

**Written Submission for the Pre-Budget Consultations in Advance
of the Upcoming Federal Budget**

By: Capital Power

August 1, 2025



Recommendations:

- **Recommendation 1:** Designate the Polaris at Genesee Energy Campus Project as a Project of National Significance and Invest in Data Sovereignty Infrastructure.
- **Recommendation 2:** Withdraw or make key revisions to the Clean Electricity Regulations to ensure Canada can become a global energy superpower.
- **Recommendation 3:** Support the development of Small Modular Reactors by committing impactful early-phase investment and enabling policy to attract new investment and economic growth.
- **Recommendation 4:** Continue to unlock low-carbon opportunities through Investment Tax Credits.

Overview

Capital Power appreciates the opportunity to provide written comments to the Standing Committee on Finance in advance of the upcoming federal budget.

At Capital Power, we're working to advance Canada's position as an energy superpower. We are focused on the bold, ambitious, nation-building projects that strengthen the economy, attract global investment, and advance the interests of all Canadians. Ensuring the Government of Canada (the "Government") remains focused on fostering a fiscal, policy, and regulatory environment that enables projects to move forward, particularly those that advance existing and future power demand, is critical to our national success.

Recommendation 1: Designate the Polaris at Genesee Energy Campus Project as a Project of National Significance and Invest in Data Sovereignty Infrastructure

Capital Power is advancing the Polaris at Genesee Energy Campus Project ("Polaris Project") – a transformative opportunity that strengthens Canada's digital sovereignty, economic competitiveness, and clean energy leadership. Aligned with the evaluation criteria under the *One Canadian Economy: Building Canada Act*, the Polaris Project is uniquely positioned to deliver shovel-ready, strategic infrastructure that advances Canada's artificial intelligence (AI) ambitions while enabling lower-carbon growth and long-term reliability.

The Polaris Project provides a unique opportunity to advance AI objectives along with progressing Canada's ambition to be an energy superpower. Our project:

- **Strengthens Canada's autonomy, resilience, and security:** The Polaris Project enables AI development and data sovereignty. The Project is Tier IV-capable and designed to support Canadian-controlled compute for advanced AI, defense, and commercial applications.
- **Contributes to clean growth in service Canada's objectives with respect to climate change:** The Project integrates battery storage to support grid reliability and data centre needs with carbon capture and storage (CCS) and small modular nuclear reactor ("SMNR" or "SMR") readiness to support Canada's climate goals. Additionally, Capital Power's repowered Genesee Generating Units 1 and 2 remain Canada's most efficient natural gas-fired generators.
- **Has a high likelihood of successful execution:** The Project has an immediate pathway to power given transmission and generation infrastructure already exist at the Genesee site, enabling near-term deployment with no major upgrades required and continuous opportunities to scale.
- **Provides economic or other benefits to Canada:** Fully built (1.5 GW), the Project is expected to reduce provincial transmission costs by ~\$6/month per customer, generating over \$1 billion in system-wide savings over eight years. The Project is expected to generate 500 to 1000 direct jobs and over 1000 indirect construction jobs. It will also provide approximately \$2 billion in tax revenues across Governments.
- **Advances the interests of Indigenous Peoples:** Indigenous participation is essential to the Project. Equity partnerships can be made available across all project components, creating long-term economic benefit and shared ownership. Moreover, engagement with Indigenous communities is underway.

The Polaris Project represents the kind of nationally significant, future-ready infrastructure envisioned under the *One Canadian Economy: Building Canada Act*. As such, we recommend that the Government:

- **Act as an anchor tenant, contracting a significant portion of capacity** (for example, 250 MW or greater), for AI or high-performance computing workload at the Polaris Project as part of a federal contract. This would directly support Canada's digital public infrastructure, AI strategy, and global leadership objectives, while catalyzing the first Tier IV-capable, data sovereign campus in Canada.
- **Withdraw or make key revisions to the current Clean Electricity Regulations (CER)**, as outlined in Recommendation 2 of this document.

Recommendation 2: Withdraw or make key revisions to the Clean Electricity Regulations to ensure Canada can become a global energy superpower

If Canada is to become a global energy superpower, a diversity of energy investments is required, and the CER must be reconsidered. We recognize and appreciate that the Government has acknowledged some of the concerns outlined by Capital Power during Environment and Climate Change Canada's consultation process. However, specific aspects of the CER remain unworkable and require significant amendments to ensure the affordability and reliability of the grid, and to support the development of nation-building projects across Canada.

While our preferred recommendation is the withdrawal of the CER, we remain committed to working with all governments to find a path forward and to bring certainty and confidence to the sector. As such, it is imperative that the Government:

- **Extend the compliance window for planned or “in-flight” projects to allow for permitting submissions by 2027, construction commencement by 2030 and commissioning by 2035 – or beyond.** Capital Power appreciates the inclusion of “in-flight” projects in Canada Gazette II; however, extending the compliance pathway is necessary to ensure projects can reach commercial maturity with greater certainty. As overall electricity demand continues to increase, additional generation is necessary to ensure reliable power for all Canadians.
- **Increase the emissions performance standard (EPS) from 65 t CO₂e/GWh to 125 t CO₂e/GWh to ensure grid reliability and advance low-carbon solutions.** The EPS must be increased to be reflective of the expected performance across the full range of conditions and to support the viability of future decarbonization projects. Based on technical and commercial work that Capital Power has undertaken regarding the Genesee CCS Project, it is clear that the current capture rate is not achievable unless during a steady state of baseload operations under specified ambient conditions. Deviations from these conditions – including relating to any of the regular operating circumstances such as ramping and maintenance – will impact CCS performance, resulting in non-compliance. Additionally, in certain jurisdictions, dispatchable natural gas power is necessary to support the intermittency of renewables for a reliable grid. As such, the impractically low EPS presents a significant barrier to future low-carbon investments, resulting in negative impacts for overall emissions reductions and reliability.
- **Extend the End of Prescribed Life (EoPL) requirements from 25 to 30 years** from a unit's declared Commercial Operations Date to mitigate future reliability risk during a time of energy expansion and electrification. A 30-year EoPL would extend the compliance date for a significant amount of existing generation, mitigating some of the concerns regarding future reliability.
- **Remove the criminal liability provisions to improve investability.** As companies work to reduce emissions with emerging and nascent technologies, ensuring flexibility in compliance is critical as technologies evolve and become more efficient. Allowing companies to implement technologies without fear of criminal liability is necessary to advance innovation.

Recommendation 3: Support the development of Small Modular Reactors by committing impactful early-phase investment and enabling policy to attract new investment and economic growth

Across Canada, there is a need for dispatchable baseload generation to meet the growing demand for reliable, affordable, and lower-carbon energy. Nuclear energy offers a practical, cost-competitive, and complementary solution for a balanced energy mix. SMRs are a key focal point of pan-Canadian collaboration to ensure Canadian energy sovereignty, security, grid stability, and decarbonization.

Capital Power and Ontario Power Generation (OPG) are working collaboratively to explore the transformational opportunity of deploying SMR nuclear generation in Alberta. Our feasibility study confirms that SMRs can be a viable solution to support our growing need for a reliable and balanced energy mix, bring considerable economic and social benefits, and act as a catalyst for investment and economic growth. Though we're still evaluating, we are steadfast about the potential for SMRs and acknowledge that partnerships with federal, provincial, and Indigenous governments, stakeholders and communities will be necessary to realize Canada's nuclear future.

To advance Canada's nuclear advantage and bolster our status as an energy leader, we recommend that the Government:

- **Provide a strong investment signal through a predictable, coherent, and stable policy environment, reinforced by a commitment to revenue support mechanisms** through development and construction phases to ensure confidence in Canada's commitment to a nuclear future. Canada's natural resources, manufacturing, minerals, technology, and emerging data centre sectors rely on stable and predictable energy prices to stay cost-competitive and attractive to new investment and export markets. Ensuring the right investment signals are critical in this regard.
- **Enhance early-phase funding programs to mitigate nuclear development risk.** Around the world, new nuclear projects have been successful because there has been a form of government investment to share risk, making them a bankable/financeable investment. Canadian SMRs are no exception. Nuclear projects have long development timelines making it necessary to commit large amounts of capital over several years before a Final Investment Decision is made. Investors are hesitant to invest in long-lead projects without a source of development phase cash flow and a clear pathway and timeline to revenue.
- **Commit funding programs to support enhanced public and Indigenous outreach and education** to deliver factual, transparent, and approachable information about nuclear energy and technologies to dispel myths and misinformation. Enhanced energy literacy and meaningful engagement are key levers of Indigenous, community, and public support. Our early discussions with Indigenous and local communities have been positive, and there is an observed openness to the topic and curiosity to learn more – the time is now to enhance public outreach and education about nuclear energy.

Recommendation 4: Continue to unlock low-carbon opportunities through Investment Tax Credits

Canada's Clean Economy Investment Tax Credits (ITC) – and the broader suite of initiatives targeted to support the accelerated deployment of projects in Canada – are instrumental as companies compete for global capital and seek to invest in the various low-carbon technologies required to achieve provincial and federal emissions ambitions.

While Capital Power is generally supportive of the broad design framework for both the Carbon Capture, Utilization, and Storage (CCUS) ITC and the Clean Technology (CT) ITC, we believe certain elements remain outstanding and require further revisions. To unlock Canada's potential, we recommend that the Government:

- **Extend the full value of both the CCUS ITC and CT ITC to 2041**, ensuring equitable treatment and recognizing the extended timeframe required for long lead time dispatchable technologies such as CCUS and SMRs that can decarbonize the grid while contributing to reliability and affordability. The current ITC schedules largely limit eligibility to projects already announced and established, limiting future projects from qualifying, particularly for longer-lead projects with nascent technology.
- **Amend the definition of SMRs under the CT ITC and increase the per MW threshold** to ensure all SMR projects are qualified. The current definition of SMRs does not adequately capture the technology utilized by some nuclear projects and should instead have a more technology-agnostic approach. For example, there are a number of SMR designs and technologies in advanced stages of development and commercialization, which have capacities ranging up to 400 MW. The proposed definition may needlessly preclude these technologies from consideration for potential deployment in Canada.
- **Increase the CT ITC rate for nuclear energy equipment** to be consistent with the level of support provided for CCUS projects, at a minimum. The long-lead development and construction phase timeline, stacked with the magnitude of capital investment cost associated with SMRs, or nuclear technology more broadly, is significantly greater than most other decarbonization projects. Aligning the level of CT ITC support for nuclear energy equipment with the CCUS ITC would ensure more equitable and comparable levels of support.

About Capital Power

Capital Power (TSX: CPX) is a growth-oriented power producer with approximately 12 GW of power generation at 32 facilities across North America. We prioritize safely delivering reliable and affordable power that communities can depend on, building lower-carbon power systems, and creating balanced solutions for our energy future.

As the world navigates the energy expansion – a period of unprecedented power demand growth driven by electrification, population growth, digitalization and other factors – Capital Power is working diligently to meet the energy needs of all Canadians.