TERRY BEECH
BURNABY NORTH - SEYMOUR

Our Government's Work to

STRENGTHEN THE ECONOMY

- Recent Economic Developments
- Canadian Economic Outlook
- Fiscal Outlook
- Economic Growth for Every Generation
- Attracting Investment for a Net-Zero Economy
- Growing Businesses to Create More Jobs

TABLE OF CONTENTS

TABLE OF CONTENTS

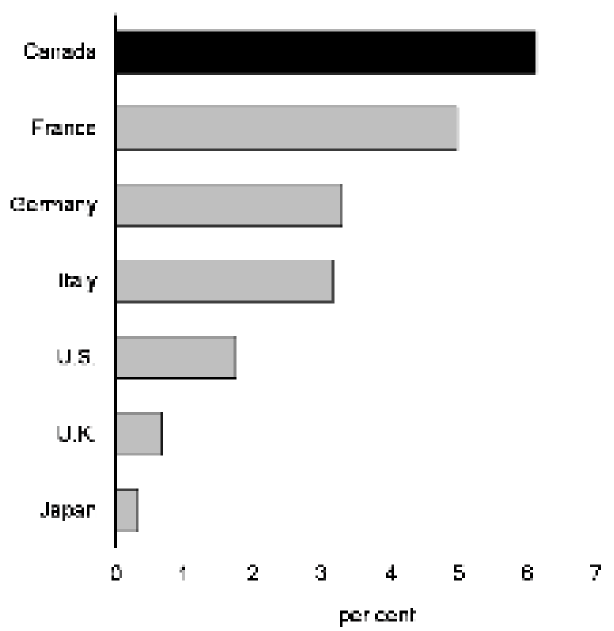
Economic and Fiscal Overview

The Canadian economy is outperforming expectations. In the face of higher interest rates, Canada has avoided the recession that some had predicted. Inflation has fallen from its June 2022 peak of 8.1 percent to 2.9 percent in January and 2.8 percent in February 2024. The labour market remains solid. Over 1.1 million more Canadians are employed today than before the pandemic, marking the fastest jobs recovery in the G7 (Chart 1). Real wages (wages adjusted for inflation) have increased, meaning Canadians, on average, have more purchasing power. Our economy is growing, with data from Statistics Canada revealing that real GDP at basic prices rose 0.6 percent in January (7.4 percent annualized). Preliminary estimates point to 0.4 percent growth in February (4.9 percent annualized), suggesting that growth in the first quarter of 2024 is on track for around 3.5 percent.

Private sector forecasters expect further progress in the year ahead. By the end of the year, they expect economic growth to pick up, interest rates to be lower, and inflation to decline by about 2 percent. The International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) project that Canada will see the most substantial economic growth in the G7 in 2025.

Chart 1

Growth in Employment Since 2020, G7 Economies

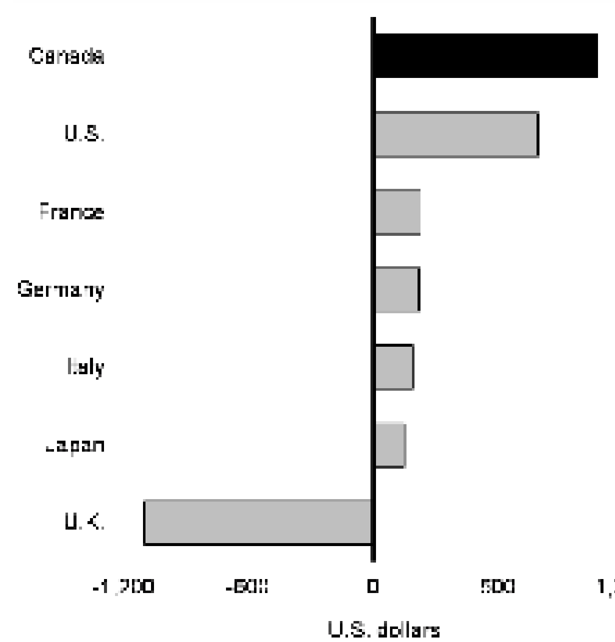


Notes: Last data points are March 2024 (Canada, U.S.), February 2024 (Germany, Italy, Japan), 2023Q4 (U.K., France). Compares to the level of February 2020, except for France and the UK (2019Q4).

Source: Haver Analytics.

Chart 2

Per Capita FDI Inflows, 2023Q1 to 2023Q3, G7 Economies



Source: OECD.

Ongoing investments—including the Canada Child Benefit, Canada-wide affordable child care, housing construction, and enhanced benefits and pensions for seniors—are making life more affordable for Canadians and improving access to housing. Investments in economic growth and competitiveness are already showing results—Canada received the highest per capita foreign direct investment in the G7 in the first three quarters of 2023 (Chart 2) Heightened risks surrounding the global economy call for careful economic and fiscal management. Inflation remains elevated in many areas, and there is uncertainty about how fast interest rates can be reduced. Global conflicts, including Russia's full-scale invasion of Ukraine and continued attacks by insurgents on shipping routes in the Red Sea, pose a risk to commodity prices and global supply chains.

The federal government supports Canadians while maintaining the lowest net debt and deficit-to-GDP ratios of all G7 countries and preserving Canada's long-term fiscal sustainability.

The government is focused on expanding the capacity of the Canadian economy to create new opportunities today and for the next generation. It is helping to create good jobs, raise Canadians' incomes, and grow the middle class. The government is focused on accelerating productivity growth and the uptake of clean technologies and artificial intelligence (AI), ensuring Canada is a competitive place to do business and unlocking pathways to success for younger generations.

This report is designed to help people in Burnaby and the District of North Vancouver understand what their government is doing to support our economy. If you have any questions or would like more information about its contents, please don't hesitate to contact our office.

Recent Economic Developments

Canada's Economy is Outperforming Expectations

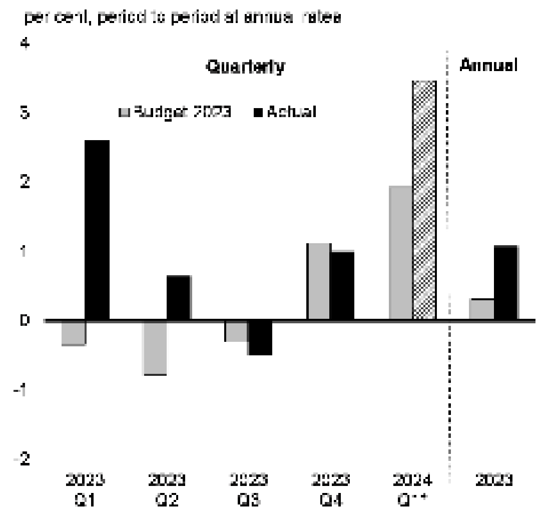
The Canadian economy is doing better than expected. In the face of rapid and substantial increases in interest rates to tame inflation, growth has slowed but outperformed expectations in 2023. Canada avoided the recession expected by many forecasters (Chart 3), with real GDP rising by 1.1 percent in 2023, over three times higher than what was forecasted in Budget 2023 (0.3 percent).

Canada's economy is growing. Despite temporary factors, such as the Quebec public sector strikes late in 2023, real GDP rose by 1 percent annually in the fourth quarter, driven by strong global demand for Canadian exports and resilient household demand for goods and services. Economic indicators are also encouraging so far in 2024. The economy benefitted from a boost from the unwinding of temporary factors, which translated into substantial real GDP gains in January (7.4 percent annualized) and preliminary February (4.9 percent annualized). This suggests that growth in the first quarter of 2024 is on track for around 3.5 percent annualized. In recent months, household and small business sentiment has also been more positive.

Canada's strong economic fundamentals have helped weather the impacts of higher interest rates. These strong fundamentals include solid labour markets driving ongoing worker income gains and solid household and business balance sheets.

The surprising strength of the U.S. economy has also been a factor supporting Canada's better-than-expected performance (Chart 4). Growth in the U.S. has far outpaced expectations, driving solid external demand for Canadian goods and services and foreign direct investment in Canada, which boosted the Canadian economy throughout the past year.

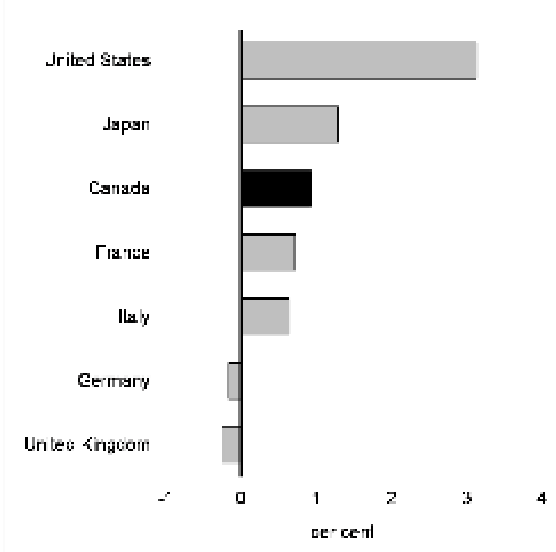
Chart 3
Real GDP Growth Relative to Budget 2023 Forecast



* The data point for 2024 Q1 is the handoff from real GDP by industry at basic prices (3.5 per cent) using actual data for January, preliminary data for February and assuming GDP is unchanged in March.

Sources: Statistics Canada; Department of Finance Canada February 2024 survey of private sector economists; Department of Finance Canada calculations.

Chart 4
Real GDP Growth From 2022Q4 to 2023Q4, G7 Economies



Sources: Statistics Canada; Haver Analytics.

Substantial Progress Bringing Inflation Back to Target

Inflation emerged as a significant global economic challenge. It persisted as a company's Canadian future at the worldwide economy's cutting-global factors, including pandemic-related disruptions, supply chain congestion, rebounding global demand for goods, and surging commodity prices following Russia's illegal full-scale invasion of Ukraine. Since central banks worldwide swiftly increased interest rates, inflation in Canada has come down from its June 2022 peak of 8.1 percent to 2.8 percent in February 2024.

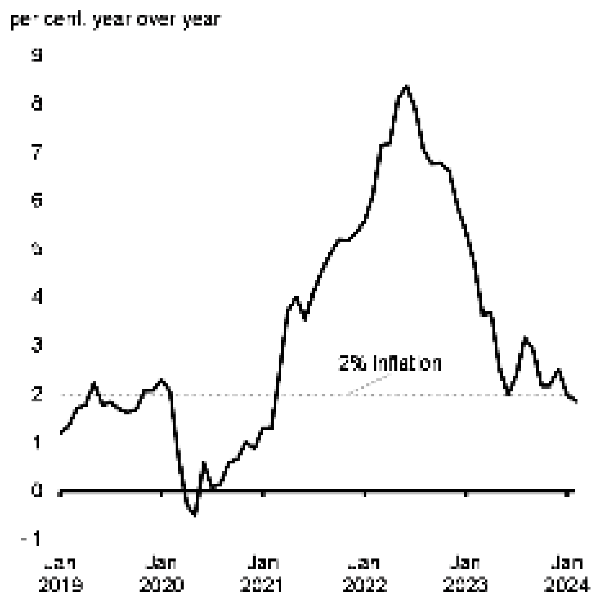
In response to rising inflation, the Bank of Canada rapidly raised its benchmark interest rate by 4.75 percentage points to 5 percent as of July 2023—where it remains today. Falling energy prices and easing global supply-chain challenges have also been critical drivers of the substantial decline in inflation since the second half of 2022.

Today, inflation has been within the Bank of Canada's target range of 1 to 3 percent for the past two months. This is significant progress in bringing down inflation for Canadians. Progress on inflation remains uneven, especially regarding shelter price inflation, owing significantly to the rise in mortgage interest costs (Chart 5). Private sector forecasters expect inflation to remain around 3 percent through the first half of 2024 and then to gradually decline to close to 2 percent by the end of the year (Chart 6).

Despite recent improvements in inflation, some essential household costs for Canadians, such as groceries and housing, remain elevated. Addressing these challenges in the long term requires targeted policies to solve the underlying structural issues behind the high cost of essentials. This is a crucial focus of Budget 2024.

Groceries inflation fell from 11.4 percent in January 2023 to 2.4 percent in February 2024. This marked the first time grocery prices rose more slowly than headline inflation since the fall of 2021. However, grocery prices have been up 19 percent overall since October 2021. To help Canadians with the cost of groceries, the government will deliver new targeted relief to expand school food programming across the country. The government also continues its work to strengthen competition in the grocery sector to provide more choices to Canadians and help stabilize prices. We have done this by reforming competition law and empowering the Competition Bureau, responsible for enforcing competition law, to crack down on unfair practices that drive up prices.

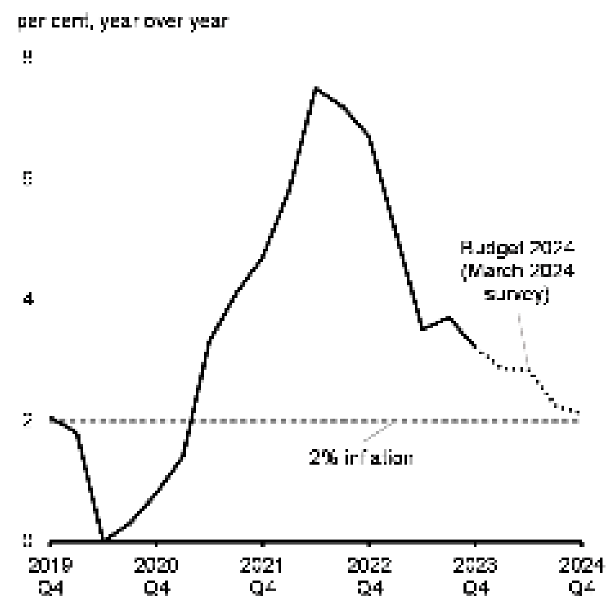
Chart 5
Inflation Excluding Mortgage Cost



Note: Last data point is February 2024.

Source: Statistics Canada.

Chart 6
Consumer Price Inflation Outlook



Note: Last data point is 2024Q4.

Sources: Statistics Canada; Department of Finance Canada March 2024 survey of private sector economists.

The cost of housing is similarly elevated. Rent inflation averaged 6.4 percent in 2023, and 8.2 percent in February remains too high for Canadians (Chart 7). Mortgage interest costs have also risen sharply. Many Canadians who need to renew their mortgage this year or next will face substantial increases in their average monthly payment.

Canada has a longstanding housing shortage, and building the homes needed to restore housing affordability will require a tremendous national effort—and it is an effort that the federal government is leading.

Building More Homes

Today, for too many Canadians—whether in big cities or small towns—the dream of homeownership feels out of reach, and higher rent makes it difficult to find an affordable place to call home.

Canada's affordability pressures are rooted in a longstanding challenge of insufficient new housing supply to meet growing demand. For decades, the construction of new homes has been constrained by entrenched structural barriers, including zoning restrictions, lengthy permitting processes, and skilled labour shortages. The result is that vacancy rates have fallen, driving up house prices and rents. More recently, a rapid increase in population has boosted housing demand and put additional strains on Canada's ability to welcome these newcomers properly.

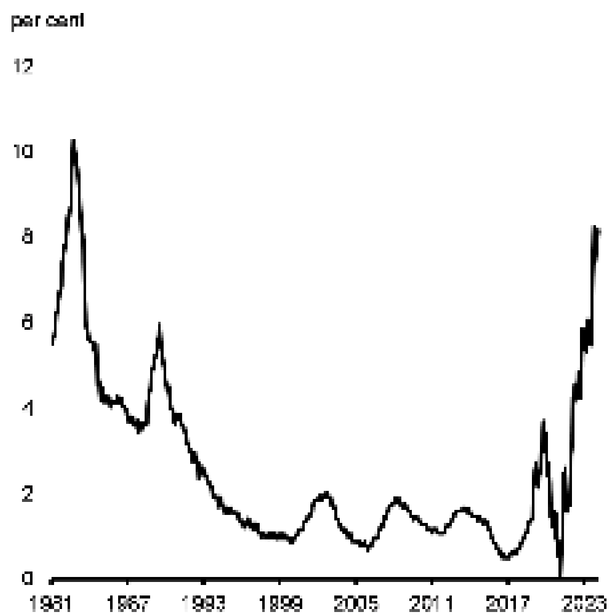
Rental market pressures, in particular, have intensified over the past year with strong underlying demand as the unaffordability of homeownership kept households in the rental market for longer. Nationally, the cost of rent is up 8.2 percent compared to a year ago, rising at its fastest pace since the early 1980s (Chart 7). Pressures are broad-based across the country and reflect exceptionally tight rental market conditions, with the rental vacancy rate dropping to just 1.5 percent in 2023, its lowest level since at least 1988.

Restoring housing affordability for Canadians requires a substantial and sustained increase in the new housing supply. To jumpstart housing construction nationwide, the federal government is increasing investment, attracting and retaining construction workers, and cutting red tape. These investments impact the rental market, with the construction of purpose-built rental housing units accelerating well above historical norms (Chart 8).

The government is also announcing additional measures in Budget 2024 to reduce barriers to new construction for homebuilders, build affordable housing, provide shelter to those without homes, and make renting and owning a home cheaper.

Chart 7

Year-Over-Year CPI Rent Inflation

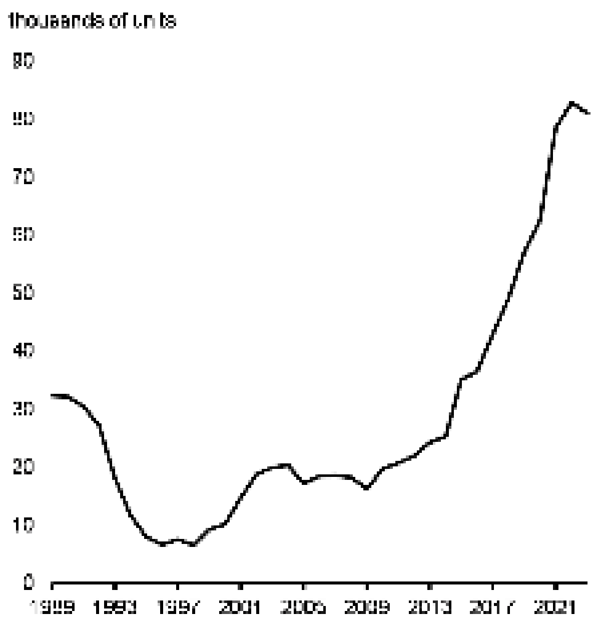


Note: Last data point is February 2024.

Source: Statistics Canada

Chart 8

Housing Starts of Purpose-Built Rentals



Notes: Excludes rural areas. Last data point is 2023.

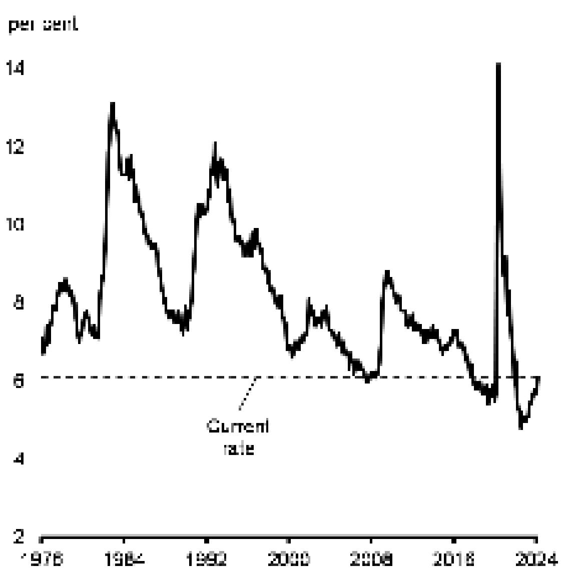
Source: Canada Mortgage and Housing Corporation.

The Labour Market is Delivering Higher Wages

Nothing makes more of a difference for the personal well-being and prosperity of Canadians than having a good job. Even as the economy has slowed and interest rates have risen, the labour market has remained solid. The unemployment rate, at 6.1 per cent, is low by historical standards (Chart 9). While hiring has slowed and job vacancies have declined in recent months, this has occurred without significant layoffs. Strong population growth and historically high working-age participation—particularly among women—have helped businesses fill a record-high level of job vacancies. Supported by the new Canada-wide system of early learning and child care, more women are participating in the labour force than ever before.

A strong labour market also matters for affordability. Wage growth has outpaced inflation for the past 13 months. On average, real wages—wages after accounting for inflation—are now higher than they were just prior to the pandemic, a positive sign that the purchasing power of Canadians has strengthened despite global economic hurdles. Overall, real average weekly earnings have risen by 4.6 per cent since 2019 (Chart 10). Consequently, over the course of a year, a worker earning the average weekly wage (before taxes) of $1,270 today can afford the same basket of goods and services as in 2019 with an additional $2,900 left over at the end of the year to save or spend. Moreover, household average wealth after inflation has increased by 8.9 per cent between 2019 and 2023. Importantly, these increases have been broad-based across income groups.

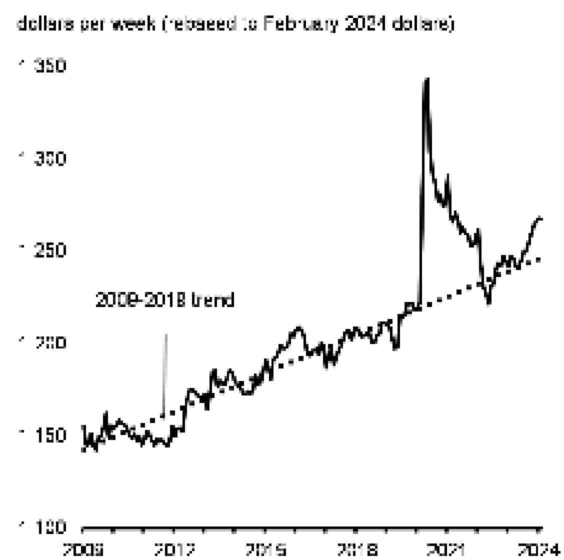
Chart 9
Unemployment Rate



Note: Last data point is March 2024.

Source: Statistics Canada.

Chart 10
Real Weekly Wages



Note: Last data point is February 2024. Real wages are expressed as February 2024 dollars.

Sources: Statistics Canada; Department of Finance Canada calculations.

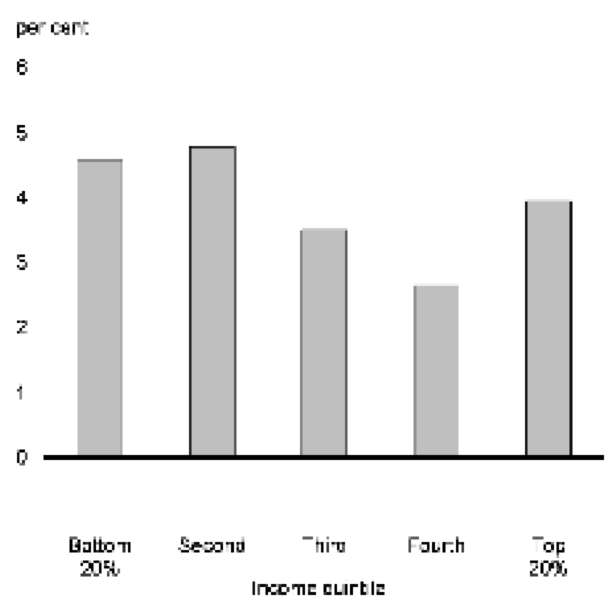
Looking forward, we have an urgent need to increase productivity to grow the Canadian economy. With real average weekly earnings now above their 2009-2019 trend, further improvements in living standards will depend on expanding the productive capacity of the Canadian economy. Investing in productivity and growth is a focus of Budget 2024.

Many Canadians Have Increased Earnings and Wealth

Canadian households are earning more in inflation-adjusted terms than just before the pandemic, as strong labour market conditions have driven gains in employment income. Actual average weekly earnings have increased across all income groups since the end of 2019, with huge gains of over 4.6 percent for the lowest income groups (Chart 11).

Chart 11

Increase in Average Weekly Earnings Adjusted for Inflation Since 2019Q4, by Income Quintile

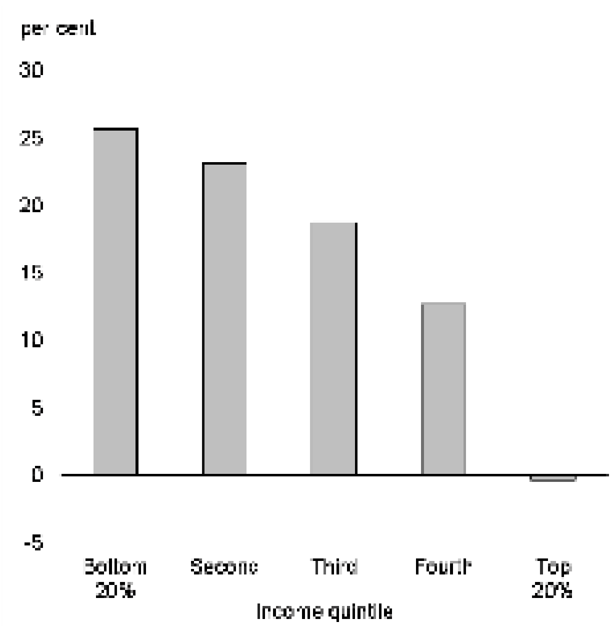


Note: Last data point is 2023Q4.

Sources: Statistics Canada; Department of Finance Canada calculations.

Chart 12

Increase in Household Wealth Adjusted for Inflation Since 2019Q4, by Income Quintile



Note: Last data point is 2023Q3.

Sources: Statistics Canada; Department of Finance Canada calculations.

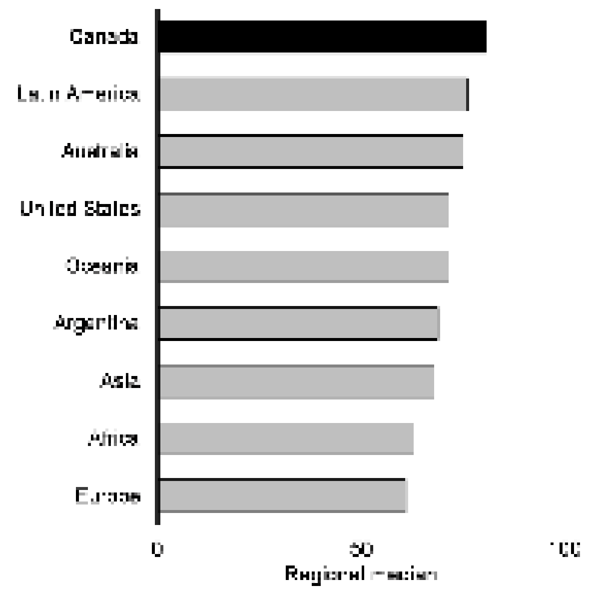
Higher incomes have helped Canadians save more. Combined with rising asset prices, this has resulted in substantial gains in the real wealth of households (Chart 12). As with earnings, wealth gains have been broad-based across the income distribution, with the lowest income group seeing the fastest growth (felt across all age groups). These gains in inflation-adjusted earnings and wealth show that Canada's strong economic recovery has disproportionately benefitted Canadians in the lowest income quintiles, which have increased their share of Canada's wealth.

Unlocking Canada's Full Economic Potential

Canada has struggled with productivity growth, leading to a longstanding productivity gap, notably with the United States. Expanding the productive capacity of the Canadian economy and overcoming Canada's productivity challenges are essential. Enhancing productivity growth is pivotal for reinforcing the economy's strength, resilience, and competitiveness and elevating Canadians' living standards. The key to unlocking Canada's full economic potential is building confidence for businesses to make the investments needed to improve productivity, keep pace with rapidly developing markets, and meet the needs of an economy transitioning to net zero.

Chart 13

Best Practices Mineral Potential Index

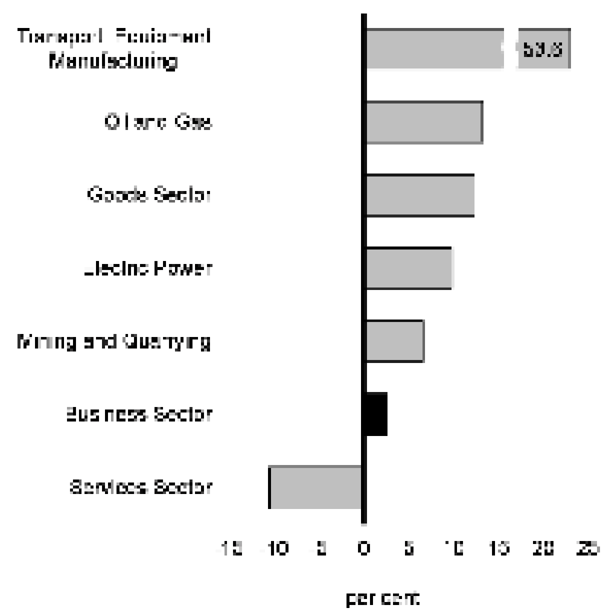


Note: The Best Practices Mineral Potential Index measures the geological attractiveness of a jurisdiction from the perspective of surveyed mining companies. It is based on the perceived mineral potential of a jurisdiction assuming the jurisdiction's policies are based on best practices.

Source: *Fraser Institute Annual Survey of Mining Companies, 2022.*

Chart 14

Growth in Real Capital Expenditures Intentions in 2024 From 2022, Selected Industries



Note: Electric power includes production, distribution, and transmission. Data were deflated using the actual deflator for capital expenditures for 2023 and internal projections of the deflator for 2024. Investment intentions in some industries include some public sector investments. The total for the services sector excludes some industries due to data availability.

Sources: Statistics Canada; Department of Finance Canada calculations.

The government has made significant investments to nurture an environment in which businesses have the confidence to invest. These policies include investments in health care, early learning and child care, better integration of newcomers, boosting housing supply, and fostering historic investments for the net-zero transition. These investments ensure people are healthy and able to contribute to their full potential in the labour force. And there are already signs that these policies have started to pay off.

Affordable child care has helped Canada's labour force participation rate for women in their prime working years to reach a record high of 85.7 percent in September 2023, compared to just 77.4 percent in the United States.

Net-zero investments have contributed to Canada being recognized by BloombergNEF as having the world's most substantial electric vehicle supply chain potential—leapfrogging the previous frontrunner, China and the United States. Canada has also been recognized for its world-class reserves of critical minerals, ranking first in mining potential as determined by global companies in the sector (Chart 13). Building on this advantage, businesses in essential industries for the net-zero transition are already making significant investments in Canada. This trend will continue over the coming years (Chart 14). Canada's oil and gas sector is also expected to invest to improve its competitiveness and take advantage of the Trans Mountain Expansion Project, which is anticipated to come online in May. The additional export transportation capacity provided by the twinning of the existing pipeline will make it easier for the sector to get products to world markets, providing better pricing for Canadian crude oil.

Canada is among the best-positioned economies to become a global electric vehicle and battery manufacturing hub. This is due to our abundance of critical metals, expertise in automotive supply chains, and close integration with the U.S. economy, where demand is expected to grow. These strengths have led many multinational firms to announce significant battery manufacturing plant investments in Canada.

To seize the investment opportunities of the global clean economy, the government is delivering, on a priority basis, six major economic investment tax credits, which represent $93 billion in federal incentives. These will provide businesses with the certainty they need to invest in Canada across a range of technologies to support the transition to net-zero: Carbon Capture, Utilization, and Storage; Clean Technology Adoption; Clean Hydrogen; Clean Technology Manufacturing; Clean Electricity; and new in Budget 2024, EV Supply Chains. As the government's cornerstone incentives, the significant economic tax credits will attract private investment, grow Canada's economy, and create high-paying jobs. In anticipation, new major projects have already been launched across the country.

Canada's strong tradition of macroeconomic stability is an essential foundation for economic growth and investment. Knowing that the federal government's finances are sustainable, even as aging populations put pressure on government budgets in Canada and worldwide, is an essential source of certainty for Canadian and foreign investors. Sustainable federal finances also support the credit ratings of private businesses and other orders of governments.

Although Canada has many economic advantages, including a highly educated workforce, broad trade access to global markets, and democratic stability, we must maximize our potential. Canada must ensure a business- and innovation-friendly environment that facilitates decisions to invest and grow. This requires a sustained focus on enabling companies to seize new opportunities and leverage Canada's world-class research capabilities for further technological advancements. Additionally, it requires ensuring that companies have the right incentives to invest in Canada's transition to net zero—whether those investments come from within Canada or from foreign companies—so they can create good jobs for today and tomorrow.

These policy actions, combined with the government's efforts to unlock pathways to the middle class for everyone, are fundamental to increasing living standards over the long term.

Immigration and the Economy

The past two years have seen a robust and temporary rise in immigration, particularly increases in the temporary resident population. This has been a factor in the recent decline in GDP per capita. The government recently announced it will reduce the share of temporary residents in Canada to 5 percent of the total population over the next three years. This will lead to approximately 600,000 fewer temporary residents compared to current levels, significantly easing demand across the housing market.

Since newcomers typically earn less than the average Canadian upon arrival, a significant one-time increase in the number of newcomers has weighed on average income and productivity in the short term. This should not be misinterpreted to imply that those already in the country are becoming worse off. Over time, this composition effect will fade as newcomers integrate into the economy.

In recent years, newcomers to Canada have steadily improved their integration into the labour market, with each newcomer wave seeing smaller initial income gaps than those in the past. Looking specifically at the outcomes of economic immigrants over the most recent ten-year period, it took them six years to reach the median Canadian income. By the end of the decade after their arrival, they surpassed the median Canadian income by nearly ten percent.

While the economy has been resilient, growth in Canada has softened in the face of elevated inflation and higher interest rates, just as it has across the globe. In 2015, the oil price shock caused a temporary decline in GDP per capita of 1 percent, which was recovered two years later.

As a result, the government expects GDP per capita to recover, newcomers to be further integrated into the Canadian labour market, and the normalization of the post-pandemic immigration surge over the next few years.

Newcomer settlement time and the government's investments in economic growth mean weakness in GDP per capita is mainly temporary, not systemic. Budget 2024 is the next step in the government's economic plan to address structural challenges, particularly boosting productivity growth and investment and increasing GDP per capita.

Budget 2024 builds on the government's ongoing efforts to accelerate productivity growth, unlock innovation, increase investment, and help businesses of all sizes grow. Investments today will power the world of tomorrow, accelerate the transition to a net-zero economy, and increase incomes and productivity.

In 2017, Canada was the first country in the world to develop a national artificial intelligence (AI) strategy, and through additional complementary government programming, has invested more than $2 billion to ensure Canada is a global AI leader for generations. The national AI strategy and investments in emerging and high-impact technologies will help ensure Canada's strategic research capabilities are at the cutting edge—paving the way for strengthening Canada's productivity. This will help create the good jobs of tomorrow for Canadians and ensure that Canada is a place where young leaders with innovative ideas know that they can succeed.

Chart 15

Employment Rate of Immigrants to Canada

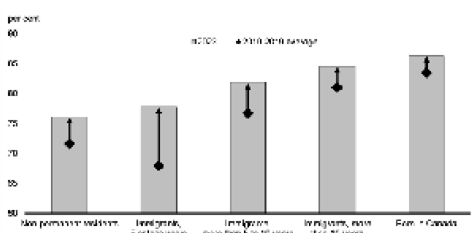
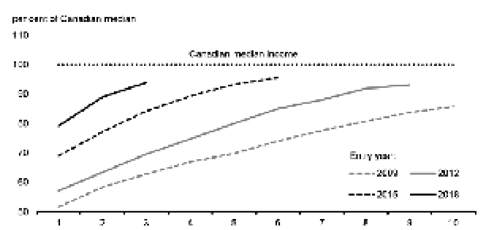


Chart 16

Median Income of Immigration Cohorts to Canada



Note: Includes economic immigrants, refugees, and family immigration.

Sources: Statistics Canada; Department of Finance Canada calculations.

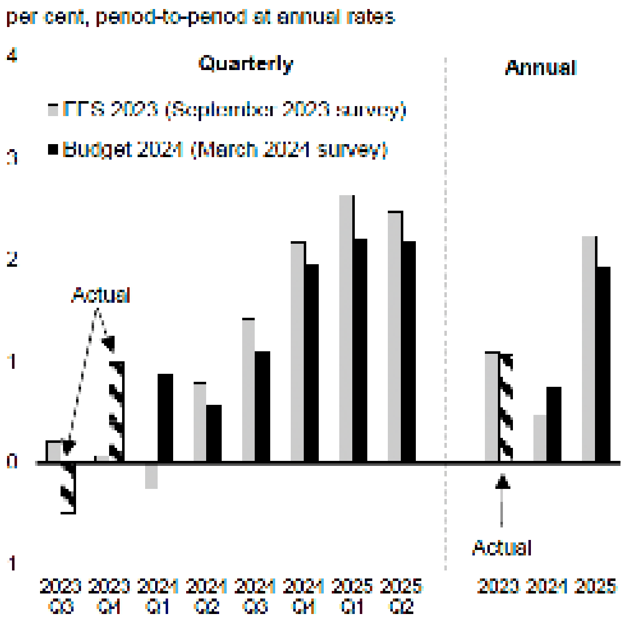
Budget 2024 builds on the government's ongoing efforts to accelerate productivity growth, unlock innovation, increase investment, and help businesses of all sizes grow. Investments today will power the world of tomorrow, accelerate the transition to a net-zero economy, and increase incomes and productivity.

In 2017, Canada was the first country in the world to develop a national artificial intelligence (AI) strategy, and through additional complementary government programming, has invested more than $2 billion to ensure Canada is a global AI leader for generations. The national AI strategy and investments in emerging and high-impact technologies will help ensure Canada's strategic research capabilities are at the cutting edge—paving the way for strengthening Canada's productivity. This will help create the good jobs of tomorrow for Canadians and ensure that Canada is a place where young leaders with innovative ideas know that they can succeed.

Budget 2024 Will Drive Productivity and Growth	
In the face of fundamental economic changes, including a realignment of global trade and a rapidly evolving digital economy, the need to strengthen Canada's productivity growth has never been greater. The government is taking action to attract business investment, cut regulatory red tape, and attract investment in the net-zero economy. These efforts are underpinned by providing businesses with the certainty they need to invest in Canada. This will grow our productivity and economy while creating more good-paying jobs for Canadians. Critical growth and productivity-boosting measures in Budget 2024 include:	
Boosting Research, Innovation, and Productivity	• $2.4 billion to support access to computing power and investment in Canada's computing infrastructure to ensure Canadian researchers, AI start-ups, and scale-ups have the necessary resources to grow in Canada. These investments would also support AI adoption, safety, and skills training. • $3.5 billion in strategic research infrastructure and federal research support to ensure Canada's researchers can reach their potential, strengthen Canada's fundamental research capacity, and develop a new generation of talent. • Increasing financial support for graduate students and post-doctoral researchers and developing ways to help researchers obtain jobs with businesses that need specialized talent to ensure Canada's top science talents play a critical role in shaping Canada's research and industrial capacity for years to come. • Reviewing ways to modernize the Scientific Research & Experimental Development tax incentives and further capitalizing the program with $600 million over four years and $150 million annually ongoing to boost research and innovation.
Growing a Clean Economy for the Net-Zero Future	• Delivering critical components of the government's $160 billion investment in clean growth measures announced in 2015. These investments will help reduce the costs of technologies that will enable the transition to net-zero emissions and ensure Canada remains competitive. • Delivering, by the end of this year, major economic investment tax credits to attract private investment, create more jobs, and drive Canada's economy towards net zero by 2050. Budget 2024 also announces expanded eligibility for the Clean Technology Manufacturing investment tax credit, allowing more businesses to benefit. • A new electric vehicle (EV) supply chain investment tax credit will support the EV supply chain and secure the future of Canada's automotive industry. • New investments to grow Canada's biofuels sector can be used to decarbonize heavy industry and heavy transportation like marine, aviation, and rail. • Extending for an additional year of collaboration with our largest trading partner through the Canada-U.S. Energy Transformation Task Force, which is bolstering critical mineral and nuclear energy supply chain integration. • A series of new actions to get significant projects built faster by clarifying and reducing timelines for approvals.

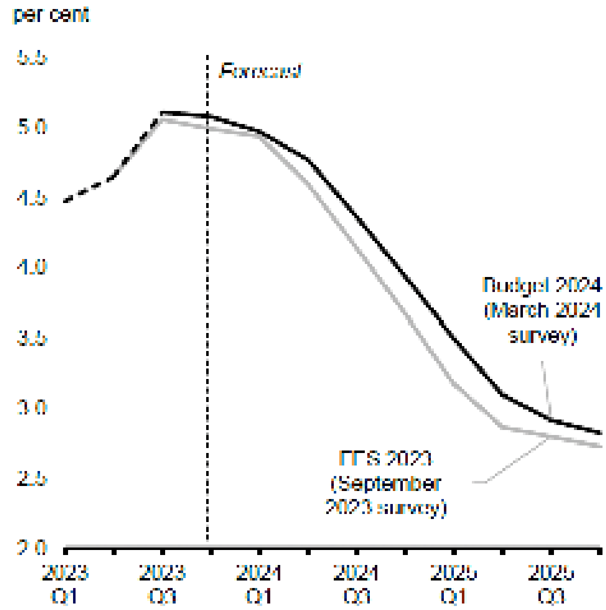
Helping Businesses Scale-Up	• $725 million to support growing businesses by allowing businesses to immediately write off the total cost of specified productivity-enhancing assets critical for certain companies to succeed. • The new Canadian Entrepreneurs' Incentive provides a tax break for entrepreneurs, ensuring they benefit from the fruits of their hard work while facing lower tax burdens. • Encouraging Canadian pension funds to invest in Canada by launching a working group chaired by Stephen Poloz (former Governor of the Bank of Canada) and supported by the Deputy Prime Minister and Minister of Finance to find more opportunities for Canada's most significant pension funds to drive economic growth at home. • Putting the capital of financial Crown corporations to work more efficiently and ensuring they better address market gaps by taking on more risk, including additional support for new and high-growth businesses, emerging sectors, and under-financed equity-deserving groups.
Cutting Red Tape to Boost Innovation and Business Growth	• Advancing work on regulatory "sandboxes" to help create temporary agile rules and approaches that allow businesses to reach their full potential instead of holding them back. • Addressing internal trade barriers, including through regulatory harmonization, in collaboration with provinces and territories, to cut the red tape holding back trade between provinces and territories to ensure Canada can reach its full economic potential. • Ensuring everyone in Canada can fully contribute by working with provinces and territories to reduce barriers for internationally educated and certified professionals and tradespeople, particularly in the health care and construction sectors.
Inclusive Growth with Opportunities for Everyone	• Renewed support for the Aboriginal Entrepreneurship Program. • Up to $5 billion in loan guarantees for natural resource and energy projects will be made available to Indigenous communities to provide successful applicants with access to affordable capital, create economic opportunities, and support their economic development priorities. • Investing to create more opportunities for youth to pursue entrepreneurial goals while renewing the support for innovation-driven growth across all regions in Canada
Responsible Macroeconomic Management	• Attracting business investment by maintaining the lowest marginal effective tax rate (METR) in the G7, at an advantage of 5.2 percentage points compared to the United States and below the OECD average. Canada's manufacturing sector is remarkably competitive at 7.5 percent—an advantage of 14.3 percentage points over the United States. • Adopting a fiscal strategy that complements rather than contradicts monetary policy as inflation continues its decline from its June 2022 peak of 8.1 percent to 2.8 percent in February 2024. • Delivering on the commitment to refocus $15.8 billion over five years and $4.8 billion ongoing government spending on the programs and services that matter most to Canadians. • Maintaining declining debt- and deficit-to-GDP ratios to keep federal debt servicing charges as low as possible during elevated interest rates.

Chart 17
Real GDP Growth Projections



Sources: Statistics Canada; Department of Finance Canada September 2023 and March 2024 surveys of private sector economists.

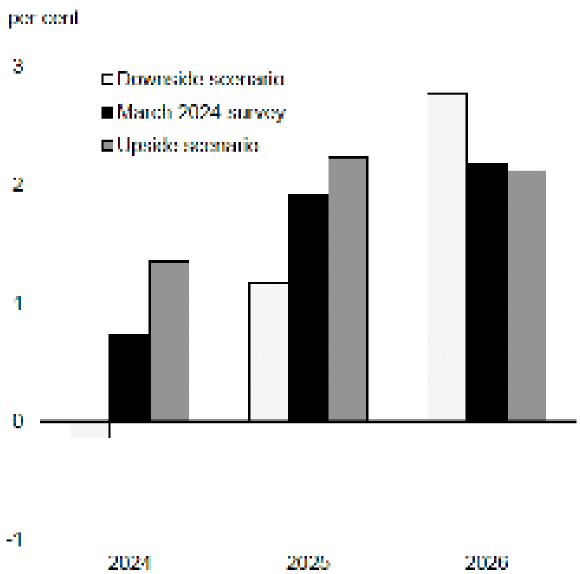
Chart 18
Short-Term Interest Rates Outlook



Sources: Statistics Canada; Department of Finance Canada September 2023 and March 2024 surveys of private sector economists.

Chart 19

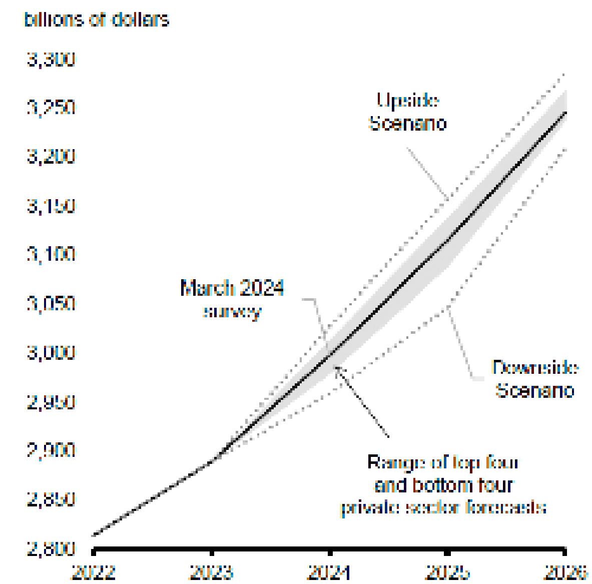
Real GDP Growth



Sources: Department of Finance Canada March 2024 survey of private sector economists; Department of Finance Canada calculations.

Chart 20

Nominal GDP Level



Sources: Department of Finance Canada March 2024 survey of private sector economists; Department of Finance Canada calculations.

Table 1
Economic and Fiscal Developments, Policy Actions and Measures
billions of dollars

			Projection			
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Budgetary balance – *2023 Fall Economic Statement* (FES 2023)	**-40.0**	**-38.4**	**-38.3**	**-27.1**	**-23.8**	**-18.4**
Economic and fiscal developments since FES 2023	3.4	3.9	6.9	6.5	4.1	4.3
Budgetary balance before policy actions and measures	**-36.7**	**-34.5**	**-31.3**	**-20.6**	**-19.7**	**-14.1**
Policy actions since FES 2023	3.3	0.3	0.3	0.3	0.9	0.7
Budget 2024 measures (by chapter)						
1. More Affordable Homes	0.0	-1.0	-1.6	-2.0	-2.1	-1.9
2. Lifting Up Every Generation	0.0	-1.4	-2.0	-2.0	-2.3	-2.7
3. Lowering Everyday Costs	0.0	-0.1	0.0	0.0	0.0	0.0
4. Economic Growth for Every Generation	0.0	-2.9	-0.5	-1.7	-0.8	-1.7
5. Safer, Healthier Communities	0.0	-2.4	-1.7	-0.9	-0.7	-0.7
6. A Fair Future for Indigenous Peoples	-0.1	-3.0	-2.7	-1.6	-1.0	-0.8
7. Protecting Canadians and Defending Democracy	0.0	-0.8	-2.4	-2.5	-2.7	-2.3
8. Tax Fairness for Every Generation	0.0	6.5	3.0	0.3	3.5	4.3
Total – Policy actions since FES 2023 and Budget 2024 measures	**-3.3**	**-5.3**	**-7.5**	**-10.1**	**-7.1**	**-5.9**
Budgetary balance	**-40.0**	**-39.8**	**-38.9**	**-30.8**	**-26.8**	**-20.0**
Budgetary balance (per cent of GDP)	1.4	1.3	1.2	0.9	0.8	0.5
Federal debt (per cent of GDP)	42.1	41.9	41.5	40.8	40.0	39.0
Budgetary balance - upside scenario	***-38.4***	***-33.5***	***-31.2***	***-23.2***	***-20.2***	***-13.2***
Budgetary balance (per cent of GDP)	*-1.3*	*-1.1*	*-1.0*	*-0.7*	*-0.6*	*-0.4*
Federal debt (per cent of GDP)	*42.0*	*41.2*	*40.5*	*39.6*	*38.7*	*37.6*
Budgetary balance - downside scenario	***-40.4***	***-48.0***	***-52.1***	***-39.2***	***-32.3***	***-24.7***
Budgetary balance (per cent of GDP)	*-1.4*	*-1.6*	*-1.7*	*-1.2*	*-1.0*	*-0.7*
Federal debt (per cent of GDP)	*42.1*	*42.7*	*43.2*	*42.2*	*41.2*	*40.2*
Budgetary balance - FES 2023	***-40.0***	***-38.4***	***-38.3***	***-27.1***	***-23.8***	***-18.4***
Budgetary balance (per cent of GDP)	*-1.4*	*-1.3*	*-1.2*	*-0.8*	*-0.7*	*-0.5*
Federal debt (per cent of GDP)	*42.4*	*42.7*	*42.2*	*41.2*	*40.2*	*39.1*

Note: Totals may not add due to rounding.

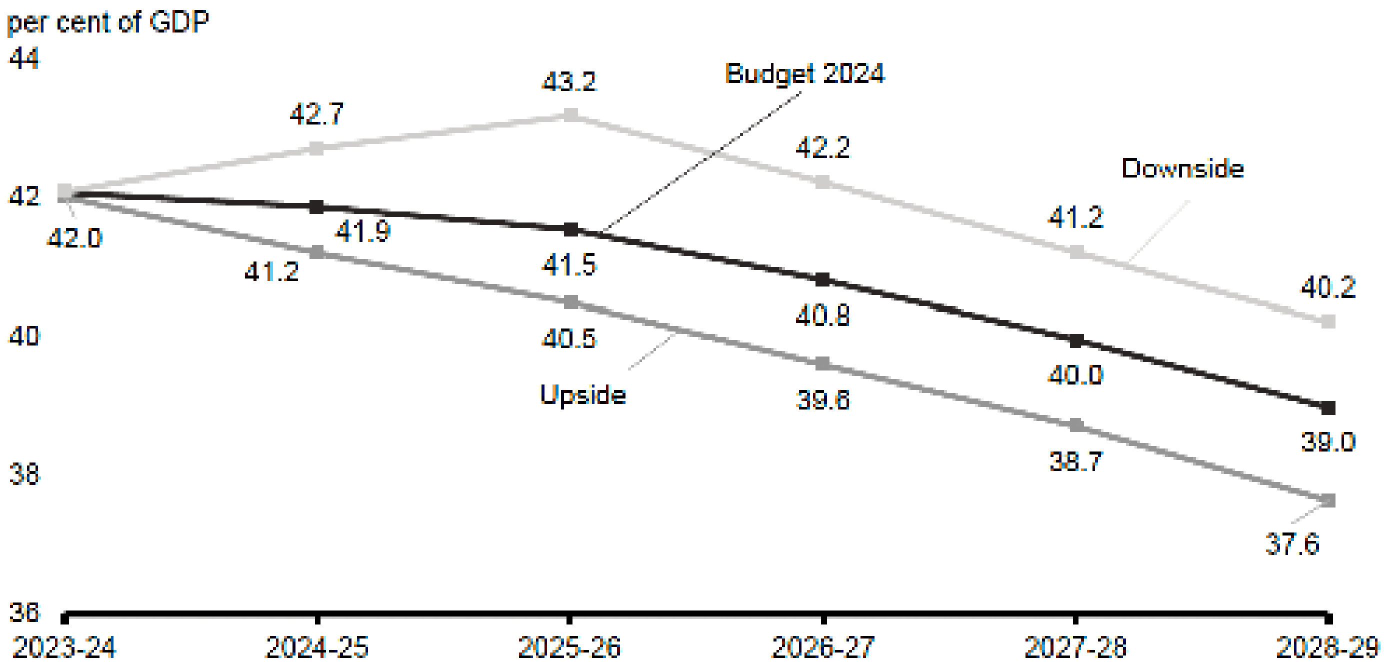
Alternative Economic Scenarios Analysis

In the upside scenario, the budgetary balance would improve by an average of approximately $6.1 billion per year, and the federal debt-to-GDP ratio would fall to 41.2 percent in 2024-25 from 42.0 percent in 2023-24 and be 1.4 percentage points lower than the Budget 2024 outlook in 2028-29 (Chart 21).

In the downside scenario, the budgetary balance would deteriorate by approximately $6.6 billion annually and add 1.2 percentage points to the federal debt-to-GDP ratio by 2028-29. That said, even under the downside scenario, the deficit would remain below 1 percent of GDP by the end of the forecast horizon, and the federal debt-to-GDP ratio would still be lower in 2028-29 than it is today.

Chart 21

Federal Debt-to-GDP Ratio Under Economic Scenarios



Sources: Department of Finance Canada March 2024 survey of private sector economists; Department of Finance Canada calculations.

Maintaining Canada's Responsible Fiscal Anchor

The government has taken action to ensure those with the greatest means pay for necessary new investments. This has enabled the government to maintain its commitment to its fiscal objectives and achieve its fiscal anchor to reduce the federal debt-to-GDP ratio over the medium-term. This metric is critical for budgetary sustainability and preserving Canada's AAA credit rating, which helps maintain investors' confidence and keeps Canada's borrowing costs as low as possible. Fiscal prudence supports a macroeconomic environment where the Bank of Canada can reduce interest rates as soon as possible.

The government's fiscal objectives, as outlined in the 2023 Fall Economic Statement, guided decision making for Budget 2024:

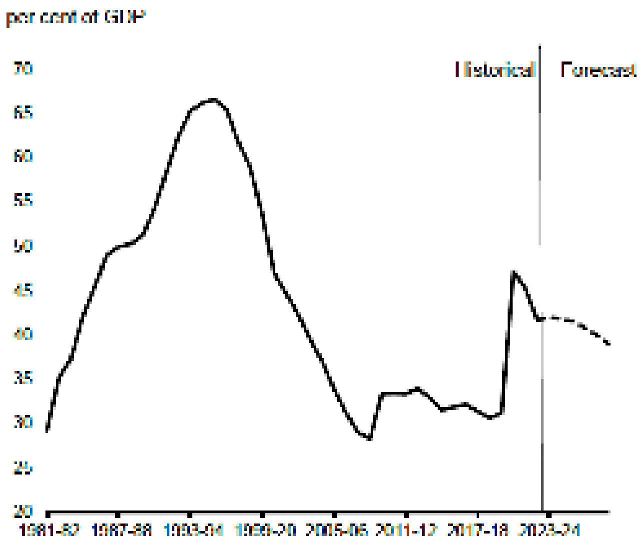
- Maintaining the 2023-24 deficit at or below the Budget 2023 projection of $40.1 billion.
- Lowering the debt-to-GDP ratio in 2024-25, relative to the 2023 Fall Economic Statement, and keeping it on a declining track after that.

- Maintaining a declining deficit-to-GDP ratio in 2024-25 and keeping deficits below 1 percent in 2026-27 and future years.

Budget 2024 is consistent with the government's fiscal anchor and these fiscal objectives. Notably, Budget 2024 surpasses the government's debt-to-GDP fiscal objective, forecasting a significant fall from 2023-24 and onwards. Budget 2024 projects that, in 2024-25, the debt-to-GDP ratio will be 41.9 percent before declining to 39.0 percent over the five-year forecast horizon.

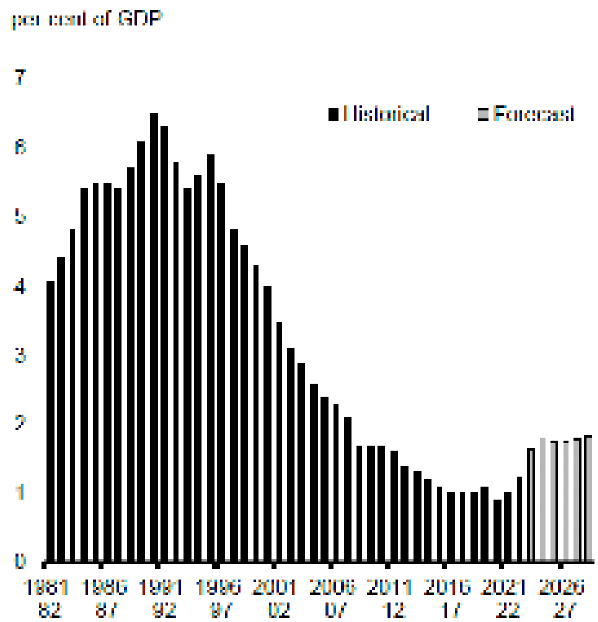
As part of its responsible economic plan, the government will keep deficits below 1 percent of GDP beginning in 2026-27 and future years.

Chart 22
Federal Debt



Source: Department of Finance Canada.

Chart 23
Public Debt Charges



Source: Department of Finance Canada.

Preserving Canada's Fiscal Advantage

The fiscal objectives announced in the 2023 Fall Economic Statement reinforced the budgetary anchor of a declining federal debt-to-GDP ratio over the medium term, further underscoring the government's commitment to long-term fiscal strength. In particular, and as discussed in more detail in Annex 1, the fiscal objective of keeping deficits below 1 percent of GDP, beginning in 2026-27, provides additional insurance that public finances remain strong beyond the medium term as Canada adapts to an aging population, the impacts of climate change, and the transition to net-zero.

Budget 2024's forecast upholds these fiscal objectives, with the federal debt-to-GDP ratio declining in 2024-25 and the remainder of the estimates and deficit-to-GDP ratios below 1 percent of GDP starting in 2026-27.

Modelling scenarios based on reasonable economic and demographic assumptions show the federal debt-to-GDP ratio (Chart 24) and the public debt charges-to-GDP ratio (Chart 25) declining over the entire long-term projection horizon from 2029-30 to 2055-56. Despite adverse demographic trends, including an aging population, this assumed moderate future productivity growth rates and higher borrowing costs. A sensitivity analysis of these long-term fiscal projections also indicates that fiscal sustainability would be preserved under the downside scenario (see Annex 1 for details).

Chart 24
Federal Debt

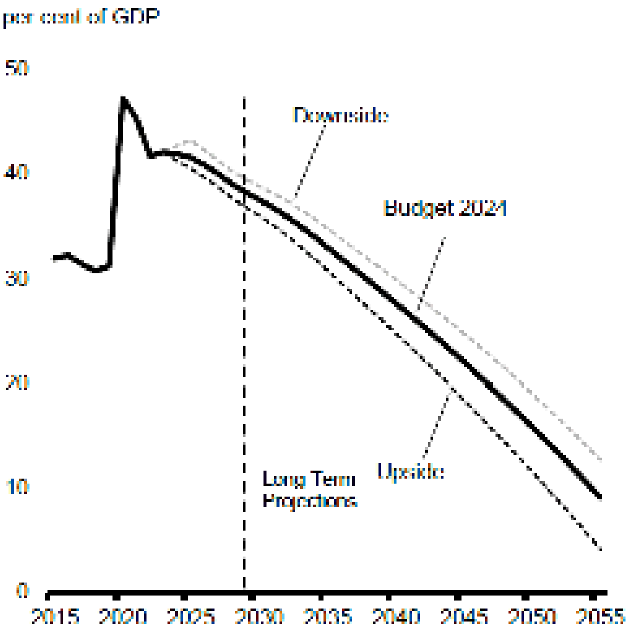
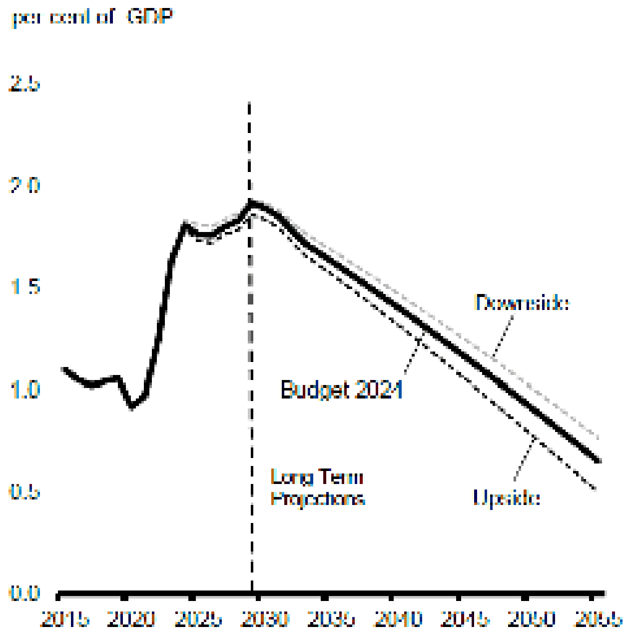


Chart 25
Public Debt Charges



Notes: While based on reasonable assumptions, these long term projections should not be viewed as forecasts. Notably, these projections do not reflect all potential economic and fiscal impacts of the global economic evolutions that Canada will have to navigate over the coming decades, nor do they fully reflect positive impacts that can be expected to result from the foundational investments made by the government up to now. Details and sensitivity analysis around these long-term projections are presented in Annex 1.

Sources: Statistics Canada; Department of Finance Canada.

International Comparisons

Canada's net debt as a share of the economy remains lower today than in any other G7 country—an advantage that Canada is expected to maintain (Chart 26). Canada's responsible economic plan has also delivered the fastest fiscal consolidation in the G7 since the depths of the pandemic, resulting in Canada having the smallest net debt and deficit in the G7 as a share of the economy over the current and next two years (Chart 27).

By meeting the additional fiscal objectives introduced in the 2023 Fall Economic Statement, Budget 2024 maintains a long Canadian tradition of fiscal responsibility, which is a pillar of Canada's excellent credit ratings from Moody's (Aaa), S&P (AAA), Fitch (AA+), as well as DBRS Morningstar (AAA). Along with Germany, Canada is one of only two G7 economies to have a AAA rating from at least two of the three major global credit rating agencies.

Chart 26

IMF General Government Net Debt Projections, G7 Economies

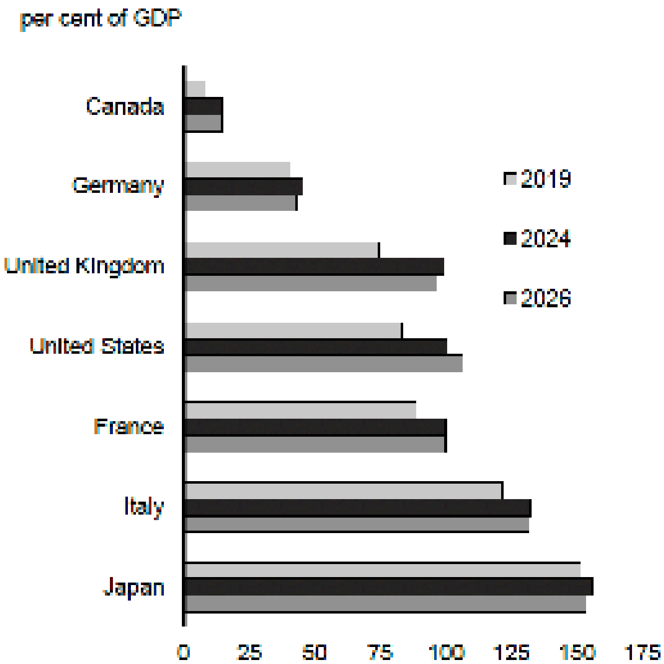
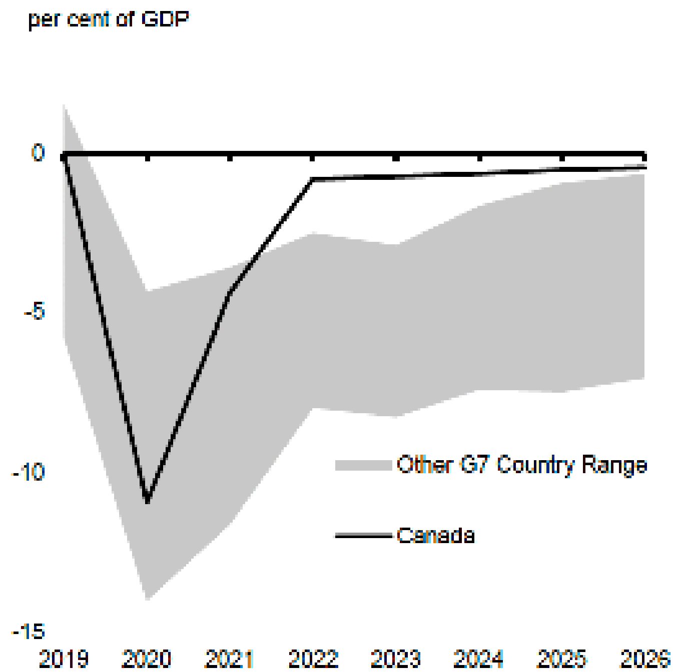


Chart 27

IMF General Government Budgetary Balance Projections, G7 Economies



Notes: The internationally comparable definition of "general government" includes the central, state, and local orders of government, as well as social security funds. For Canada, this includes the federal, provincial/territorial, and local and Indigenous government sectors, as well as the Canada Pension Plan and the Quebec Pension Plan.

Source: International Monetary Fund, October 2023 *Fiscal Monitor*.

Economic Growth for Every Generation

To ensure every Canadian succeeds in the 21st century, we must grow our economy to be more innovative and productive. One where every Canadian can reach their full potential, where every entrepreneur has the tools they need to grow their business, and where hard work pays off. Building the economy of the future is about creating jobs: jobs in the knowledge economy, jobs in manufacturing, jobs in mining and forestry, jobs in the trades, jobs in clean energy, and jobs across the economy in all regions of the country.

To do this, the government's economic plan is to invest in technologies, incentives, and support critical to increasing productivity, fostering innovation, and attracting more private investment to Canada. This is how we'll build an economy that unlocks new pathways for every generation to earn their fair share.

The government is targeting investments to make sure Canada continues to lead in the economy of the future, and these are already generating stronger growth and meaningful new job opportunities for Canadians. New jobs—from construction to manufacturing to engineering—in clean technology, clean energy, and innovation are just the start.

All of this, helping to attract further investment to create more opportunities, will raise Canada's productivity and competitiveness. This will create more good jobs and, in turn, increase the living standards of all Canadians.

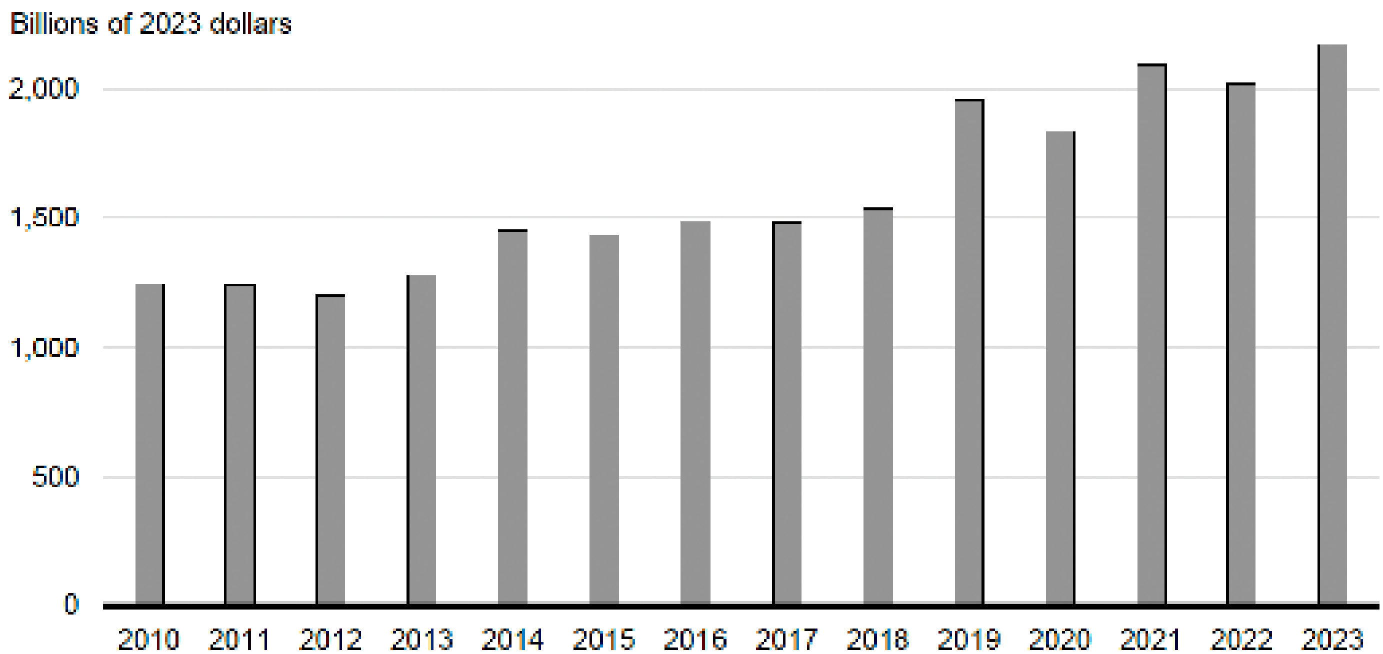
We are at a pivotal moment where we can choose to renew and redouble our investments in the economy of the future, to build an economy that is more productive and more competitive—or risk leaving an entire generation behind. We will not make that mistake. We owe it to our businesses, innovators, and, most of all, to the upcoming generations of workers who ensure the Canadian economy is positioned to thrive in a changing world.

Canada has the best-educated workforce in the world. We are making investments to ensure every generation of workers has the skills the job market and the global economy are looking for—and this will help us attract private investment to grow the economy (Chart 4.1). Building on our talented workforce, we are delivering, on a priority basis, our $93 billion suite of major economic investment tax credits to drive growth, secure the future of Canadian businesses in Canada, and create good jobs for generations to come.

In the first three quarters of 2023, Canada had the highest per capita foreign direct investment (FDI) level among G7 countries and ranked third globally in total FDI after the U.S. and Brazil (Chart 4.2).

Chart 4.1

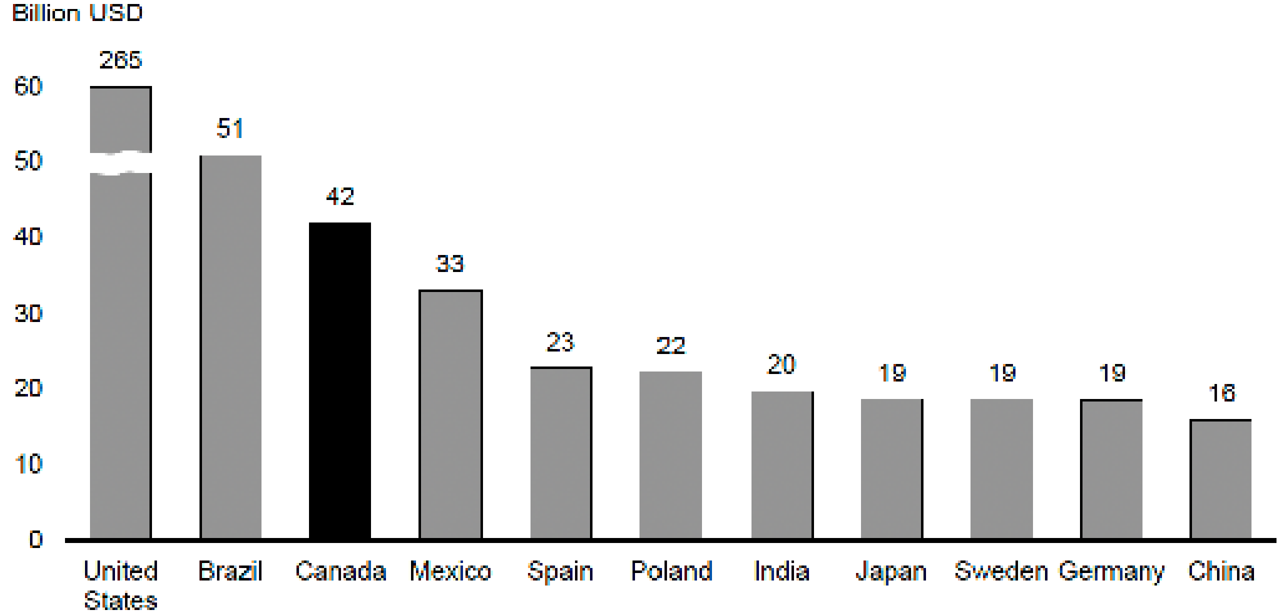
Stock of Foreign Direct Investment into Canada



Source: Statistics Canada; Department of Finance Canada Calculations.
Note: GDP deflator is used to express values in 2023 dollars.

Chart 4.2

Canada Attracted the Third Most Foreign Direct Investment in 2023

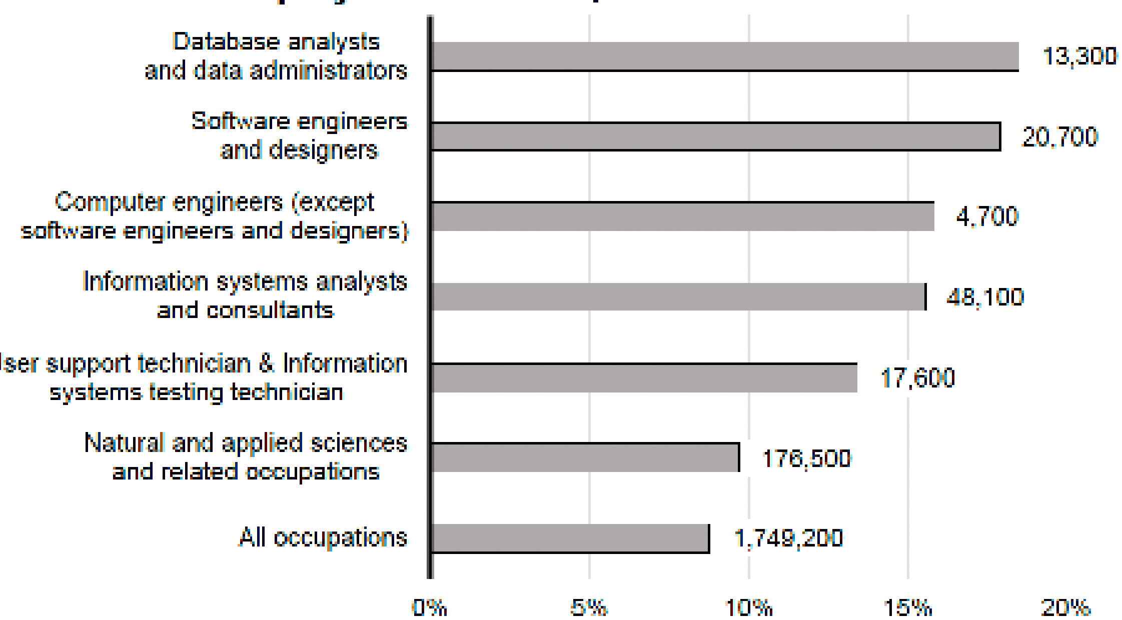


Source: Organisation for Economic Co-operation and Development.

Note: Accumulated FDI inflows between 2023Q1 and 2023Q3.

Chart 4.3

Projected Skilled Employment Growth, 2023-2031



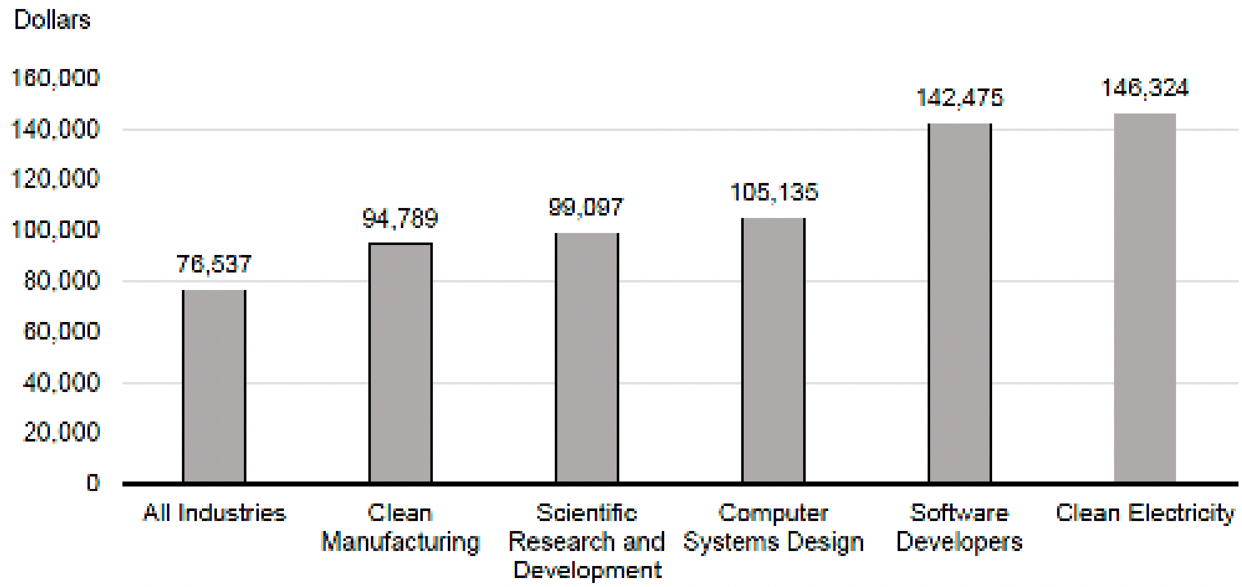
Source: Employment and Social Development Canada (ESDC); Department of Finance Canada calculations.

Note: Per cent and absolute change. Projections are based on Canadian Occupational Projection System modelling by ESDC. Bars show the per cent change in employment for the five fastest growing occupations within the "natural and applied sciences and related occupations" between 2023 and 2031, excluding Landscape and horticulture technicians and specialists. Absolute changes are shown at the end of each bar.

The Canadian economy is adding new, high-paying jobs in high-growth sectors, like clean tech, clean electricity, and scientific research and development (Chart 4.4). Budget 2024 will continue this momentum by making strategic investments that create opportunities for workers today—driving productivity and economic growth for future generations.

Chart 4.4

Average Annual Wages in Select Industries, 2022



Source: Statistics Canada; Department of Finance Canada calculations.

Note: Worker compensation in All Industries, Scientific Research and Development, Computer Systems Design, and Software Developers is derived by dividing total compensation to paid workers in the industry by the number of paid worker jobs in the industry.

Boosting Research, Innovation, and Productivity

Canada's skilled hands and brilliant minds are our greatest resource. Capitalizing on their ideas, innovations, and hard work is essential to keeping our place at the forefront of the world's advanced economies. Our world-class innovators, entrepreneurs, scientists, and researchers are solving today's most pressing challenges, and their discoveries help launch tomorrow's businesses.

Canadian researchers, entrepreneurs, and companies drive this progress—from scientific discovery to bringing new solutions to the market. They also train and hire younger Canadians to become the next innovators. New investments to boost research and innovation, including enhancing support for graduate students and post-doctoral fellows, will ensure Canada remains a world leader in science and new technologies, like artificial intelligence.

By making strategic investments today in innovation and research and supporting the recruitment and development of talent in Canada, we can ensure Canada is a world leader in new technologies for the next generation. This will, in turn, drive innovation, growth, and productivity across the economy.

Key Ongoing Actions

- More than $16 billion has been committed since 2016 to supporting scientific discovery, developing Canadian research talent, and attracting top researchers from around the planet to make Canada their home base for their essential work.
- Supporting critical emerging sectors through initiatives like the Pan-Canadian Artificial Intelligence Strategy, the National Quantum Strategy, the Pan-Canadian Genomics Strategy, and the Biomanufacturing and Life Sciences Strategy.
- Nearly $2 billion will fuel Canada's Global Innovation Clusters, which will grow these innovation ecosystems, promote commercialization, support intellectual property creation and retention, and scale Canadian businesses.
- Investing $3.5 billion in the Sustainable Canadian Agricultural Partnership to strengthen the innovation, competitiveness, and resiliency of the agriculture and agri-food sector.
- Flowing up to $333 million over the next decade to support dairy sector investments in research, product and market development, and processing capacity for non-fat solids, thus increasing its competitiveness and productivity.

Strengthening Canada's AI Advantage

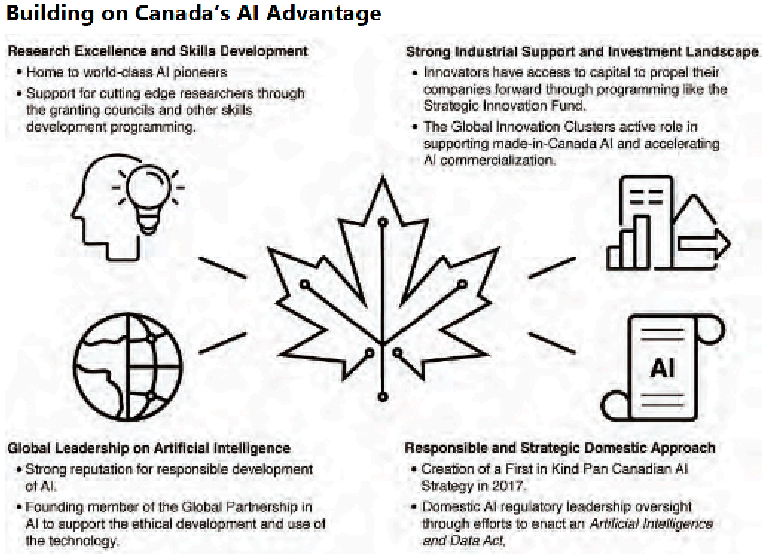
Canada's artificial intelligence (AI) ecosystem is among the best in the world. Since 2017, the government has invested over $2 billion in AI in Canada. Fuelled by those investments, Canada is globally recognized for its strong AI talent, research, and sector.

Today, Canada's AI sector is ranked first in the world for the growth of women in AI and first in the G7 for the year-over-year increase of AI talent. Every year since 2019, Canada has published the most AI-related papers, per capita, in the G7. Our AI firms are filing patents at three times the average rate in the G7, attracting nearly a third of all venture capital in Canada. In 2022-23, there were over 140,000 actively engaged AI professionals in Canada, an increase of 29 percent compared to the previous year. These are just a few of Canada's competitive advantages in AI, and we are aiming even higher.

To secure Canada's AI advantage, the government has already:

- Established the first national AI strategy in the world through the Pan-Canadian Artificial Intelligence Strategy;
- Supported access to advanced computing capacity, including through the recent signing of a letter of intent with NVIDIA and a Memorandum of Understanding with the U.K. government; and,
- Scaled up Canadian AI firms through the Strategic Innovation Fund and Global Innovation Clusters program.

Figure 4.1
Building on Canada's AI Advantage



AI is a transformative economic opportunity for Canada, and the government is committed to doing more to support our world-class research community, launch Canadian AI businesses, and help them scale up to meet the demands of the global economy. The processing capacity required by AI is accelerating an international push for the latest technology and computing infrastructure.

Currently, most computing capacity is located in other countries. Challenges in accessing computing power slow down AI research and innovation and expose Canadian firms to a reliance on privately owned computing outside of Canada. This comes with dependencies and security risks, a barrier holding back our AI firms and researchers.

We need to break those barriers to stay competitive in the global AI race and ensure workers benefit from the higher wages of AI transformations; we must secure Canada's AI advantage. We also need to provide workers who fear their jobs may be negatively impacted by AI with the tools and skills training required for a changing economy.

To secure Canada's AI advantage, Budget 2024 announces a monumental increase in targeted AI support of $2.4 billion, including:

- $2 billion over five years, starting in 2024-25, to launch a new AI Compute Access Fund and Canadian AI Sovereign Compute Strategy to help Canadian researchers, start-ups, and scale-up businesses access the computational power they need to compete and help catalyze the development of Canadian-owned and located AI infrastructure.
- $200 million over five years, starting in 2024-25, to boost AI start-ups to bring new technologies to market and accelerate AI adoption in critical sectors, such as agriculture, clean technology, health care, and manufacturing. This support will be delivered through Canada's Regional Development Agencies.
- $100 million over five years, starting in 2024-25, for the National Research Council's AI Assist Program to help Canadian small- and medium-sized businesses and innovators build and deploy new AI solutions, potentially in coordination with major firms, to increase productivity nationwide.
- $50 million over four years, starting in 2025-26, to support workers who may be impacted by AI, such as creative industries. This support will be delivered through the Sectoral Workforce Solutions Program, providing new skills training for workers in potentially disrupted sectors and communities.

The government will work with industry partners and research institutes to swiftly implement AI investment initiatives, fostering collaboration and innovation across sectors to accelerate technological advancement.

Safe and Responsible Use of AI

AI has tremendous economic potential, but as with all technology, it presents essential considerations to ensure its safe development and implementation. Canada is a global leader in responsible AI and supports an AI ecosystem that promotes responsible use of technology. From development through to implementation and beyond, the government is taking action to protect Canadians from the potentially harmful impacts of AI.

The government is committed to guiding AI innovation positively and encouraging the responsible adoption of AI technologies by Canadians and Canadian businesses.

To bolster efforts to ensure the responsible use of AI:

Budget 2024 proposes to provide $50 million over five years, starting in 2024-25, to create an AI Safety Institute of Canada to ensure AI's safe development and deployment. The AI Safety Institute will help Canada better understand and protect against the risks of advanced and generative AI systems. The government will engage with stakeholders and international partners with competitive AI policies to inform the final design and stand-up of the AI Safety Institute.

Budget 2024 also proposes to provide $5.1 million in 2025-26 to equip the AI and Data Commissioner Office with the necessary resources to begin enforcing the proposed Artificial Intelligence and Data Act.

Budget 2024 proposes $3.5 million over two years, starting in 2024-25, to advance Canada's leadership role with the Global Partnership on Artificial Intelligence, securing Canada's leadership on the global stage when it comes to reaching responsible development, governance, and use of AI technologies internationally.

Using AI to Keep Canadians Safe

AI has shown incredible potential to toughen up security systems, including screening protocols for air cargo. Since 2012, Transport Canada has been testing innovative approaches to ensure that air cargo entering Canada is safe and protected against terrorist attacks. This included launching a pilot project to screen 10 to 15 percent of air cargo bound for Canada and developing an artificial intelligence system for air cargo screening.

- Budget 2024 proposes to provide $6.7 million over five years, starting in 2024-25, to Transport Canada to establish the Pre-Load Air Cargo Targeting Program to screen 100 percent of air cargo bound for Canada. This program, powered by cutting-edge artificial intelligence, will increase security and efficiency and align Canada's air security regime with its international partners.

Incentivizing More Innovation and Productivity

Businesses that invest in cutting-edge technologies are a crucial driver of Canada's economic growth. When businesses invest in technology—from developing new patents to implementing new IT systems—it helps ensure Canadian workers use their skills and knowledge, improves workplaces, and maximizes our workers' potential and Canada's economic growth.

The government wants to encourage Canadian businesses to invest in tangible and intangible capital that will help them boost productivity and compete productively in tomorrow's economy.

- To incentivize investment in innovation-enabling and productivity-enhancing assets, Budget 2024 proposes to allow businesses to write off the total cost of investments in patents, data network infrastructure equipment, computers, and other data processing equipment immediately. Eligible investments must be acquired and used on or after Budget Day and before January 1, 2027, as specified in the relevant capital cost allowance classes. The cost of this measure is estimated at $725 million over five years, starting in 2024-25.

Boosting R&D and Intellectual Property Retention

Research and development (R&D) are crucial to productivity and growth. Made-in-Canada innovations increase our gross domestic product (GDP) per capita, create good-paying jobs, and secure Canada's position as a world leader in advanced economies.

To modernize and improve the Scientific Research and Experimental Development (SR&ED) tax incentives, the federal government launched consultations on January 31, 2024, to explore cost-neutral ways to enhance the program to support innovative businesses and drive economic growth. In these consultations, which closed on April 15, 2024, the government asked Canadian researchers and innovators for ways to better deliver SR&ED support to small—and medium-sized Canadian businesses and enable the next generation of innovators to scale up, create jobs, and grow the economy.

Budget 2024 announces that the government is launching a second phase of consultations on more specific policy parameters to hear further views from businesses and industry on specific and technical reforms. This includes exploring how Canadian public companies could be eligible for the enhanced credit. Additional details on the consultation process will be released shortly on the Department of Finance Canada website.

Budget 2024 proposes to provide $600 million over four years, starting in 2025-26, with $150 million annually ongoing for future enhancements to the SR&ED program. The second phase of consultations will inform how this funding could be targeted to boost research and innovation.

On January 31, 2024, the government also launched consultations on creating a patent box regime to encourage the development and retention of intellectual property in Canada. The patent box consultation closed on April 15, 2024. Submissions received through this process are still under review and will help inform future government decisions regarding a patent box regime.

Enhancing Research Support

Since 2016, the federal government has committed more than $16 billion in research, including funding for the federal granting councils—the Natural Sciences and Engineering Research Council (NSERC), the Canadian Institutes of Health Research (CIHR), and the Social Sciences and Humanities Research Council (SSHRC).

This research support enables groundbreaking discoveries in climate change, health emergencies, artificial intelligence, and psychological health. These discoveries are critical in solving the world's most significant challenges, impacting generations.

Canada's granting councils already do excellent work within their areas of expertise, but more needs to be done to maximize their effect. The improvements we are making today, following extensive consultations, including with the Advisory Panel on the Federal Research Support System, will strengthen and modernize Canada's federal research support.

- To increase core research grant funding and support Canadian researchers, Budget 2024 proposes providing $1.8 billion over five years, starting in 2024-25, with $748.3 million annually ongoing to SSHRC, NSERC, and CIHR.
- Budget 2024 announces that the government will create a new capstone research funding organization to provide better coordination across the federally funded research ecosystem. The granting councils will continue to exist within this new organization and continue supporting excellence in investigator-driven research, including linkages with the Health portfolio. This new organization and structure will also help to advance internationally collaborative, multi-disciplinary, and mission-driven research. The government is delivering on the Advisory Panel's observation that more coordination is needed to maximize the impact of federal research support across Canada's research ecosystem.
- Budget 2024 also announces the government will create an advisory Council on Science and Innovation to help guide research priorities moving forward. This Council will comprise academic, industry, and not-for-profit leaders. It will be responsible for a national science and innovation strategy to guide priority setting and increase the impact of these significant federal investments.
- Budget 2024 also proposes to provide a further $26.9 million over five years, starting in 2024-25, with $26.6 million in remaining amortization and $6.6 million ongoing, to the granting councils to establish an improved and harmonized grant management system.

The government will also work with other key players in the research funding system—the provinces, territories, and Canadian industry—to ensure more substantial alignment and greater co-funding to address critical challenges, notably Canada's relatively low level of business R&D investment.

World-Leading Research Infrastructure

Modern research facilities and infrastructure are essential for Canadian research and science breakthroughs. These laboratories and research centres are where medical and other scientific breakthroughs are born, helping to solve real-world problems and create future economic opportunities. World-leading research facilities will attract and train the next generation of scientific talent. That's why, since 2015, the federal government has made unprecedented investments in science and technology, at an average of $13.6 billion per year, compared to the average from 2009-10 to 2015-16 of just $10.8 billion per year. But we can't stop here.

To advance the next generation of cutting-edge research, Budget 2024 proposes significant research and science infrastructure investments, including:

- $399.8 million over five years, starting in 2025-26, to support TRIUMF, Canada's sub-atomic physics research laboratory, located on the University of British Columbia's Vancouver campus. This investment will upgrade infrastructure at the world's largest cyclotron particle accelerator, positioning TRIUMF and the partnering Canadian research universities at the forefront of physics research and enabling new medical breakthroughs and treatments, from drug development to cancer therapy.

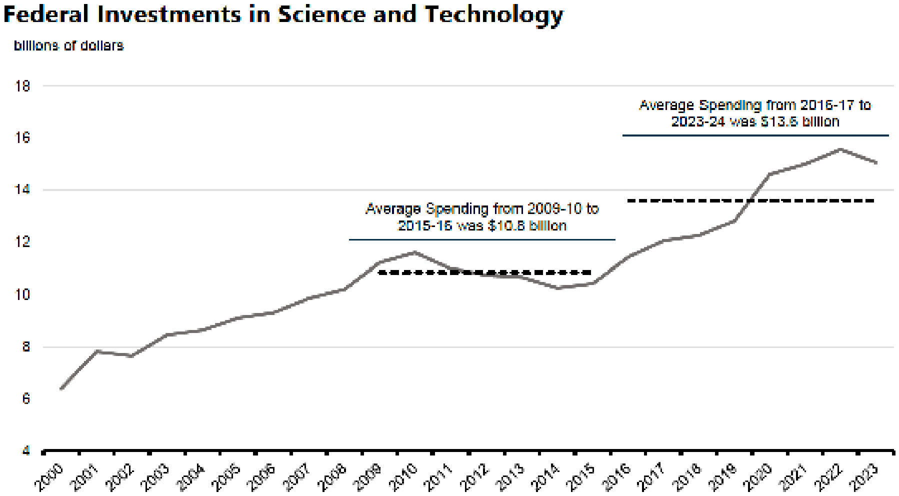
- $176 million over five years, starting in 2025-26, to CANARIE, a national not-for-profit organization that manages Canada's ultra high-speed network to connect researchers, educators, and innovators, including through eduroam. With network speeds hundreds of times faster and more secure than conventional home and office networks, this investment will ensure this critical infrastructure can connect researchers across Canada's world-leading post-secondary institutions.
- $83.5 million over three years, starting in 2026-27, to extend support to Canadian Light Source in Saskatoon. Funding will continue the important work at the only facility of its kind in Canada. A synchrotron light source allows scientists and researchers to examine the microscopic nature of matter. This specialized infrastructure contributes to breakthroughs in areas ranging from climate-resistant crop development to green mining processes.
- $45.5 million over five years, starting in 2024-25, to support the Arthur B. McDonald Canadian Astroparticle Physics Research Institute, a network of universities and institutes coordinating astroparticle physics expertise. Headquartered at Queen's University in Kingston, Ontario, the institute builds on the legacy of Dr. McDonald's 2015 Nobel Prize for his work on neutrino physics. These expert engineers, technicians, and scientists design, construct, and operate the experiments conducted in Canada's underground and underwater research infrastructure, where research into dark matter and other mysterious particles thrives. This supports clean technology and medical imaging innovation and educates and inspires the next wave of Canadian talent.
- $30 million over three years, starting in 2024-25, to support the completion of the University of Saskatchewan's Centre for Pandemic Research at the Vaccine and Infectious Disease Organization in Saskatoon. This investment will enable the study of high-risk pathogens to support vaccine and therapeutic development, a key pillar in Canada's Biomanufacturing and Life Sciences Strategy. Of this amount, $3 million would be sourced from the existing resources of Prairies Economic Development Canada.

These new investments build on existing federal research support:

- The Strategic Science Fund, which announced the results of its first competition in December 2023, providing support to 24 third-party science and research organizations starting in 2024-25;
- Canada recently concluded negotiations to be an associate member of Horizon Europe, which would enable Canadians to access a broader range of research opportunities under the European program starting this year and
- The government's steady increase in federal funding for extramural and intramural science and technology was 44 percent higher in 2023 relative to 2015.

Chart 4.5

Federal Investments in Science and Technology



Source: Statistics Canada, Table: 27-10-0005-01.
Note: Figures shown on a fiscal year basis.

Investing in Homegrown Research Talent

Canada's students and postgraduate researchers are tackling some of the world's biggest challenges. The solutions they devise have the potential to make the world a better place and drive Canadian prosperity. They are the future of Canadian academic and scientific excellence. If they get the support they need, they will create new innovative businesses, develop new ways to boost productivity and create jobs as they scale up companies.

To build a world-leading, innovative economy and improve our productive capacity, the hard work of top talent must pay off; we must incentivize our top talent to stay here.

Federal support for master's, doctoral, and post-doctoral students and fellows has created new research opportunities for the next generation of scientific talent. Opportunities to conduct world-leading research are critical for growing our economy. The global market for these ideas is highly competitive in the knowledge economy. We must ensure talented people have the right incentives to do groundbreaking research here in Canada.

To foster the next generation of research talent, Budget 2024 proposes to provide $825 million over five years, starting in 2024-25, with $199.8 million per year ongoing, to increase the annual value of master's and doctoral student scholarships to $27,000 and $40,000, respectively, and post-doctoral fellowships to $70,000. This will also increase the number of research scholarships and fellowships provided, building to approximately 1,720 more graduate students or fellows benefiting each year. The enhanced suite of scholarships and fellowship programs will be streamlined into one talent program to make it easier for students and fellows to access support.

To support Indigenous researchers and their communities, Budget 2024 also proposes to provide $30 million over three years, starting in 2024-25, to support Indigenous participation in research, with $10 million each for First Nation, Métis, and Inuit partners.

Figure 4.2
Enhanced Scholarships and Fellowships

	Current Programs Annual Award		New Talent Program Annual Award
Canada Graduate Scholarships – Master's	$17,500	**Master's →**	$27,000
SSHRC Doctoral Fellowships	$20,000		
NSERC Postgraduate Scholarships	$21,000		
CIHR Doctoral Foreign Study Award	$35,000	**Doctoral →**	$40,000
Canada Graduate Scholarships – Doctoral	$35,000		
Vanier Canada Graduate Scholarships	$50,000		
SSHRC Post doctoral Fellowships	$45,000		
NSERC Post-doctoral Fellowships	$45,000	**Post-doctoral →**	$70,000
CIHR Fellowship	$40,000 $60,000		
Banting Post doctoral Fellowships	$70,000		

Boosting Talent for Innovation

Advanced technology development is a highly competitive industry with a global race to attract talent and innovative businesses. Canada must compete to ensure our economy is at the forefront of global innovation.

To spur rapid growth in innovation across Canada's economy, the government is partnering with organizations that train the next generation of innovators. This will ensure innovative businesses have the talent to grow, create jobs at home, and drive Canada's economic growth.

Budget 2024 announces the government's intention to work with Talent for Innovation Canada to develop a pilot initiative to build an exceptional research and development workforce in Canada. This industry-led pilot will focus on attracting, training, and deploying top talent across four key sectors: bio-manufacturing, clean technology, electric vehicle manufacturing, microelectronics, and semiconductors.

Advancing Space Research and Exploration

Canada is a leader in cutting-edge innovation and technologies for space research and exploration. Our astronauts make significant contributions to international space exploration missions, and the government is investing in Canada's space research and exploration activities.

- Budget 2024 proposes to provide $8.6 million in 2024-25 to the Canadian Space Agency for the Lunar Exploration Accelerator Program to support Canada's world-class space industry and help accelerate the development of new technologies. This initiative empowers Canada to leverage space to solve everyday challenges, such as enhancing remote healthcare services and improving access to healthy food in remote communities while supporting Canada's human space flight program.
- Budget 2024 announces establishing a new whole-of-government approach to space exploration, technology development, and research. The new National Space Council will enable the level of collaboration required to secure Canada's future as a leader in the global space race, addressing cross-cutting issues that span commercial, civil, and defence domains. This will enable the government to leverage Canada's space industrial base with its world-class capabilities, workforce, and innovation and delivery track record.

Accelerating Clean Tech Intellectual Property Creation and Retention

Canadian clean technology companies are turning their ideas into the solutions the world seeks as it races towards net zero. Encouraging these innovative companies to maintain operations in Canada and retain ownership of their intellectual property secures the future of their workforce in Canada, helping the clean economy thrive in Canada.

As part of the government's National Intellectual Property Strategy, Innovation Asset Collective launched the patent collective pilot program in 2020. This pilot program helps innovative small- and medium-sized enterprises in the clean tech sector create and retain intellectual property.

- To ensure that small- and medium-sized clean tech businesses benefit from specialized intellectual property support to grow their businesses and leverage intellectual property, Budget 2024 proposes to provide $14.5 million over two years, starting in 2024-25, to Innovation, Science and Economic Development Canada for the Innovation Asset Collective.

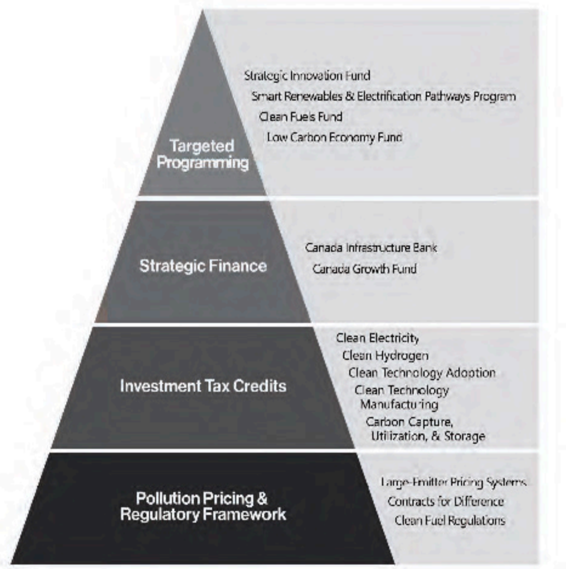
Attracting Investment for a Net-Zero Economy

In the 21st century, a competitive economy is a clean economy. There is no greater proof than the $2.4 trillion investment made worldwide last year in net-zero economies. Canada is at the forefront of the global race to attract investment and seize the opportunities of the clean economy, with the government announcing a net-zero economic plan that will invest over $160 billion. This includes an unprecedented suite of major economic investment tax credits, which will help attract investment through $93 billion in incentives by 2034-35.

The government's investments will attract more private investment, securing Canadian leadership in clean electricity and innovation and creating economic growth and more good-paying jobs across the country.

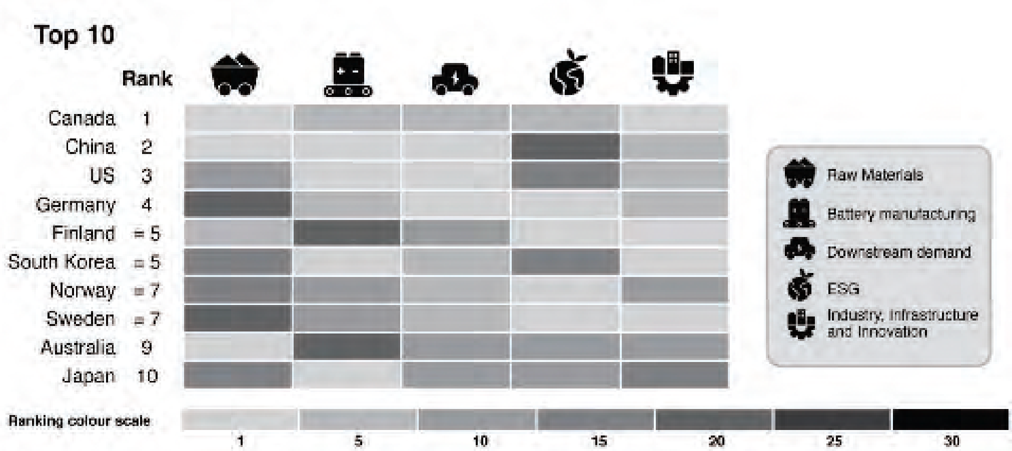
Investors at home and worldwide are taking notice of Canada's plan. In defiance of global economic headwinds, last year, public markets and private equity capital flows into Canada's net-zero economy grew—reaching $14 billion in 2023, according to RBC. This proves that Canada's investments drive new businesses to take shape, create good jobs, and ensure clean air and water for our kids, grandkids, and future generations.

Figure 4.3
Canada's Net-Zero Economy Strategy



Earlier this year, BloombergNEF ranked Canada's attractiveness in building electric vehicle (EV) battery supply chains first in the world, surpassing China, which has held the top spot since the ranking began. From resource workers mining the critical minerals for car batteries to union workers on auto assembly lines to the truckers that get cars to dealerships, Canada's advantage in the supply chain is creating high-skilled, good-paying jobs across the country for workers of all ages.

Figure 4.4
Bloomberg, Annual Ranking of Lithium-Ion Battery Supply Chains

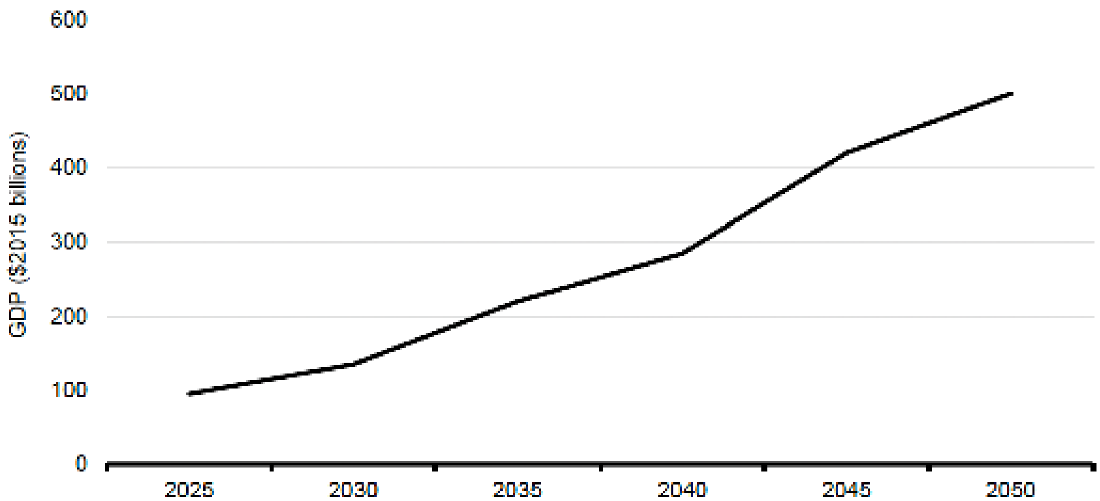


Our abundant clean energy, high labour standards, and rigorous standards for consultation and engagement with Indigenous communities underpin this first-place ranking of Canada's EV supply chains. Canada's major economic investment tax credits are seizing Canada's full potential and doing it right.

By 2050, clean energy GDP could grow fivefold—up to $500 billion, while keeping Canada on track to reach net zero by 2050. Once again, proof that good climate policy is good economic policy is needed.

Chart 4.6

Clean Energy GDP Growth, 2025-2050



Source: Clean Energy Canada, *A Pivotal Moment*.

Helping innovative Canadian firms scale up is essential to increasing the pace of economic growth in Canada. The Cleantech Group's 2023 list of the 100 most innovative global clean technology companies featured 12 Canadian companies, the second-highest number of any country, behind only the U.S. The government invests in clean technology companies to unlock their full capabilities.

Budget 2024 announces the next steps in the government's plan to attract even more investment to Canada, create good-paying jobs, and accelerate the development and deployment of clean energy and clean technology.

Key Ongoing Actions

- Delivering the new major economic investment tax credits by the end of 2024 to create jobs and keep Canada on track to reduce pollution and reach net zero by 2050:
  - Carbon Capture, Utilization, and Storage investment tax credit; Clean Technology investment tax credit;
  - Clean Hydrogen investment tax credit;
  - Clean Technology Manufacturing investment tax credit; and
  - Clean Electricity investment tax credit.

- Catalyzing private investment in low-carbon projects, technologies, businesses, and supply chains through the Canada Growth Fund, a $15 billion, arm's length investment fund led by a world-leading team of public sector pension investment professionals.
  - Since the federal government launched the Canada Growth Fund last year, $1.34 billion of capital has been committed to a world-leading geothermal energy technology company, the world's first carbon contract for difference, and clean tech entrepreneurs and innovators through a leading Canadian-based climate fund.
- Working with industry, provinces, and Indigenous partners to build an end-to-end electric vehicle battery supply chain, including securing significant investments in 2023.
- Building significant clean electricity and clean growth infrastructure projects with investments of at least $20 billion from the Canada Infrastructure Bank.
- $3.8 billion for Canada's Critical Minerals Strategy to secure our position as the world's supplier of choice for critical minerals and the clean technologies they enable.
- $3 billion to recapitalize the Smart Renewables and Electrification Pathways Program, which builds more clean, affordable, and reliable power, and to support innovation in electricity grids and spur more investments in Canadian offshore wind.

A New EV Supply Chain Investment Tax Credit

The automotive industry is undergoing a significant transformation. As more and more electric vehicles are being produced worldwide, Canada's automotive sector must have the support it needs to retool its assembly lines and build new factories to seize the opportunities of the global switch to electric vehicles. With our world-class natural resource base, talented workforce, and attractive investment climate, Canada will be an electric vehicle supply chain hub for all steps along the manufacturing process. This is an opportunity for Canada to secure its position at the forefront of this growing global supply chain and secure high-quality jobs for Canadian workers for generations.

Businesses that manufacture electric vehicles and their precursors could already claim the 30 percent Clean Technology Manufacturing investment tax credit on the cost of their investments in new machinery and equipment, as announced in Budget 2023. Providing additional support to these businesses so they choose Canada for more than one stage in the manufacturing process would secure more jobs for Canadians and help cement Canada's position as a leader in this sector.

Budget 2024 announces the government's intention to introduce a new 10 percent Electric Vehicle Supply Chain investment tax credit on the cost of buildings used in key segments of the electric vehicle supply chain for businesses that invest in Canada across three supply chain segments:

- Electric vehicle assembly;
- Electric vehicle battery production; and, cathode active material production; and,
- Cathode active material production.

For a taxpayer's building costs in any of the specified segments to qualify for the tax credit, the taxpayer (or a member of a group of related taxpayers) must claim the Clean Technology Manufacturing investment tax credit in all three of the specified segments or two of the three specified segments and hold at least a qualifying minority interest in an unrelated corporation that claims the Clean Technology Manufacturing tax credit in the third segment. The building costs of the unrelated corporation would also qualify for the new investment tax credit.

The EV Supply Chain investment tax credit would apply to property acquired and made available for use on or after January 1, 2024. The credit would be reduced to 5 percent for 2033 and 2034 and no longer in effect after 2034.

The EV Supply Chain investment tax credit is expected to cost $80 million over five years, starting in 2024-25, and an additional $1.02 billion from 2029-30 to 2034-35.

The 2024 Fall Economic Statement will provide the design and implementation details of the EV Supply Chain investment tax credit, incorporating elements of the Clean Technology Manufacturing investment tax credit, where applicable.

Delivering Major Economic Investment Tax Credits

To seize the investment opportunities of the global clean economy, we are delivering our six major economic investment tax credits. These will give businesses and other investors the certainty they need to invest and build in Canada. And they are already attracting major, job-creating projects, ensuring we remain globally competitive.

From new clean electricity projects that will provide clean and affordable energy to Canadian homes and businesses to carbon capture projects that will decarbonize heavy industry, our primary economic investment tax credits are moving Canada forward on its track to achieve a net-zero economy by 2050.

In November 2023, the government introduced Bill C-59 to deliver the first two investment tax credits and give businesses the certainty they need to make investment decisions in Canada today. Bill C-59 also includes labour requirements to ensure workers are paid prevailing union wages and apprentices have opportunities to gain experience and succeed in the workforce. With the support and collaboration of Parliamentarians, the government anticipates Bill C-59 receiving Royal Assent before June 1, 2024.

- **Carbon Capture, Utilization, and Storage investment tax credit:** would be available as of January 1, 2022;
- **Clean Technology investment tax credit:** would be available as of March 28, 2023; and,
- **Labour Requirements:**practical as of November 28, 2023, which must be met to receive the maximum tax credit rate for the following investment tax credits:
    - Carbon Capture, Utilization, and Storage investment tax credit; Clean Technology investment tax credit;
    - Clean Hydrogen investment tax credit; and,
    - Clean Electricity investment tax credit.

The government will soon introduce legislation to deliver the following two investment tax credits:

- Clean Hydrogen investment tax credit: available as of March 28, 2023; and,
- Clean Technology Manufacturing investment tax credit: available as of January 1, 2024.

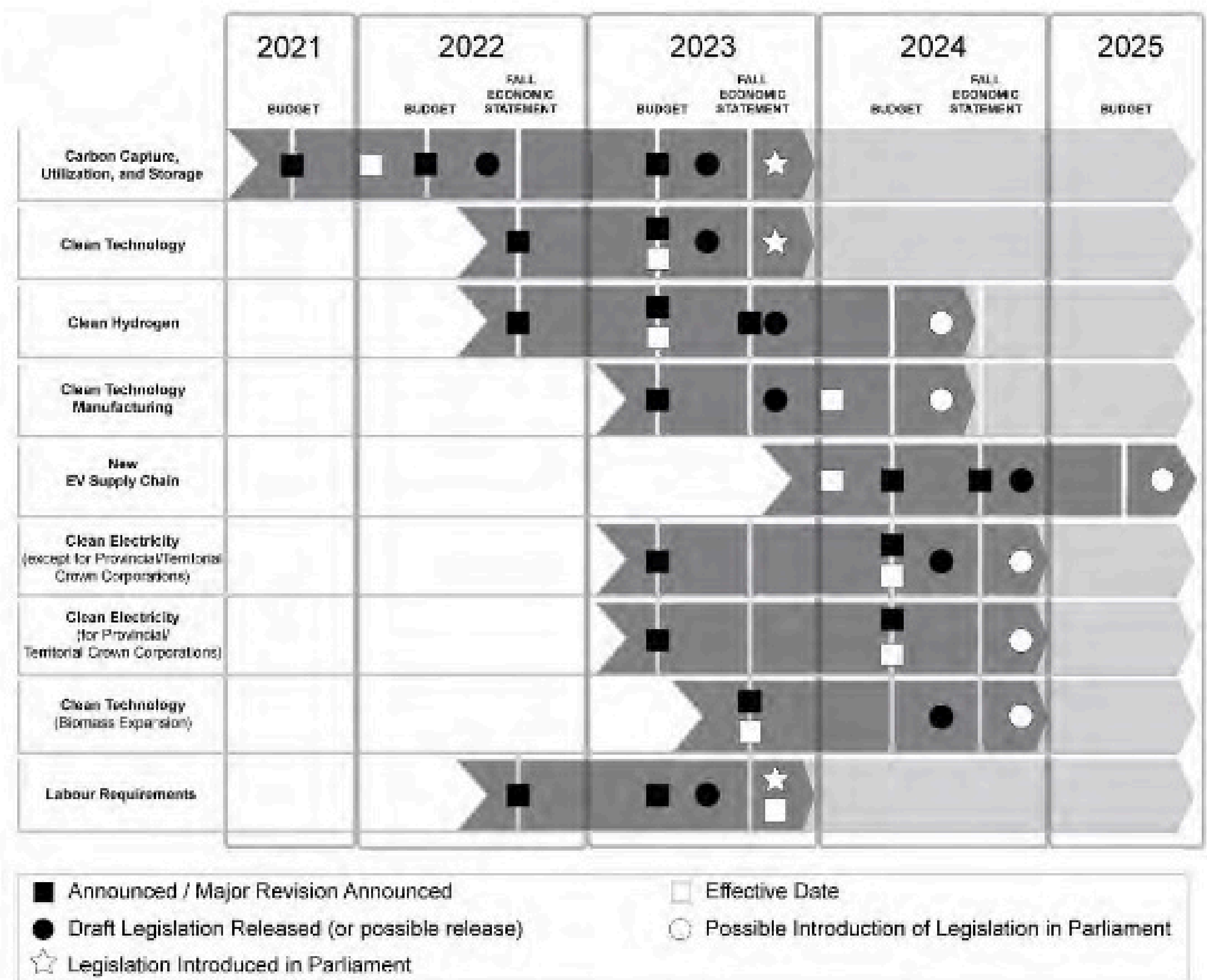
As a priority, the government will work on introducing legislation for the remaining investment tax credits, including the new EV Supply Chain investment tax credit, as well as proposed expansions and enhancements:

- **Clean Electricity investment tax credit:** would be available as of the day of Budget 2024 for projects that did not begin construction before March 28, 2023;
- Expanding Eligibility for the Clean Technology and Clean Electricity investment tax credits to support using waste biomass to generate heat and electricity:
    - The expansion of the Clean Technology investment tax credit would be available as of November 21, 2023, and,
    - The Clean Electricity investment tax credit expansion would be available from the day of Budget 2024 for projects that did not begin construction before March 28, 2023.
- **Clean Technology Manufacturing investment tax credit** enhancements will clarify and improve critical mineral project access. Draft legislation will be released for consultation in the summer of 2024, and the government targets introducing legislation in the fall of 2024.
- **The EV Supply Chain investment tax credit** will be available on January 1, 2024.

Given that the significant economic investment tax credits will be available, including retroactively, from their respective coming into force dates, businesses are already taking action to break ground on projects that will reduce emissions, create jobs, and grow the economy. Passing the significant economic investment tax credits into law will secure Canadians a cleaner, more prosperous future today and tomorrow.

Figure 4.5

Delivery Timeline for Major Economic Investment Tax Credits



Implementing the Clean Electricity Investment Tax Credit

As the economy grows, Canada's electricity demand is expected to double by 2050 (Chart 4.7). To meet this increased demand with a clean, reliable, and affordable grid, our electricity capacity must increase by 1.7 to 2.2 times compared to current levels (Chart 4.8). Investing in clean electricity today will reduce Canadians' monthly energy costs by 12 percent (Chart 4.9) and create approximately 250,000 good jobs by 2050 (Chart 4.10).

- The expansion of the Clean Technology investment tax credit would be available as of November 21, 2023, and,
- The Clean Electricity investment tax credit expansion would be available from the day of Budget 2024 for projects that did not begin construction before March 28, 2023.

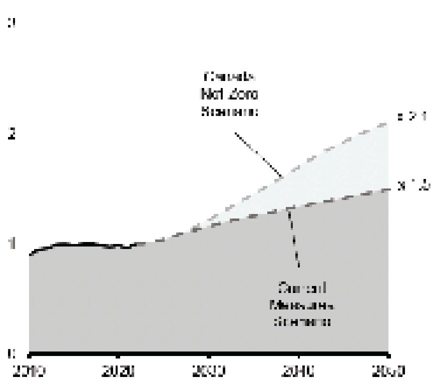
- **Clean Technology Manufacturing investment tax credit** enhancements will clarify and improve critical mineral project access. Draft legislation will be released for consultation in the summer of 2024, and the government targets introducing legislation in the fall of 2024.
- **The EV Supply Chain investment tax credit** will be available on January 1, 2024.

Given that the significant economic investment tax credits will be available, including retroactively, from their respective coming into force dates, businesses are already taking action to break ground on projects that will reduce emissions, create jobs, and grow the economy. Passing the significant economic investment tax credits into law will secure Canadians a cleaner, more prosperous future today and tomorrow.

Chart 4.7

Electricity Generation Requirements, 2022-2050

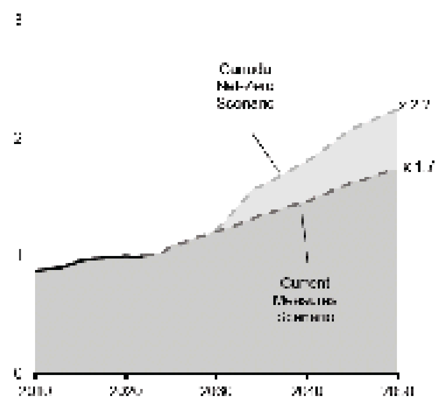
generation relative to 2022



Source: Canada Energy Regulator (2023). *Canada's Energy Future 2023: Energy Supply and Demand Projections to 2050* and Department of Finance Canada calculations.

Chart 4.8

Electricity Capacity Requirements, 2022-2050

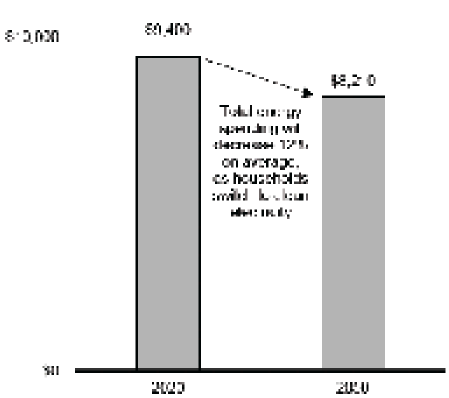


Source: Canada Energy Regulator (2023). *Canada's Energy Future 2023: Energy Supply and Demand Projections to 2050* and Department of Finance Canada calculations.

Chart 4.9

Average Annual Household Energy Spending, 2020 and 2050

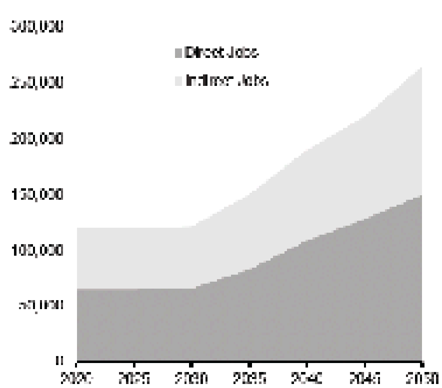
total annual cost of energy (CAD 2020)



Source: Kate Harland, Jason Dion (2023). *Clean Electricity, Affordable Energy: How Federal and Provincial Governments Can Save Canadian Money on the Path to Net Zero.* Canadian Climate Institute.

Chart 4.10

Job Creation in Clean Electricity, 2020-2050



Source: Seton Stiebert for Canadian Institute for Climate Choices (2022). *Projected Electricity Sector Labour Implications of Net-Zero Transitions in Canada.*

Canada already has one of the cleanest electricity grids in the world, with 84 percent of electricity produced by non-emitting sources of generation. Quebec, British Columbia, Manitoba, Newfoundland, Labrador, and Yukon are already clean electricity leaders and generate nearly all of their electricity from non-emitting hydropower—and have more untapped clean electricity potential. Other regions of Canada will require significant investments to ensure clean, reliable electricity grids, and the federal government is stepping up to support provinces and territories with these investments.

In Budget 2023, the government announced the new Clean Electricity investment tax credit to deliver broad-based support to implement clean electricity technologies and accelerate progress towards a Canada-wide net-zero electricity grid.

- Budget 2024 announces the design and implementation details of the Clean Electricity investment tax credit with the following design features:
    - A 15 percent refundable tax credit rate for eligible investments in new equipment or refurbishments related to:
        - Low-emitting electricity generation systems using energy from wind, solar, water, geothermal, waste biomass, nuclear, or natural gas with carbon capture and storage.
        - Stationary electricity storage systems that do not use fossil fuels in operation, such as batteries and pumped hydroelectric storage.
        - Transmission of electricity between provinces and territories.
    - The Clean Electricity investment tax credit would be available to certain taxable and non-taxable corporations, including corporations owned by municipalities or Indigenous communities and pension investment corporations
    - Provided that a provincial and territorial government satisfies the additional conditions outlined below, the tax credit would also be available to provincial and territorial Crown corporations investing in that province or territory
    - Robust labour requirements to pay prevailing union wages and create apprenticeship opportunities will need to be met to receive the full 15 percent tax credit.

The Clean Electricity investment tax credit is expected to cost $7.2 billion over five years, starting in 2024-25, and an additional $25 billion from 2029-30 to 2034-35.

The Clean Electricity investment tax credit would apply to acquired property and become available for use on or after the day of Budget 2024 for projects that did not begin construction before March 28, 2023. The credit would no longer be in effect after 2034. Similar rules would apply for provincial and territorial Crown corporations, with modifications outlined below.

Provincial and Territorial Crown Corporations

The federal government is proposing that, for provincial and territorial Crown corporations to access the Clean Electricity investment tax credit within a jurisdiction, the government of that province or territory would need to:

Publicly commit to:

1. Work towards a net-zero electricity grid by 2035; and,
2. Provincial and territorial Crown corporations pass the Clean Electricity investment tax credit value to electricity ratepayers in their province or territory to reduce ratepayers' bills.
3. Direct provincial and territorial Crown corporations claiming the credit to publicly report, on an annual basis, how the tax credit has improved ratepayers' bills.

If a provincial or territorial government satisfies all the conditions by March 31, 2025, then provincial or territorial Crown corporations investing in that jurisdiction would be able to access the Clean Electricity investment tax credit for property that is acquired and becomes available for use on or after the day of Budget 2024 for projects that did not begin construction before March 28, 2023.

If a provincial or territorial government does not satisfy all the conditions by March 31, 2025, then provincial or territorial Crown corporations investing in that jurisdiction cannot access the Clean Electricity investment tax credit until all the conditions are satisfied. In this case, the Clean Electricity investment tax credit would apply to acquired property and become available for use when the conditions are deemed satisfied for projects that did not begin construction before March 28, 2023.

The Department of Finance Canada will consult with provinces and territories on the details of these conditions before legislation is introduced this fall.

Additional design and implementation details for the tax credit are available in the Budget Tax Measures Supplementary Information under "Clean Electricity investment tax credit."

Implementing the Major Economic Investment Tax Credits

The government's suite of significant economic investment incentives is unprecedented in Canadian history. The government is delivering these supports on a priority basis to attract investment, create good-paying jobs, and grow the economy while continuing to progress in the fight against climate change.

To deliver the significant economic investment tax credits without delay, the government is boosting resources to the Canada Revenue Agency, Natural Resources Canada, and the Department of Finance Canada, each of which has a role in delivering these support measures.

To this end:

- Budget 2024 proposes to provide the Canada Revenue Agency up to $90.9 million over 11 years, starting in 2024-25, to administer the new major economic investment tax credits.
- Budget 2024 proposes to provide Natural Resources Canada $7.4 million over five years, starting in 2024-25, to provide expert technical advice on engineering and scientific matters related to the significant economic investment tax credits and to support the administration of certain investment tax credits with the Canada Revenue Agency.
- Budget 2024 proposes to provide the Department of Finance Canada $21.4 million over 11 years, starting in 2024-25, to complete the implementation, including legislation, of the significant economic investment tax credits, ensure ongoing evaluation and response to emerging issues, and propose appropriate legislative amendments to the Income Tax Act and Income Tax Regulations.

The Canada Growth Fund

The Canada Growth Fund is a $15 billion arm's length public investment vehicle launched by the federal government to attract private capital and invest in Canadian projects and businesses, led by Canada's world-leading public sector pension professionals. The Canada Growth Fund investments in clean energy and clean technology are already building Canada's robust and clean economy and creating good-paying jobs across the country:

- On October 25, 2023, the Canada Growth Fund made its first investment—a $90 million investment in Calgary's Eavor Technologies Inc. This groundbreaking geothermal energy company is creating meaningful employment opportunities for Albertans and securing the Canadian company's future at the cutting edge of the global economy.
- The Canada Growth Fund's second investment was announced on December 20, 2023—a $200 million direct investment, plus a complementary carbon contract offtake agreement, in a world-leading carbon capture and sequestration company, Calgary's Entropy Inc., to support the reduction of up to one million tonnes of carbon per year. This significant investment will support 1,200 good jobs for Albertans and grow the company's Canadian-based activities.
- On October 25, 2023, the Canada Growth Fund made its first investment—a $90 million investment in Calgary's Eavor Technologies Inc. This groundbreaking geothermal energy company is creating meaningful employment opportunities for Albertans and securing a company's Canadian future at the cutting edge of the global economy.

- The Canada Growth Fund's second investment was announced on December 20, 2023—a $200 million direct investment, plus a complementary carbon contract offtake agreement, in a world-leading carbon capture and sequestration company, Calgary's Entropy Inc. to support the reduction of up to one million tonnes of carbon per year. This significant investment will support 1,200 good jobs for Albertans and grow the company's Canadian-based activities.

Carbon Contracts for a Difference

A price on pollution is the foundation of Canada's plan to build a prosperous net-zero economy. It is a fair system that promotes market-driven solutions. The government recognizes the substantial demand from industry and other stakeholders for carbon contracts for difference (CFDs) to accelerate investment in decarbonization and clean growth technologies by providing certainty around carbon pricing.

The 2023 Fall Economic Statement announced that the Canada Growth Fund will be the principal federal entity to issue CCFDs, including allocating, on a priority basis, up to $7 billion to issue all forms of contracts for difference and offtake agreements. The Canada Growth Fund is fulfilling this important role as a federal issuer of CCFDs. Building on its initial success, the Canada Growth Fund is assessing the opportunity to expand its carbon contract offerings and is developing approaches that can best serve the different carbon credit markets across Canada:

- Budget 2024 announces that the Canada Growth Fund is developing an expanded range of CCFD offerings tailored to different markets and their unique risks and opportunities. The Canada Growth Fund will continue offering bespoke CCFDs and carbon offtake agreements, focusing on provinces contributing significantly to greenhouse gas emissions reductions.
- Building on the insights gained from these transactions, Budget 2024 announces the Canada Growth Fund will explore ways to broaden its approach, for example, by developing off-the-shelf contracts for specific jurisdictions and ways to offer these contracts on a competitive basis for a set amount of emissions reductions.
- The Canada Growth Fund has around $6 billion remaining to continue issuing, on a priority basis, all forms of CCFDs and carbon offtake agreements. Budget 2024 announces the government will ensure that the Canada Growth Fund continues to have the resources it needs to fulfill its role as a federal issuer of CCFDs. The government is also evaluating options to enhance the Canada Growth Fund's capacity to offer CCFDs, including exploring the possibility of a government backstop of certain CCFD liabilities of the Canada Growth Fund.

CCFDs can help develop robust carbon credit markets, and the federal government has taken action to ensure their success. For example, in 2022, Environment and Climate Change Canada worked with Alberta to ensure that their TIER market was sufficiently stringent so that the projected demand for carbon credits exceeded the projected supply, ensuring robust credit demand even as more major decarbonization projects get built, and more credits are generated.

Credit markets are largely the responsibility of provinces, and there are opportunities to improve how these markets function. For example, commitments to maintain their industrial carbon pricing systems over the long term, tighten the stringency of systems as necessary to avoid an oversupply of credits, publish the price of carbon credits, and recommitting to maintain a price signal of $170 per tonne by 2030 could help improve carbon price expectations for investors. Increased credit price transparency would significantly improve market functioning and provide greater investment certainty, unlocking more decarbonization projects. It would also facilitate the Canada Growth Fund's efforts to develop off-the-shelf CCFDs and deliver more deals faster across provincial carbon markets.

- Budget 2024 announces that Environment and Climate Change Canada will work with provinces and territories to improve the functioning of carbon credit markets and help unlock additional decarbonization projects throughout Canada.

Getting Major Projects Done

Putting Canada on a path to net zero requires significant and sustained private sector investment in clean electricity, critical minerals, and other major projects. For these investments to be made, Canada's regulatory system must be efficient and quicker—it shouldn't take over a decade to open a new mine and secure our critical minerals supply chains.

To that end, Budget 2023 announced an intention to develop a plan to improve the efficiency of the impact assessment and permitting processes for major projects. The Ministerial Working Group on Regulatory Efficiency for Clean Growth Projects was launched to coordinate this work and drive positive, pro-growth culture change throughout the government to ensure major project approvals come quicker. Significant projects create thousands of new, good-paying jobs for Canadians, and the government is focused on getting more done.

Budget 2024 announces measures to help clarify and reduce timelines for significant projects so they can get built faster:

- **Provide $9 million over three years, starting in 2024-25, to the Privy Council Office's Clean Growth Office** to implement the recommendations of the Ministerial Working Group and reduce interdepartmental inefficiencies, including preventing fixation on well-studied and low-risk impacts, ensuring new permitting timelines arw upheld throughout departments, and improving data sharing between departments to reduce redundant studies.
- **Launch work to establish a new Federal Permitting Coordinator** within the Privy Council Office's Clean Growth Office.
- **Set a target of five years or less to complete federal impact assessment and permitting processes** for federally designated projects and a target of two years or less for permitting of non- federally designated projects;
- **Issue a Cabinet Directive to drive culture change**, achieve new targets, and set out clear federal roles and responsibilities within and across departments to get clean growth projects built in a timely and predictable manner;
- **Build a Federal Permitting Dashboard that reports on the status of immense projects** which require permits to improve predictability for project proponents and increase the federal government's transparency and accountability to Canadians;
- **Set a three-year target for nuclear project reviews** by working with the Canadian Nuclear Safety Commission and Impact Assessment Agency of Canada, and consider how the process can be better streamlined and duplications reduced between the two agencies.

To advance the principle of "one project, one review," Budget 2024 proposes to:

- **Amend the Impact Assessment Act** to respond to October 2023 Supreme Court of Canada decision that ruled that elements of the Act are unconstitutional. The proposed amendments will ensure the Act is constitutionally sound, facilitating efficient project reviews while advancing Canada's clean growth and protecting the environment. An amended Act will provide certainty for business and investors through measures that include increasing flexibility in the substitution of assessments to allow for collaboration and avoid inter-jurisdictional duplication, clarifying when joint federal-provincial review panels are possible, and allowing for earlier Agency screening decisions as to whether a full impact assessment is required after the Planning phase. The amended Act will remain consistent with the United Nations Declaration on the Rights of Indigenous Peoples Act;
- **Enhance coordination across orders of government** using the tools available under the *Impact Assessment Act* and permitting coordination mechanisms to reduce duplication and minimize the burden of regulatory processes on project proponents and Indigenous groups; and,

- **Engage Northern Premiers, Indigenous communities, industry, and other partners** to discuss transformative changes to their unique project review frameworks to ensure the North is prepared to assess and build clean growth projects.

To improve engagement and partnerships, including with Indigenous partners, Budget 2024 also announces the government will:

- **Advance Indigenous participation in major projects** through the Indigenous Loan Guarantee Program detailed in Chapter 6, which will provide more opportunities for Indigenous communities to benefit from the significant number of natural resource and energy projects proposed to take place in their territories;
- **Work to establish a Crown Consultation Coordinator** to ensure efficient and meaningful Crown consultation with Indigenous peoples on issuing federal regulatory permits to projects that do not undergo federal impact assessments. The government will consult First Nations, Inuit, Métis, Modern Treaty and Self-Governing Indigenous partners on the design of the Crown Consultation Coordinator. The Impact Assessment Agency of Canada will continue to be the Crown consultation body for all federal decisions related to projects that undergo federal impact assessments.
- **Improve Indigenous capacity for consultation** by advancing the co-development and implementation of consultation protocol agreements and resource centres led by Crown-Indigenous Relations and Northern Affairs Canada.

More details on the Ministerial Working Group's recommendations will be published in an Action Plan in spring 2024. Additionally, further analysis of opportunities for improving the efficiency of the impact assessment process will be undertaken as part of the five-year review of the Impact Assessment Act's designated project list, which will occur later this year following the coming into force of the amended Act. This review will be undertaken in consultation with the public and Indigenous partners.

Getting major projects built means more jobs in more regions across Canada and more opportunities for the next generation of workers.

Securing the Canadian Biofuels Industry

Biofuels and biogas are renewable energy sources sustainably made from plants or biowaste, such as canola crops and landfill emissions. Not only do they generate fewer greenhouse gas emissions compared to fossil fuels, but they also represent a unique opportunity for the Canadian economy. The industry supports agriculture and forestry jobs and can help decarbonize key sectors like marine, aviation, rail, and heavy industry. Canada's Clean Fuel Regulations, which have been in place since 2022, are helping drive the production and adoption of specific biofuels in Canada.

The government is proposing new measures to support biofuel production in Canada, focusing on renewable diesel, sustainable aviation fuel, and renewable natural gas, aiming to capitalize on the increasing demand for these fuels and strengthen Canada's position in the market. Budget 2024 announces:

The government intends to disburse up to $500 million per year from Clean Fuel Regulations compliance payment revenues to support biofuel production in Canada, subject to sufficient compliance payments being made to the federal government. More details will be announced in the 2024 Fall Economic Statement.

The government will also retool the Clean Fuels Fund to deliver funding faster and extend the Fund for an additional four years, until 2029-30. With reprofiled funding proposed through this extension, a total of

$776.3 million will be available from 2024-25 to 2029-30 to support clean fuel projects. The program will shift to a continuous intake process, and streamlined negotiations and decision-making processes will expedite delivery. By the end of this year, Natural Resources Canada will launch another call for proposals under the extended Clean Fuels Fund.

The Canada Infrastructure Bank will invest at least $500 million in biofuel production under its green infrastructure investment stream.

Advancing Nuclear Energy, Nuclear Research, and Environmental Remediation

Non-emitting nuclear energy is critical in helping the world reach net-zero emissions by 2050. Canada is one of the few countries developing and deploying its nuclear technology, the CANDU. The robust Canadian supply chains built around CANDU generate highly skilled jobs, foster research and development, and create affordable and clean electricity. Canada's nuclear sector also produces medical isotopes essential for radiation therapy and diagnosing heart disease.

Canada is a Global Nuclear Energy Leader	
Over the last few years, the government has announced significant investments and actions to advance nuclear energy:	
Large Reactors:	• Canada has committed up to $3 billion in export financing to Romania to support the construction of two new CANDU reactors. This will reduce Romania's reliance on Russian energy while boosting its energy security and that of its neighbours, all while supporting Canadian jobs. Canadian supply chains will participate in constructing and maintaining these reactors over their multi-decade operating life. • The government announced $50 million in funding to support Bruce Power's significant nuclear expansion.
Small Modular Reactors (SMRs):	• The Canada Infrastructure Bank announced a $970 million investment to support Ontario Power Generation in building the first grid-scale SMR among G7 nations at Darlington. • The Strategic Innovation Fund has committed $94.7 million to accelerate the development of three different next-generation SMR designs. • The government announced $74 million in funding to support SaskPower's SMR development. • The government announced $120.6 million to enable the deployment of SMRs through various activities, such as building regulatory capacity.
Major Economic Investment Tax Credits:	• The Clean Electricity and Clean Technology Manufacturing investment tax credits announced in Budget 2023 would support investments in nuclear electricity generation, nuclear power supply chains, and nuclear fuel production, which are part of the solution for a clean economy transition.
Sustainable Finance:	• The government updated its Green Bond Framework to make certain nuclear energy expenditures eligible.

Canadian Nuclear Laboratories conducts nuclear science research that helps advance clean energy and medical technologies, environmental remediation, and waste management at historic nuclear sites. This work is overseen by Atomic Energy of Canada Limited, a Crown corporation responsible for enabling nuclear science and technology and ensuring environmental protection at nuclear sites.

- Budget 2024 proposes to provide Atomic Energy of Canada Limited with $3.1 billion over 11 years, starting in 2025-26, with $1.5 billion remaining amortization, to support Canadian Nuclear Laboratories' ongoing nuclear science

Canada-U.S. Energy Transformation Task Force

Prime Minister Trudeau and President Biden launched the Canada-U.S. Energy Transformation Task Force on March 24, 2023, as a one-year joint initiative to support our collective energy security and economic growth as we transition to a clean energy future. Canada is pleased to announce the renewal of the Energy Transformation Task Force for another year.

Since its creation, the Energy Transformation Task Force has driven significant progress towards more secure and resilient Canada-U.S. supply chains for critical minerals, nuclear fuels, and green steel and aluminum.

Canada is a global leader in the supply of responsibly sourced critical minerals. The government is investing $3.8 billion through the Canadian Critical Minerals Strategy to develop further Canadian value chains for critical minerals needed for our green and digital economy, including the new Critical Mineral Exploration Tax Credit. Enhancements to the Clean Technology Manufacturing investment tax credit and Canada's new Electric Vehicle Supply Chain investment tax credit will further enable the strategy.

Canada is building on our strong partnership with the U.S. on critical minerals, underpinned by the Canada-U.S. Joint Action Plan on Critical Minerals Collaboration. Under the Energy Transformation Task Force, we have redoubled efforts to address issues of mutual concern, such as bolstering supply security for critical minerals. Our government will continue to collaborate closely with industry partners and our allies to support cross-border priority essential projects of minerals that advance our shared interests.

Nuclear energy will play a key role in achieving net-zero greenhouse gas emissions. Canada is a Tier-1 nuclear nation with over 70 years of technological leadership, including our national reactor technology and a robust domestic supply chain with the world's largest deposit of high-grade natural uranium. Our government is taking action to support the growth of nuclear energy through the Clean Electricity investment tax credit, the Clean Technology Manufacturing investment tax credit, the Strategic Innovation Fund, the Canada Infrastructure Bank, and an updated Green Bond Framework that includes certain nuclear expenditures.

At COP28, the government and like-minded partners reaffirmed their commitment to triple nuclear energy capacity and promote public-private investment to strengthen supply chains and reduce reliance on non-allied countries for atomic fuel needed for advanced and conventional nuclear energy. Through the Energy Transformation Task Force, Canada will continue to engage industry and international partners to announce concrete measures later this spring to bolster North American nuclear fuel supply chains.

Canadian steel and aluminum—among the greenest in the world—are essential pillars of integrated North American manufacturing supply chains and critical products to support the net-zero transition. We have invested significantly in further decarbonizing our steel and aluminum sectors and maintaining their competitiveness in the green economy. As well earlier this year, our government announced actions to increase the transparency of steel import data that will help provide more details on the origins of imported steel and align our practice with the U.S. We will continue to collaborate with the U.S. to promote common approaches for trade in low emissions green steel and aluminum goods.

Canada will continue to advance its work in partnership with the U.S. to reduce our shared exposure to production and supply chains controlled by non-likeminded countries, including by attracting investment in EV supply chains, solar, and more.

Clean Growth Hub

The Clean Growth Hub is the federal government's primary source of information and advice on federal funding and other supports for clean technology projects in Canada. It supports up to 1,100 companies and organizations annually, from emerging small businesses to Canada's world-leading cleantech companies.

Together, Innovation, Science and Economic Development Canada and Natural Resources Canada partner with 16 other departments and agencies to offer this one-stop shop to help businesses seeking to invest in Canada and create net- zero growth navigate the federal government's numerous clean economy programs and incentives—unlocking new investment and creating good jobs for Canadian workers.

- To continue supporting clean technology stakeholders to identify and access relevant support and advice, Budget 2024 proposes to provide $6.1 million over two years, starting in 2024-25, for the Clean Growth Hub.

Made-in-Canada Sustainable Investment Guidelines

The government recognizes the importance of promoting credible climate investment and combating greenwashing to protect the integrity and fairness of the clean economy. This is critical for fostering investor confidence and mobilizing Canada's private investment to help achieve a net-zero economy by 2050.

As announced in the 2023 Fall Economic Statement, the Department of Finance Canada is working with Environment and Climate Change Canada and Natural Resources Canada to undertake the following steps, in consultation with regulatory agencies, the financial sector, industry, and independent experts, to develop a taxonomy that is aligned with reaching net-zero by 2050.

This work is being informed by the Sustainable Finance Action Council's Taxonomy Roadmap Report, which provided the government with recommendations on designing a taxonomy to identify economic activities that the financial sector could label as "green" or "transition." The government will provide an update on developing a Canadian taxonomy later this year.

Growing Businesses to Create More Jobs

Small and medium-sized businesses are an integral engine of Canada's economy, employing about 64 percent of Canadian workers. Entrepreneurs, local small businesses, start-ups, and growing medium-sized businesses—everywhere in Canada, there are people with good ideas ready to grow their businesses and create good jobs. The government is ensuring Canada's investment climate sets businesses up for success.

Existing businesses need support to stay competitive and scale up for economic growth to reach the pace needed. The government is taking action to help businesses scale up their technological innovations and implement productivity-raising technology across the economy. By cutting red tape, new and existing businesses can grow faster. Boosting access to financing from financial Crown corporations and encouraging Canada's significant public pension funds to put their investments to work here at home will unlock new growth opportunities for Canadian businesses.

Through Budget 2024, the government is making it easier for new businesses to start up and for existing businesses to grow by cutting red tape and providing the tools businesses need to scale up. The government is also taking steps to have Canadian public institutions. Crown corporations put their capital to work at home and seize opportunities to increase Canada's growth and productivity.

Key Ongoing Actions

The federal government has set up a range of programs and initiatives to help small and medium businesses thrive and foster economic growth, including:

- Supporting small- and medium-sized businesses to hire 55,000 first-year apprentices in construction and manufacturing Red Seal Trades through a grant of $5,000 towards upfront costs, such as salaries and training.
- Maintaining the lowest marginal effective tax rate (METR) in the G7 and a 5.2 percentage point competitive advantage over the average U.S. METR ensures Canada is a competitive place to do business.
- Budget 2022 cut taxes for Canada's growing small businesses by gradually phasing out their access to the small business tax rate.
- Secured commitments with Visa and Mastercard to lower credit card interchange fees for small businesses while protecting reward programs for consumers. These reductions are expected to save eligible Canadian small businesses approximately $1 billion over five years.
- Ongoing support for small- and medium-sized businesses through Canada's seven Regional Development Agencies, including over $3.7 billion since 2018, to help businesses scale up and innovate through the Regional Economic Growth through Innovation program.

- Almost $7 billion since 2018 for the Women Entrepreneurship Strategy to help women-owned businesses access the financing, networks, and expertise they need to start up, scale up, and access new markets.
- Enhancements to the Canada Small Business Financing Program will increase the annual financing available to small businesses by an estimated $560 million.
- Up to $265 million for the Black Entrepreneurship Program to help Black business owners and entrepreneurs succeed and grow their businesses.
- $150 million investment in the Indigenous Growth Fund to help recruit other investors and, in turn, provide a long-term source of capital to support continued success for Indigenous businesses.
- $49 billion in interest-free, partially forgivable loans of up to $60,000 to nearly 900,000 small businesses and not-for-profit organizations through the Canada Emergency Business Account (CEBA).

National Regulatory Alignment

Barriers to internal trade are preventing Canada from reaching its economic potential. These barriers, most commonly the 13 different sets of regulations for each province and territory, hold back businesses from trading across provincial and territorial borders, restrict workers from moving between provinces and territories, and can increase costs for businesses as they work to overcome regulatory hurdles.

By addressing barriers to internal trade, including harmonizing regulations between provinces and territories, we can create more opportunities for Canadian businesses to grow and make life more affordable for all Canadians through greater competition and consumer choice. According to the International Monetary Fund, Canada could increase its gross domestic product (GDP) per capita by as much as 4 percent—or $2,900 per capita estimated in 2023 dollars—by reducing internal trade barriers for interprovincial goods trade.

In 2022, the federal government launched the Federal Action Plan to Strengthen Internal Trade, guiding work with the provinces and territories to cut red tape. This includes a rigorous assessment of remaining federal exceptions in the Canadian Free Trade Agreement (CFTA) and essential trade data and research investments.

Two significant milestones have now been reached, with further actions upcoming in 2024:

- The removal and streamlining of one-third of all federal exceptions in the CFTA. This means the removal of 14 exceptions related to procurement that will provide Canadian businesses more opportunities to compete to deliver government goods and services. By the end of 2024, the federal government will publicly release the rationale for all remaining exceptions and encourage provinces and territories to do the same.
- The new Canadian Internal Trade Data and Information Hub launched on April 3, 2024. The Hub is an open and accessible data platform that will provide governments, businesses, and workers with timely, accessible information to help them choose where to invest and work. The Hub will help highlight where labour mobility barriers are highest and where unnecessary red tape costs businesses time and money.

The federal government is committed to working with provinces and territories to ensure goods, services, and workers move seamlessly across the country by advancing the mutual recognition of regulatory standards and eliminating unnecessary red tape for full labour mobility in the construction, health, and childcare sectors.

- Budget 2024 announces that the government will launch the first-ever Canadian Survey on Interprovincial Trade in June 2024. The survey will engage thousands of Canadian businesses on the challenges they face when buying, selling, and investing across provincial and territorial borders. The survey's insights will help identify top interprovincial barriers and eliminate them.

The New Canada Carbon Rebate for Small Businesses

Canada's small and medium-sized businesses keep main streets flourishing across the country, create jobs, and deliver the dream of entrepreneurship. These businesses must thrive to remain the bedrock of our communities and economy.

Pollution has a cost that will only rise this century as climate change causes intensifying natural disasters and more severe health effects, as detailed in Chapter 5. Canada's carbon pricing system includes a federal backstop for provinces and territories that don't put their system in place. It's a system designed to be fair and affordable—for households, Indigenous communities, farmers, and businesses—while reducing the pollution causing climate change.

The government is delivering on its commitment to return proceeds from the pollution price to small—and medium-sized businesses by announcing an accelerated and automated return process to provide direct refunds to small—and medium-sized businesses in the provinces where the federal fuel charge applies—the new Canada Carbon Rebate for Small Businesses.

- Budget 2024 proposes urgently returning fuel charge proceeds from 2019- 20 through 2023-24 to an estimated 600,000 businesses with 499 or fewer employees through a new refundable tax credit. This would directly deliver over $2.5 billion to Canada's small- and medium-sized businesses.
    - Proceeds would be returned directly to eligible corporations through direct payments from the Canada Revenue Agency (CRA), separately from CRA tax refunds.
    - Corporations would be required to file their tax return for 2023 by July 15, 2024, to receive their progress return for each fuel charge year.
    - The proposal would similarly return proceeds for future fuel charge years, including 2024-25, each year.

Environment and Climate Change Canada continues to consult with Indigenous governments on directly returning fuel charge proceeds to their communities and will announce the next steps soon. Beginning this year, the share of fuel charge proceeds allocated to Indigenous governments will double to 2 percent of direct proceeds.

Unlocking New Opportunity Through Financial Crown Corporations

Canada's financial Crown corporations support economic growth by helping businesses get the financing they need to grow, helping farmers and agri-businesses invest in new equipment and technology and support their operations, and helping companies sell their products worldwide.

Canadians expect the government to make the most of their tax dollars. That is why, in the 2023 Fall Economic Statement, the government announced it would review the operations of the Business Development Bank of Canada, Export Development Canada, and Farm Credit Canada. Based on this review:

- Budget 2024 announces changes to the Capital and Dividend Policy Framework for Financial Crown Corporations. These changes increase the focus on output-based metrics such as economic growth and ensure that financial Crown corporations follow the best practices of peer organizations in similar international jurisdictions, not private sector actors.
- The amended Framework also introduces a target solvency rating for financial Crown corporations in cases where the Office of the Superintendent of Financial Institutions has no legislative supervisory role. The amended Framework can be found in the Capital and Dividend Policy Framework for Financial Crown Corporations.

- Budget 2024 announces new guidance to these institutions to mobilize more financing and take on greater risk to get more support to the Canadian businesses that need it. In addition to this overarching guidance, Budget 2024 identifies specific new areas for these Crown corporations to focus on:
  - **The Business Development Bank of Canada** should increase financing for promising new and high-growthn businesses and accelerate the reorientation of its venture capital investments toward emerging and higher-risk sectors to help attract more private capital.
  - **Export Development Canada** should leverage its complete toolkit and authorities by updating internal risk management guidance to facilitate greater risk-taking across its portfolio. Recognizing that success for Canadian exporters in highly competitive markets and sectors sometimes requires additional targeted support, Export Development Canada should also create a new stretch capital envelope to maximize the potential for exporters in areas of strategic importance for Canada by taking on greater risk in deploying its capital. Having Export Development Canada take on higher-risk, higher-impact transactions will reduce the need for direct support through the Canada Account. Further implementation details, including the scale and scope of the envelope, will be identified over the coming months.
  - **Farm Credit Canada** should continue to pursue opportunities to support agri-food and agribusiness, including through venture capital investment and further deployment of technologies to mitigate climate change. The government intends to amend the Farm Credit Canada Act to require regular legislative reviews that ensure Farm Credit Canada's activities are aligned with the sector's needs.

In focusing their mandate on driving economic growth and productivity, these Crown corporations are also expected to prioritize new financing, insurance, and advisory support to under-financed business owners and increase their public reporting and engagement with Canadians. The performance incentives of senior leaders are expected to align with their organizations, taking on increased risk appetite in support of economic growth objectives. For Export Development Canada, performance incentives should also encourage aligning business activities with countries with free trade agreements with Canada.

Investing in Canadian Start-Ups

Venture capital financing gives Canadian entrepreneurs the resources to start, scale, and become the next generation of Canadian anchor companies. Financing can help take new ideas from lab to market while creating high-quality, middle-class jobs.

The Venture Capital Catalyst Initiative (VCCI) strengthens Canada's venture capital ecosystem by co-investing with the private market, discovering and nurturing the next generation of globally recognized Canadian companies, and generating returns for private and public investors. Since 2016, the government has invested $821 million through VCCI, supporting over 300 companies across Canada.

- Building on this momentum, Budget 2024 proposes to provide $200 million over two years, starting 2026-27, on a cash basis to increase equity-deserving entrepreneurs' access to venture capital and invest in underserved communities and outside key metropolitan hubs.

Encouraging Pension Funds to Invest in Canada

Keeping Canada's vibrant economy strong for future generations of Canadians requires significant capital investments in our businesses, industries, and communities. Attracting higher levels of investment into Canada from all sources, including foreign and domestic private and institutional investors, will raise Canada's productivity and increase living standards for all Canadians.

Pension plans are a critical pillar in Canada's retirement income system, ensuring Canadians enjoy a secure and dignified retirement. Canadian pension funds hold over $3 trillion in assets, which are invested at home and abroad to provide secure retirement income for plan members and retirees.

The government believes that encouraging pension funds to invest in Canada more would help grow the Canadian economy and provide the stable long-term returns needed to deliver robust pensions. In the 2023 Fall Economic Statement, the government committed to improving transparency around pension funds' investments and working collaboratively with Canadian pension funds to create an environment that encourages and identifies more domestic investment opportunities for pension funds and other responsible institutional investors.

Canadian pension funds rely on strong governance practices and diversified portfolios to deliver Canadians' pensions, with assets including public and private equity, infrastructure, real estate, and bonds. Canada's economy is full of investment opportunities in these asset classes that could provide valuable contributions to pension fund portfolios. Opening up more opportunities for pension funds to invest in these domestic assets would help one of Canada's largest pools of savings contribute to the growth of the Canadian economy.

Further engagement with industry experts and pension funds will guide the government's approach to making more domestic investments available that meet the needs of pension funds.

- Budget 2024 announces the government, working with pension plans, will create a working group led by Stephen Poloz (former Governor of the Bank of Canada) and supported by the Deputy Prime Minister and Minister of Finance to explore how to catalyze greater domestic investment opportunities for Canadian pension funds. This working group will identify priority investment opportunities that will grow Canadians' pension savings – that meet Canadian pension plans' fiduciary and actuarial responsibility, spur innovation, and drive economic growth. Its efforts will focus on areas such as:
    - Digital Infrastructure and AI Investment;
    - Physical Infrastructure;
    - Airport Facilities;
    - Venture Capital Investments;
    - Building More Homes, including on Public Lands; and, the removal of the 30 percent rule for domestic investments.

To support investments in airport facilities, the Minister of Transport will release a policy statement this summer highlighting existing flexibilities under the governance model for Canada's National Airport System airports to attract capital, including pension funds.

- Following up on the 2023 Fall Economic Statement, Budget 2024 also proposes amending the Pension Benefits Standards Act, 1985, to enable and require the Office of the Superintendent of Financial Institutions to publicly release information related to the plan investments of large federally regulated pension plans.

The information to be disclosed would be set out in regulations and would include the distribution of plan investments by jurisdiction and, within each jurisdiction, by asset class.

The government will continue to engage with provinces and territories to discuss similar disclosures by Canada's most extensive pension plans in a simple and uniform format.

Boosting Regional Economic Growth

To build a brighter future for communities across the country, Canada's Regional Development Agencies help businesses and innovators grow to fuel economic growth and create good middle-class jobs. Through the Regional Economic Growth through Innovation program, companies can access funding to scale up, implement new technologies, improve productivity, and find new markets, helping to develop prosperous and inclusive communities across the country.

- To create jobs and boost regional economic growth, Budget 2024 proposes to provide an additional $158.5 million over two years, starting in 2024-25, on a cash basis, to Canada's Regional Development Agencies for the Regional Economic Growth through Innovation program. A portion of this funding will be dedicated to housing innovation.

This support builds on the $200 million that Regional Development Agencies will deliver to businesses for AI adoption.

Cutting Red Tape to Boost Innovation

For innovative businesses to scale up new ideas, they need certainty that they will be able to bring their product to market. However, existing regulations can often be too outdated to fit the needs of new technologies.

To ensure regulation keeps pace with innovations rather than hold innovation back, the government is advancing work on regulatory "sandboxes," which create temporary rules to enable the testing of products, services, or new regulatory approaches.

- Budget 2024 announces the government's intent to introduce amendments to the Red Tape Reduction Act to broaden the use of regulatory sandboxes across the government. The changes will enable innovation by offering limited exemptions to existing legislation and regulations, streamlining the regulatory system, and reforming regulations to modern business realities.

Supporting the Canadian Chamber of Commerce's Business Data Lab

Since 2022, the Canadian Chamber of Commerce has collaborated with Statistics Canada to provide Canadian businesses with insights and information through the Business Data Lab. This initiative offers access to real-time information and analysis that helps Canadian companies stay informed and make decisions that help them stay strong and support workers.

- To advance this work, Budget 2024 proposes to provide $7.2 million over three years, starting in 2024-25, to support the Canadian Chamber of Commerce's Business Data Lab.

A Strong Workforce for a Strong Economy

Building an economy that is fair for everyone means ensuring that every generation can seize the opportunities provided by the government's investments in growing the economy and creating jobs.

Investing in new jobs and providing skills support for younger Canadians will help them get their first good job or start their first business. Strengthening labour laws and safeguarding workers' rights will help ensure more jobs are good. Skills and education investments for the next generation of workers will lead to higher productivity and benefit businesses in Canada looking to invest in Canada that can tap into a robust, highly skilled workforce.

Today, the federal government's generational job-creating investments lay the groundwork for a brighter tomorrow where good job opportunities are available to everyone.

Key Ongoing Actions

- Helping over one million Canadians upgrade their skills or find new jobs yearly by investing nearly $3 billion annually in Canada's Labour Market Development Agreements and Workforce Development Agreements with provinces and territories.
- Supporting a trades workforce that is skilled, inclusive, certified, and productive through the Canadian Apprenticeship Strategy.
- Equipping nearly 105,000 Canadian workers with the necessary skills by increasing access to union-led training through the Union Training and Innovation Program since 2019-20 and supporting over 45,000 apprentices through interest-free Canada Apprentice Loans since 2018-19.
- Introducing labour requirements for prevailing union wages and apprenticeship opportunities in most major economic investment tax credits to ensure Canadian workers thrive in the growing clean economy.
- Ensuring workers have time to recover when they get sick by providing ten days of paid sick leave for all federally regulated workers.
- Banning replacement workers during a strike or lockout in federally regulated workplaces protects workers' right to strike and supports a fairer collective bargaining process during labour disputes.

Establishing a Right to Disconnect

Everyone needs some downtime; it is essential for well-being and mental health. As work in many industries has become increasingly digital, workers find it increasingly difficult to disconnect from their devices and inboxes after hours and on weekends. This has particularly impacted Millennial and Gen Z workers, who have worked their whole careers without a firm separation between work and personal time.

The government is taking action to restore work-life balance for the many workers in federally regulated industries, including but not limited to financial services, telecommunications, and transportation, by moving forward with a proper disconnect from work outside of their working hours.

Budget 2024 proposes to provide $3.6 million over five years, starting in 2024-25, and $0.6 million ongoing to enable the Labour Program at Employment and Social Development Canada to implement legislative amendments to the Canada Labour Code that would require employers in federally regulated sectors to establish a right to disconnect policy limiting work-related communication outside of scheduled working hours.

This is expected to benefit up to 500,000 employees in federally regulated sectors.

Further, regarding worker misclassification, Employment and Social Development Canada and the Canada Revenue Agency will enter into necessary data-sharing agreements to facilitate inspections and enforcement.

Empowering Young Entrepreneurs

Futurpreneur Canada is a national not-for-profit organization that provides young entrepreneurs access to financing, mentorship, and other business support to help them launch and grow their businesses. For over two decades, Futurpreneur Canada's programs and offerings, supported by $161.5 million in federal funding, have helped over 17,700 young entrepreneurs launch more than 13,900 businesses nationwide, supporting thousands of jobs since its inception.

To empower young entrepreneurs, Budget 2024 proposes to provide $60 million over five years, starting in 2024-25, for Futurpreneur Canada. Futurpreneur Canada will match this federal investment with funding received from other orders of government and private sector partners.

By 2029, Futurpreneur Canada estimates this investment will enable 6,250 additional youth-owned businesses to launch and scale up their businesses.

Investing in a Strong Workforce for a Strong Economy	
Investments since Budget 2017 in skills training measures include:	
Labour Market Transfer Agreements:	An annual investment of nearly $3 billion enables provinces and territories to deliver training and employment support tailored to their unique labour market needs.
Union-Based Training:	Over $200 million through Budget 2022 and Fall Economic Statement 2022 to expand the Union Training and Innovation Program to train more than 30,000 additional apprentices and journeypersons.
Employer-Led Training:	Budget 2021 announced the Sectoral Workforce Solutions Program to help critical sectors of the economy, including the construction sector, implement solutions to address their current and emerging workforce needs. Budget 2021 also announced $250 million for the Upskilling for Industry Initiative to support more than 15,000 workers. Budget 2024 proposes $50 million over four years to provide skills training for workers in sectors disrupted by AI and $10 million over two years to train more early childhood educators, building up the talent needed to expand affordable, high-quality child care.
Apprenticeship Service:	Launched the Apprenticeship Service to help first-year apprentices in construction and manufacturing Red Seal trades connect with opportunities at small and medium-sized employers. Budget 2024 proposes to provide $90 million over two years for the Apprenticeship Service to help create placements in the
Skilled Trades Awareness and Readiness Program:	Budget 2018 announced the Skilled Trades Awareness and Readiness Program to help Canadians explore the trades and make informed career choices. Budget 2024 proposes $10 million over two years to continue encouraging Canadians to explore and prepare for careers in the skilled trades.
Sustainable Jobs Training Fund:	The Sustainable Jobs Training Fund was recently launched to help workers upgrade or gain new skills for jobs in the low-carbon economy.
Indigenous-Led Training:	$99.4 million annually through the co-developed Indigenous Skills and Employment Training (ISET) Program to help Indigenous people improve their skills and find employment.
Financial Support for Adult Learners:	The Canada Training Credit, which costs about $250 million annually, covers up to 50 percent of eligible training fees.
Affordability for Apprentices:	Eliminated Elimination of Interest on Canada Apprentice Loans provides up to $4,000 per period of technical training for tuition, tools, equipment, living expenses and forgone wages.
Apprenticeship Requirements for Clean Economy Investment Tax	To access the highest tax credit rates, projects must dedicate at least 10 percent of workers' work hours to apprentices. This provides apprentices with the crucial hours they need to complete their training.

Modernizing the Employment Equity Act

The government promotes and improves equality and diversity in federally regulated workplaces through the Employment Equity Act. Since its introduction, progress has been made to address inequalities. However, some workers still face barriers to employment, and many federal workplaces fail to reflect the full diversity of Canada's population. That is why, in 2021, the government launched an arm's length Task Force to review the Act and advise on modernizing the federal employment equity framework.

- Following the Task Force's recommendations, Budget 2024 announces the government's intention to propose legislative amendments to modernize the Employment Equity Act, including expanding designated equity groups.

Examining Critical Port Operations

Labour disputes and work stoppages at Canadian ports can disrupt supply chains and lead to severe economic impacts. In 2023, the government launched the first phase of a formal review in collaboration with industrial relations experts to protect port workers and resolve the structural issues underlying port labour disputes.

- Budget 2024 proposes to provide $3.1 million over two years, starting in 2024-25, to enable the Labour Program at Employment and Social Development Canada to complete the second phase of its review. This review will explore long-term solutions to minimize labour disputes, respect the collective bargaining process, and secure the stability of Canada's supply chains. This funding would be sourced from existing departmental resources.

Extending Temporary Support for Seasonal Workers

Many seasonal workers—including in fishing and tourism sectors in Atlantic Canada and Quebec—rely on Employment Insurance for the support they need between work seasons. To address gaps in Employment Insurance support between seasons, the government introduced temporary rules in 2018 to provide up to five additional weeks—for a maximum of 45 weeks—to eligible seasonal workers in 13 economic regions. This support is set to expire in October 2024.

- Budget 2024 proposes to extend this support for seasonal workers in targeted regions until October 2026. The cost of this measure is estimated at $263.5 million over four years, starting in 2024-25.