energycanada.org/made-in-canada-report/>.

³ Canada committed to this goal alongside 133 other nations. "Global Renewables and Energy Efficiency Pledge," COP28, <https://www.cop28.com/en/global-renewables-and-energy-efficiency-pledge>.



Renew and expand industrial energy productivity programs

Energy productivity is one component of industrial productivity focused on producing more value for a given energy input. Industrial energy management systematically monitors, controls and optimizes energy use. Many savings are achieved through data insights and process optimization, presenting tariff-proof productivity gains because they do not require purchase of outside equipment. Energy management also enables productivity gains through digitization of production and strategic equipment investments. This strategy has produced annual savings of 11 per cent in the first one to three years and 25 per cent in seven to nine years.⁴

Natural Resources Canada has offered industrial energy management programs since the 1970s. Budget 2022 provided \$194 million to fund the Green Industrial Facilities and Energy Management Program until 2027.

Large-scale productivity-improving investments require years of planning. A continuation of the program would ensure energy managers can move projects along a development pipeline and avoid stranding in-the-works projects and the relationships built between energy managers and industry.

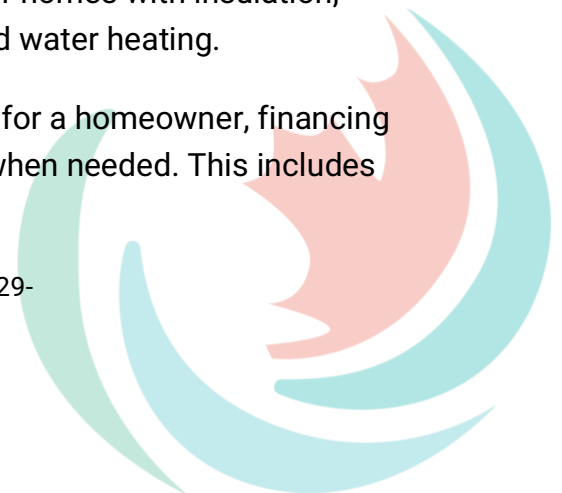
The program can also be expanded and improved. For instance, it could create a new stream for small-to-medium-sized industry (less than 200 employees), support costs for third-party-led applications, and enable consistent service offerings that are timed to industry investment cycles rather than program application windows.

Make home energy upgrades simple and affordable

Canadians can significantly reduce their energy costs (20–50 per cent) and contribute to a nation-building project by upgrading their homes with insulation, windows, smart controls, and heat pumps for space and water heating.

Because these upgrades are a large capital investment for a homeowner, financing and expertise must be simple to access and available when needed. This includes

⁴ International Energy Agency, *Energy Efficiency 2024*,
<https://iea.blob.core.windows.net/assets/f304f2ba-e9a2-4e6d-b529-fb67cd13f646/EnergyEfficiency2024.pdf>.



during an emergency furnace breakdown or in a staged manner when a homeowner is implementing a multi-year improvement plan.

The federal government abruptly cancelled the Greener Homes Loan Program in 2025. It was popular yet did not effectively remove upfront costs or enable financing of multi-stage upgrades. It also missed an opportunity to encourage innovative contractor business models and to blend public capital with social impact investors, credit unions, utilities, and other community or private financiers.

Budget 2026 can launch a consistent and transformative approach to home energy upgrades by providing low-cost and patient capital to specialized financial platforms, utilities offering on-bill financing, municipalities with property tax bill financing, and other organizations with innovative fintech and retrofit delivery approaches.⁵

A \$4.5-billion capitalization is consistent with the previous loan program, and the new strategy can be implemented via a public purpose-driven “green bank” financial institution focused on the residential home market.⁶

Modernize and scale building retrofits

The current method to upgrade residential and commercial buildings could significantly benefit from what the new housing strategy calls “modern methods of construction,” such as factory-built wall panels, digital technologies and aggregating several projects together to create economies of scale.

Technology and innovation promise to deliver lower-cost, faster, and higher-value retrofits while growing Canadian business opportunities and trade-related jobs. An existing building upgrade strategy complements Canada’s new building strategy because upgrading existing buildings provides an additional, larger market for Canadian manufacturers and businesses.

Budget 2023 provided \$235.5 million for five years for the Deep Retrofit Accelerator Initiative and the Greener Neighbourhood Pilot Project. These projects

⁵ See Haley, “Re-thinking the Canada Greener Homes Loan Program,” <https://www.energycanada.org/re-thinking-the-canada-greener-homes-loan-program/>.

⁶ See relevant examples at <https://michigansaves.org> & <https://www.neifund.org>.



have made progress by engaging with building owners to develop a pipeline of promising retrofit opportunities. The program should evolve toward prioritizing the transformation of the retrofit process itself by strategically coordinating the demand and supply sides of the market.

Budget 2026 should renew funding by \$300 million and consolidate the two programs into a single “transformative building retrofit market development team” initiative with mission-oriented objectives to:

- Improve the productivity of the building upgrade process
- Accelerate adoption of modern methods of construction
- Strategically develop Canadian businesses and innovations

Eliminate energy poverty

Energy poverty describes a situation where energy costs create an unreasonable financial burden or people are unable to access adequate energy services, such as safe temperatures during extreme heat or cold events. For Canada to become a legitimate “energy superpower,” no Canadian should experience energy poverty.

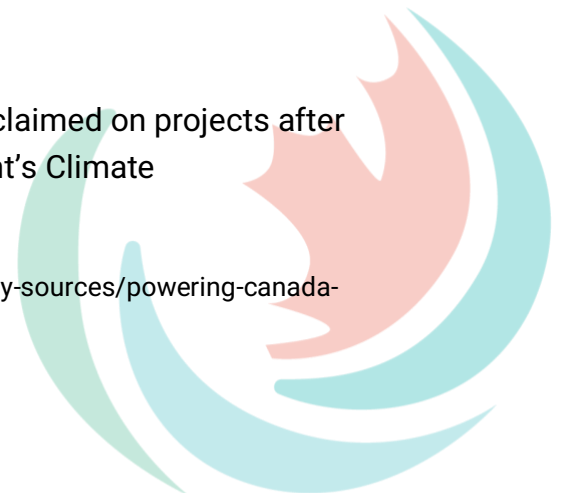
Budget 2024 allocated \$800 million for the Canada Greener Homes Affordability Program to help low-to-median-income homeowners and tenants retrofit their homes. This funding envelope is significantly below the \$2.6 billion previously earmarked for the Greener Homes Grant and is “significantly below estimates of overall need,” according to the Canada Electricity Advisory Council.⁷

To ensure a successful program that makes eliminating energy poverty part of a nation-building project, Budget 2026 should increase funding to at least \$2 billion.

Make existing tax credits work

The Clean Technology Investment Tax Credit could be claimed on projects after March 2023 and is a core component of the government’s Climate

⁷ *Powering Canada*, 94, <https://natural-resources.canada.ca/energy-sources/powering-canada-blueprint-success>.



Competitiveness Strategy. However, uptake is low. A Commissioner of the Environment Report found that less than 24 per cent of the projected investments were under review and less than one per cent was paid out by July 2025.⁸

Uptake is low because building owners must assume significant financial risk without certainty that the incentive will be received. Applicants only find out if the tax credit is awarded after a retrofit; well-documented claims have been denied.⁹ The application process is complex, requiring an expert tax consultant. Common retrofits, such as dual fuel electric-gas heating systems, are ineligible. The credit only applies to equipment cost (e.g., heat pump), which is a small fraction of the total upgrade cost for large multi-unit residential or commercial buildings. These buildings should optimize related systems for supplementary heat, distribution, ventilation, filtration and smart controls. The tax credit is also limited to corporations and real estate investment trusts. Housing co-ops, not-for-profit housing, condominiums, and sole proprietors own and operate buildings and land, yet are ineligible.

Budget 2025 announced improvements to the predictability and administration of the Scientific Research and Experimental Development tax incentive. Budget 2026 should similarly simplify and expand the Clean Technology Investment Tax Credit and the Accelerated Investment Incentive (where applicable) to:

- Reduce risk by enabling pre-approval so the tax credit can be securely factored into the economics of retrofit projects.
- Improve clarity with a predetermined list of eligible energy upgrade measures.
- Enable well-designed energy upgrades by expanding eligibility to include the full project cost of systems instead of limiting the credit to equipment costs.

⁸ *Implementing the Canadian Net-Zero Emissions Accountability Act*, Exhibit 6.

⁹ See FRESCO 2025, *Understanding and Advancing Tax Incentives For Low-Carbon Building Retrofits* <https://www.boma.bc.ca/reports-guides-and-case-studies>.





- Expand eligibility by making the tax refundable for not-for-profit and tax-exempt organizations like co-operative housing, not-for-profit housing, and condominiums. Enable new construction builders to use the tax credit by transferring benefits to building owners.

