

Transport Canada boost: \$165.4 million allocated in the Federal Budget

April 11, 2023

The 2023 Federal Budget (The Budget) contained some exciting news for the transportation industry.

The key announcement is a proposal to provide \$165.4 million over seven years, starting in 2023-24, to Transport Canada to establish a Green Shipping Corridor Program to reduce the impact of marine shipping on surrounding communities and ecosystems. The budget proposal is intended to provide some seed funding to help first movers develop clean ships and fuel sources, add infrastructure to ports and terminals, and prioritize vessels at ports based in part on their level of emissions. Transport Canada is currently arranging workshops with industry to structure this investment.

The following is a summary of some of the other budget proposals. If you have **questions or want to know more, please don't hesitate to reach out to the authors**, and remember to speak to your tax advisor if you intend to take advantage of these proposals.

1. Investment Tax Credit for clean hydrogen

In the 2022 Fall Economic Statement, the Federal Government announced a refundable investment tax credit for investments made in clean hydrogen (CH) production based on the lifecycle carbon intensity of hydrogen. The 2023 Budget contained further details on this CH Tax Credit.

Proposal

The levels of support will vary between 15 and 40 per cent of eligible project costs, with the projects that produce the cleanest hydrogen receiving the highest levels of support.

The measure will also extend a 15 per cent tax credit to equipment needed to convert hydrogen into ammonia, to transport the hydrogen. The tax credit will only be available to the extent the ammonia production is associated with the production of clean hydrogen.

Labour requirements will need to be met to receive the maximum tax credit rates. If labour requirements are not met, credit rates will be reduced by ten percentage points. These labour requirements will come into effect on October 1, 2023.

The proposal details indicate that only projects that produce all, or substantially all, hydrogen through their production process would be eligible for the CH Tax Credit.

Application

The credit would be available in respect of the cost of purchasing and installing eligible equipment for projects that produce hydrogen from electrolysis or natural gas, so long as emissions are abated using carbon capture, utilization, and storage (CCUS). **A 30 per cent labour investment tax credit may apply in respect of workers engaged in project elements that are subsidized by the respective investment tax credit, whether they are engaged directly by the business or indirectly by a contractor or subcontractor.**

Takeaways

The 2023 Budget allows for significant tax credits for projects that produce all or substantially all hydrogen through their production process. The credit will be available in respect of the costs of purchasing and installing the eligible equipment from electrolysis or natural gas as well as for labour costs. The transportation industry can benefit from the development of this technology and the means for transporting it, such as using ammonia. Creative projects that pair CH technology with the supply chain and associated transportation systems, perhaps through a green shipping corridor on land or water can benefit.

2. Investment Tax Credit for Clean Technology Manufacturing - Transportation

Proposal

The 2023 Budget includes a refundable 30 per cent investment tax credit on capital cost of eligible property, which includes machinery and equipment used in manufacturing or processing associated with eligible activities, such as:

- Manufacturing of zero-emission vehicles, including conversions of on-road vehicles.
- Manufacturing of batteries, fuel cells, recharging systems, and hydrogen refuelling stations for zero-emission vehicles.
- Manufacturing of equipment used to produce hydrogen from electrolysis.

Manufacturing or processing of upstream components, sub-assemblies, and materials provided that the output would be purpose-built or designed exclusively to be integral to other eligible clean technology manufacturing and processing activities, such as anode and cathode materials used for electric vehicle batteries.

Application

The Investment Tax Credit for Clean Technology Manufacturing would apply to property that is acquired and becomes available for use on or after Jan. 1, 2024, and gradually phased out starting with property that becomes available for use in 2032 and would no longer be in effect for property that becomes available for use after 2034.

Takeaways

This is a great opportunity for all manufacturers of clean technology involved in the manufacturing of zero-emission vehicles or its associated components and materials. **The Clean Technology Manufacturing Investment Tax Credit will cover 30 per cent of capital costs of machinery and equipment used in the manufacturing or processing starting Jan. 1, 2024.**

The applicable schedule of rates are 30 per cent for property available for use in 2024 to 2031, 20 per cent for 2032, 10 per cent for 2033 and 5 per cent for after 2034.

Interested companies should begin investing in manufacturing and processing technology starting in January 2024 and take advantage of the proposed tax credit.

3. Investment Tax Credit for carbon capture, utilization, and storage

Proposal

Budget 2022 proposed a refundable investment tax credit for carbon capture, utilization and storage (the CCUS Tax Credit) for businesses incurring eligible expenses, beginning Jan. 1, 2022. Budget 2023 proposes additional design details on the CCUS Tax Credit, with further details to come.

Budget 2023 contemplates that “Dual Use Equipment” that produces heat and/ or power or uses water, that is used for CCUS as well as another process, will be eligible for the CCUS Tax Credit. Dual Use Equipment would need to satisfy all other conditions of the CCUS Tax Credit to be eligible. Equipment cost of this equipment would be eligible on a pro-rated basis in proportion to the expected energy balance or material balance supporting the CCUS process over the first 20 years, but only if the energy balance is expected to be used more than 50 per cent to support the CCUS process or hydrogen production that is eligible for the proposed Clean Hydrogen Investment Tax Credit. CO₂ emissions would also need to be captured and stored or used.

In addition, Budget 2023 proposes the addition of British Columbia as an Eligible Jurisdiction for geological storage, applicable to expenses incurred on or after Jan. 1, 2022.

For concrete storage, Budget 2022 required that for storage in concrete to be considered an eligible use, the process had to be approved by Environment and Climate Change Canada, and that at least 60 per cent of the CO₂ injected into the concrete would be locked into the concrete. Budget 2023 proposes that a third party should validate the technology, rather than Environment and Climate Change Canada. **The evaluation would be done against the ISO 14034:2016 standard “Environmental**

management - Environmental technology verification". Budget 2023 also sets out the interaction between (and recovery of) Refurbishment ITCs and the CCUS Tax Credit once a project is operational and how refurbishment costs would be treated.

CCUS projects with eligible expenses of \$250 million or greater over the life of the project (based on project plans) would also be required to contribute to public knowledge sharing in Canada.

Takeaways

The CCUS Tax Credit regime is not specifically aimed at the transportation industry. However, carbon capture technology may be an important feature of at least some contemplated green shipping corridors. In addition, the supply chain and plans for transport of captured carbon must be considered by any company looking to benefit from the CCUS Tax Credit.

By

[Robin Squires](#), [Jean-François Bilodeau](#)

Expertise

[Tax](#), [Transportation](#)

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2025 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.