

SUBMISSION

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We are pleased to submit these comments as part of the Government of Canada's consultations on [the possibility of introducing a domestic content requirement as part of the Clean Electricity investment tax credit and the Clean Technology investment tax credit](#).

Summary

Clean Energy Canada is broadly supportive of introducing domestic content requirements (DCRs) under the Clean Technology and Clean Electricity Investment Tax Credits (ITCs), provided they are designed to incentivize — rather than delay — the deployment of clean electricity infrastructure Canada urgently needs. The ITCs represent a multi-decade, \$103 billion federal investment in the clean economy.¹ It is right to introduce mechanisms that anchor and maximize Canadian economic activity.

As the United States rolls back its clean energy tax credits, Canada is gaining bankable investment advantages across a growing range of low-carbon technologies — making this a pivotal moment to attract clean capital and industrial investment.² Canada's ITCs, paired with a continued commitment to the industrial carbon price, are central to that advantage. Any adjustments to the ITCs — including the introduction of DCRs — must be carefully designed to preserve and build upon it, rather than putting it at risk.

Any DCR design and implementation decision should be evaluated against its ability to balance the following outcomes for our energy system:

1. **Affordability:** Mitigate impacts on electricity rates for consumers and ensure DCRs don't inflate capital prices where there is limited or no ability to establish a clean electricity supply chain in Canada.
2. **Energy sovereignty and security:** Expand domestic value chains where Canada has a competitive advantage or a domestic security imperative, and where value chain buildouts would remain cost-effective when factoring in a security premium.
3. **Prosperity and export competitiveness:** Leverage DCRs as part of the government's broader investment attraction strategy to bring new investments to Canada and ensure Canadian industries remain competitive with global prices.

With these lessons in mind, our key recommendations are as follows:

1. **Apply DCRs as a bonus-on-top structure** — not a hard eligibility condition — to minimize investment deterrence. International evidence consistently shows that binary

disqualification models reduce project uptake without generating commensurate domestic industrial benefits.³

2. **Publish and maintain an eligible technology list underpinned by robust supply chain analysis**, covering current production capacity and the areas where incentivizing growth or onshoring new production capacity will deliver greater energy security, strengthen national sovereignty, or provide competitiveness benefits for Canadian companies at home and abroad. Export potential should be an explicit criterion — products where Canada could be internationally competitive warrant prioritization.
3. **Keep administration light**. The DCR bonus should be claimed through self-certification filed with the annual T2 return — consistent with how the Clean Technology Manufacturing ITC is already administered. Natural Resources Canada should maintain a regularly updated list of eligible technologies and components, with CRA administering claims against it.⁴
4. **Align DCRs with Canada's Buy Clean ambitions**. A carbon intensity tier within the DCR framework would reinforce the Government of Canada's commitment to preferring lower-carbon materials and goods in clean energy procurement — creating the sustained demand signal that makes low-carbon industrial investment viable over the long term.⁵ DCRs can also function as a demand-side pull for the clean electricity buildout itself — creating the sustained domestic market for clean energy equipment that Canada's net-zero grid scenarios project will be required at unprecedented scale through 2050.⁶
5. **Pair DCRs with the right supply-side investment**. DCRs create demand for Canadian products — but manufacturing capacity won't materialize without complementary investment in skills, R&D, and capital investments in the entire supply chain, from mining to manufacturing.

Response to Questions

Would you be in favour of introducing a domestic content requirement under Canada's Clean Technology and Clean Electricity investment tax credits to encourage the use of Canadian products?

We support introducing DCRs under the ITCs, subject to design safeguards that protect Canada's ability to deploy clean electricity at the pace and scale the country needs. The following principles should guide any design and implementation decisions:

1. **Affordability**: Canada needs to roughly double its electricity supply by 2050, and the pace of that buildout depends on keeping project costs within reach for developers and ultimately ratepayers.⁷ Any DCR that materially increases the cost of clean electricity deployment without a commensurate supply chain benefit risks undermining the very transition it is meant to support. If a DCR is introduced, it should function as a bonus on top of the base ITC — not a hard eligibility condition — and should focus on technologies and materials where Canadian supply exists or can credibly be developed and create value for the broader energy system.

2. **Energy sovereignty and security:** Canada's dependence on foreign-controlled supply chains for critical clean energy components is a strategic vulnerability — made clear by recent trade disruptions. DCRs are a legitimate tool for reducing that exposure, but only where a domestic supply chain is genuinely achievable. An eligible technology list should reflect a pragmatic assessment of where Canada can build real industrial capacity.
3. **Prosperity and export competitiveness:** A DCR will be most effective if it targets products across three distinct rationales: where Canadian manufacturers can become globally competitive, turning domestic demand pull into export market opportunity; where domestic production addresses forecasted supply chain bottlenecks; and where a carbon intensity tier can incentivize Canadian producers to scale cleanly, building a structural advantage in markets where carbon intensity is increasingly a condition of access.

A bonus-on-top structure — providing an additional credit increment for projects sourcing eligible products domestically — would be most effective in delivering against these principles. Binary disqualification, by contrast, creates a compliance notch: studies consistently find that firms suppress real activity rather than bear the cost and uncertainty of crossing a hard eligibility line, with near-compliant projects responding identically to fully non-compliant ones.⁸

The IRA's domestic content bonus illustrates this concretely: the 2023 compliance framework proved so burdensome that project financing routinely excluded the bonus from underwriting assumptions altogether — a problem the treasury itself acknowledged when introducing a simplified safe harbour in 2024 specifically to recover uptake. Nor does the evidence suggest that where DCRs do deter projects, the tradeoff is justified by the domestic manufacturing growth generated among projects that comply.^{3,9,10}

Capital expenditure at the scale required to build out Canada's electricity system creates a legitimate opportunity to capture industrial and employment benefits — in manufacturing, steel, and clean energy supply chains. DCRs are one mechanism for ensuring this outcome, however any DCR that materially raises project costs or unduly extends procurement timelines works directly against this imperative.

This does not mean cost increases are never acceptable — where domestic sourcing increases project costs, the DCR bonus should be sized to cover that differential, functioning as a credible market development incentive rather than a permanent subsidy. Cost impacts must also be weighed against energy sovereignty priorities and the relative cost of supply constraints: where global supply of a critical component is tight or unreliable, a modest domestic cost premium may be preferable to project delays or strategic dependence. The goal is to build Canadian supply chains that are cost-competitive, strategically resilient, and self-sustaining over the life of the ITC program.

If a domestic content requirement were introduced under the Clean Technology and Clean Electricity investment tax credits, what kinds of products should it be applied to? For instance, should such a requirement be applied to structural steel (e.g., load-bearing columns), advanced manufactured products (e.g., wind turbine generators, photovoltaic modules, battery modules), and/or other products? Should an exemption be allowed to the requirement for certain products or under certain scenarios (if so, what evidence could be used to substantiate an exemption)?

We recommend a principles-based approach to product scope — one that targets DCR bonuses where Canada has strategic reasons to build supply chain depth, rather than applying them uniformly across all clean energy technologies or prescribing a fixed statutory list. The clean energy supply chain is evolving rapidly. Prescribing specific product categories in legislation risks the framework becoming outdated — either too restrictive where domestic capacity has grown, or too permissive where it hasn't.

Decisions about which materials, technologies or products to target must be underpinned by robust understanding of the current manufacturing landscape, and detailed analysis of clean energy supply chains. Supply chain concentration is a key input to this analysis. Where a critical clean energy component is dominated by a single foreign supplier — most notably China, which holds commanding market positions across solar PV, battery storage, and several critical mineral processing stages — that concentration should weigh in favour of prioritizing domestic capacity development.^{11,12,13} The case for building Canadian supply is strongest precisely where import dependence is highest and where geopolitical or trade disruptions could strand projects or inflate costs at scale.

The following guidelines should be considered for decision making:

1. **Priority should go to product categories where domestic manufacturing generates significant value-added employment or economic benefit**, and the product either fills a recognized supply chain security gap or offers clear export competitiveness opportunities. Export potential should be an explicit criterion in this analysis — products where Canada could be internationally competitive warrant prioritization, as domestic demand pull and export market opportunity are mutually reinforcing. DCRs should be a strategic tool to build supply chains that benefit Canada.
2. **The bonus increment should be sized to reflect the strategic value of domestic sourcing** — covering any cost differential between domestic and best available non-domestic supply, with room for a sovereignty premium where supply chain security or export competitiveness rationale is strong. The eligible technology list process should include a view on prevailing cost differentials by product category so the bonus can be calibrated accordingly.

Canada already has a meaningful manufacturing presence in several clean energy supply chain segments that represent strong candidates for early DCR bonus eligibility — wind towers and

structural steel components, electrical transformers and grid equipment, and battery materials, where Canadian producers are positioned to scale with sustained demand signals. These are areas where a domestic content bonus could generate real industrial benefit and accelerate supply chain development.

Solar PV modules and wafers represent a case where a bonus makes less sense at this stage: with no meaningful domestic manufacturing base at any stage of the silicon supply chain, a DCR bonus for solar projects today would have no supply to reward and no demand signal to act on — the eligible technology list process exists precisely to make these distinctions on an ongoing basis as Canada’s manufacturing landscape evolves.

Whichever products are ultimately included in the eligible technology list, DCRs must also be complemented by sufficient supply-side investments to ensure we build the domestic capacity necessary. Research on DCR design across global jurisdictions cite a lack of recognition of manufacturing capability and complexity gaps as a primary reason for DCRs failing to deliver domestic growth in targeted areas.⁹

If a domestic content requirement was introduced, what consequence could be associated with failing to meet a domestic content requirement? Please explain the rationale for your views.

Rather than implementing a DCR that reduces or eliminates the credit for non-compliance, we recommend a bonus-on-top model: meeting the DCR unlocks an additional ITC increment, while non-compliance results in the standard base credit only. The base ITC should not be at risk.

Binary disqualification — where a project missing a DCR threshold loses the entire bonus credit — creates a cliff-edge that deters investment and penalizes near-compliant projects identically to those making no domestic sourcing effort whatsoever.¹⁴ The US experience with the IRA’s domestic content bonus is instructive: even under a voluntary bonus-on-top model, the Congressional Research Service identified that projects finding compliance “prohibitively costly” would simply forgo the credit rather than partially comply — an outcome that eliminates the demand signal that this would otherwise send to domestic suppliers.¹⁴

The government should go further than the US IRA model and consider a graduated ladder structure that rewards partial compliance proportionally. A ladder would reduce the deterrence effect of an all-or-nothing threshold, incentivize developers to source as much domestically as is feasible rather than simply opting out, and create a natural entry point for a carbon intensity tier: the top rung of the ladder could be reserved for low-carbon domestic sourcing, directly advancing the Government of Canada’s Buy Clean ambitions and creating a sustained demand signal for producers like Canadian steel manufacturers to scale cleanly. The government should consult on appropriate thresholds for each rung, grounded in supply chain analysis of what domestic sourcing levels are achievable by technology type.

In addition, a bonus-on-top model may also be more legally defensible, an important consideration as this government sets out to strike a new path forward on international trade with like-minded middle powers that continue to place significant value on international law and institutions. WTO jurisprudence on domestic content requirements has consistently found that DCRs structured as hard eligibility conditions for government incentive programs are vulnerable to challenge under the GATT and the Agreement on Subsidies and Countervailing Measures. For example, *Canada – Renewable Energy/Feed-In Tariff Program (DS412/416, 2013)*.¹⁵ A bonus-on-top structure likely reduces WTO exposure significantly – because the base credit is not conditioned on domestic content, it does not engage the national treatment obligations that have impacted previous DCR programs – though it does not eliminate it entirely. The government should seek independent legal review before finalizing an approach.

If a domestic content requirement was introduced, what mechanism(s) could be used to administer the measure (e.g., certification of country of origin or other documentation of domestic content)? Would established country of origin documentation mechanisms, for example those used in the context of tariffs or Canada-U.S.-Mexico Agreement, be appropriate and allow the country of origin of different products to be identified? If not, what mechanism would you envisage in order to identify the country of origin of products?

Administration should be kept light: self-certification by project developers at the time of ITC claim, with CRA audit authority and recapture provisions for misrepresentation – consistent with how the Clean Technology Manufacturing ITC is already administered.¹⁶ To give domestic supply chains time to develop during initial implementation, the government should consider an enforcement grace period of 18–24 months before recapture provisions apply.

The division of responsibilities should mirror the model already established under Canada's clean economy ITCs. Natural Resources Canada should maintain a dynamic, regularly updated list of technologies and components eligible for the DCR bonus – updated on a defined cycle (at minimum annually, aligned with the federal budget) based on supply chain analysis and Canada's strategic priorities. This list is the primary policy lever: it determines where Canada is choosing to build supply chain depth, and should be visible, consultative, and revisable. CRA administers individual claims against that list with no discretionary role in eligibility determinations.

This approach directly addresses a design flaw that undermined early uptake of the IRA's domestic content bonus in the US, where developers were required to collect detailed manufacturing cost data from suppliers – information manufacturers were often unwilling to share – before they could claim the bonus. The Treasury ultimately introduced an elective safe harbour in 2024 to resolve this.^{14,17,18} Canada can design this correctly from the outset: the NRCan-maintained eligible technology list should specify both which product categories qualify for the DCR bonus and the minimum percentage of costs that must be domestically sourced for each.

This cost percentage requirement is also preferable to relying on existing CUSMA country-of-origin frameworks as a verification baseline — COO rules were designed for tariff classification, not for measuring where economic value is actually created.¹⁹ A solar module assembled in Canada from entirely imported components could qualify as 'Canadian' under some COO tests despite generating little domestic value-added. A minimum domestic cost percentage avoids this problem entirely, giving developers a clear, pre-approved reference they can self-certify against without going back to their supply chains for proprietary cost data.

To support developers in meeting the eligible technology list requirements, the government should establish a voluntary Canadian Clean Energy Content Registry — a database of pre-certified domestic suppliers organized by the product categories and cost percentage thresholds on the NRCan list. Developers can use the registry to identify qualifying suppliers and support their self-certification at the point of claim, without needing to independently verify domestic content for each procurement.

Please outline potential positive and negative impacts of domestic content requirements on your business and/or sector of activities (e.g., impacts on costs, project timelines, employment).

The sector-wide cost, timeline, and employment considerations that bear on this question are addressed in our responses to Questions 1, 2, and 3, which set out the design principles we believe are necessary to ensure DCRs generate net positive outcomes for Canada's clean electricity buildout and supply chain development.

Is this an appropriate approach to support Canadian products?

Yes — DCRs are an appropriate tool to support Canadian products and supply chains, provided they are designed in line with the principles set out throughout this submission: that the DCR functions as a bonus on top of the base ITC rather than a hard eligibility condition; that the eligible technology list is grounded in supply chain analysis and targets products where Canadian manufacturing capacity exists or can credibly be developed; that the bonus is sized to cover any domestic cost differential and calibrated to strategic value; that administration is kept light through self-certification and a NRCan-maintained eligible technology list; and that the program commits to the full duration of the ITCs with reviews designed to expand scope as Canadian supply chains mature.

Policy stability matters deeply in this context. Manufacturers considering investment in Canadian clean energy component production face capital decisions with payback periods measured in decades. Should the government implement DCRs, they must commit to a minimum policy duration — the full length of the ITCs — with formal review built in as an opportunity to expand the program, not retreat from it: as Canadian supply chains deepen and domestic manufacturing capacity grows, the eligible technology list should expand accordingly, with reviews serving as a mechanism to bring new product categories in rather than to phase existing ones out.

Are there other key considerations (such as administrative or implementation considerations, potential economic benefits, specific sectors in Canada affected by other countries' protectionist practices, supply chains challenges or opportunities) on the potential introduction of a domestic content requirement under the Clean Technology and Clean Electricity investments tax credits that you would like to bring to our attention? If so, please explain.

Carbon intensity and Carbon Border Adjustment Mechanisms

The government should consider integrating carbon intensity into the DCR framework — rewarding not just domestic sourcing, but low-carbon domestic sourcing. This serves two mutually reinforcing objectives. First, a DCR that is blind to carbon intensity risks anchoring high-carbon manufacturing: steel produced in Canada using a coal-fired blast furnace qualifies under a content-only framework regardless of its emissions profile — even when cleaner Canadian alternatives exist. Second, and more fundamentally, a carbon intensity tier helps to scale up a Canadian manufacturing base that is inherently competitive in CBAM-regulated export markets. DCRs that build domestic demand for those manufacturers, paired with a carbon intensity tier that rewards clean production, compound that advantage over time.

The EU's Carbon Border Adjustment Mechanism is fully operational as of 2026, covering steel, aluminum, and other industrial products.²⁰ The UK's CBAM follows in 2027.²¹ Carbon intensity is becoming a market-access attribute. Canada's 80% non-emitting electricity grid is a genuine competitive advantage in this environment — but only if it is measured, verified, and recognized.²²

Canada's steel sector illustrates the opportunity clearly. Algoma Steel's new electric arc furnace facility in Sault Ste. Marie — powered by Ontario's clean grid — produces steel with a significantly lower emissions intensity compared to conventional blast furnace production. A DCR bonus that rewards projects for sourcing from producers like Algoma creates a direct demand signal for exactly the kind of low-carbon Canadian manufacturing that is competitive in CBAM-regulated export markets.

We recommend the government implement this through the ladder structure described in our response to Question 3: the top rung of the domestic content bonus would be reserved for projects sourcing from Canadian producers that meet a defined carbon intensity threshold, directly advancing the Government of Canada's Buy Clean ambitions. This rung should only be applied to products or materials for which standards and data already exist.

Thresholds and evidence policies should rely on existing frameworks — most notably the federal Standard on Embodied Carbon in Construction for steel and cement — supplemented by recognition of third-party certifications and EU CBAM methodology for producers who have already measured and verified their emissions.²³ This avoids the need for new federal carbon

accounting infrastructure while creating a meaningful and credible incentive for Canadian manufacturers to scale cleanly.

Provincial coordination

Several provinces have existing procurement programs and content preferences for the clean economy. Federal DCR documentation requirements, product definitions, and bonus structures should be harmonized with provincial frameworks wherever possible — with the goal of moving toward a single national framework that removes interprovincial trade barriers and creates one larger Canadian market for domestic clean energy products. A project developer facing inconsistent federal and provincial content obligations is a foreseeable and avoidable design failure.

Indigenous economic participation

Canada's clean energy transition is creating real economic development opportunities for Indigenous communities and businesses. DCR compliance requirements must be designed carefully to avoid inadvertently disadvantage Indigenous-owned suppliers and contractors — through documentation burdens, capital requirements, or supply chain relationship assumptions that favour large incumbents. We recommend explicit consultation with Indigenous representative organizations on DCR program design.

We appreciate the opportunity to comment.

Please feel free to contact us with any questions regarding our recommendations.

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