

BACKGROUND



Clean growth and energy affordability in the 2023 Federal Budget

Our research has found that damage from climate change is already making life in Canada more expensive and hurting the economy. Meanwhile, as the U.S. Inflation Reduction Act takes effect, Canada must swiftly implement a mix of policies and programs that will accelerate Canada's clean energy transition and attract the billions of dollars of investment required for clean growth.

By investing in Canada's energy transition today, the **2023 Federal Budget** can help make life in Canada healthier, safer, more prosperous, and more affordable.

Specifically, the Canadian Climate Institute will evaluate the budget's commitments in these priority areas:

1. Detailed guidance to get the **Canada Growth Fund** moving—fast—in mobilizing investment for clean growth projects.
2. A public financing strategy that uses **carbon contracts for difference** to leverage Canadian carbon pricing to support clean growth projects.
3. Clear incentives in the form of **electricity sector investment tax credits**, and other supports, such as funding for inter-provincial grid connections.
4. Progress toward **electric federalism**—working in partnership with the provinces to kickstart the necessary upgrades to Canada's electricity systems.

Strong policy to drive clean growth is essential for Canada to compete and prosper in the global race to net zero emissions. In fact, moving too slowly is now a greater competitive risk than moving too quickly. Yet, instead of copying the U.S. approach, [our latest analysis recommends](#) adopting a made-in-Canada approach. This includes building on our competitive advantages, like carbon pricing, while providing targeted support and leveraging limited public dollars to attract the private capital required to grow the sectors and technologies that will drive new sources of economic growth, such as clean electricity, hydrogen, electric vehicles and batteries.

In addition to supporting clean growth, **switching from fossil fuels to clean power** will help Canadian households and companies [save money](#), create jobs, and make energy costs less volatile—as long as Canada implements the right policies. Our research shows this [big switch](#) from fossil fuels to clean electricity will be a [cornerstone](#) of Canada’s net zero future and a [competitive](#) necessity for the economy, and Budget 2023 has an opportunity to catalyze this shift in various ways, including through federal investment tax credits, and new investment to help provinces upgrade their electricity systems.

By the Numbers: Climate costs and opportunities

\$720 a year in climate damage	The costs of climate-related damages for Canadian households, on average, by 2025. These costs will double or triple by 2050. Proactive adaptation can cut the costs of climate impacts in half. Source
\$25 billion lost growth	How much climate-related impacts will cost the Canadian economy by 2025—equal to half a year’s projected growth. Source
12% lower household energy bills	How much Canadians’ average spending on energy costs will fall by 2050, compared to today, as Canada shifts from fossil fuels to clean electricity. Source
US\$370 billion	Total value of investment the U.S. Inflation Reduction Act is expected to mobilize for clean growth over 10 years. Source
70% of exports	Proportion of Canada’s goods exports vulnerable to market disruption. Over 60% of foreign direct investment in Canada is also in disruption-vulnerable sectors. Source
92% of global GDP	Amount of global GDP produced by countries who have committed to reach net zero emissions. Source
\$115 billion	The annual financing gap for climate investment identified in the 2022 federal budget. Source

Additional Research and Resources

Federal Budget 2023

- Blog | [“Climate priorities to watch for in Budget 2023”](#)
- Op-ed | [“New analysis finds most Canadians will save money in the switch to clean electricity”](#)

Clean growth and competitiveness

- News Release | [“A ‘Made-in-Canada’ approach can unlock the billions of dollars required for the clean energy transition”](#)
- Policy Brief | [Mobilizing private capital to support Canada’s clean growth](#)
- Blog | [“Canadian oilsands don’t need more public support to compete with the U.S.”](#)
- Blog | [Explainer: Carbon contracts for differences](#)
- Report | [Sink or swim: Transforming Canada’s economy for a global low-carbon future](#)

Expanding clean electricity

- Op-ed | [“Electric federalism: An idea whose time has come”](#)
- Report | [The Big Switch: Powering Canada’s net zero future](#)
- Op-ed | [“Building on Canada’s electrical advantage”](#)