



MITIGOKAA

Submission to the Senate Standing Committee on

National Finance

On the "Subject Matter of Bill C-59"

Jointly submitted by:

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Recommendation:

We recommend that Bill C-59 be amended to include biomass in the definition of “clean technology property” for the purposes of the Clean Technology Investment Tax Credit in the proposed new Section 127.45(1) to the *Income Tax Act*.

Specifically, we recommend that the definition of “clean technology property” in subsection (d) be amended to read (with our proposed amendments highlighted):

- (i) equipment used to generate electricity from solar, wind, **biomass** and water energy that is described in subparagraph (d)(ii), (iii.1), (v), (vi), **(viii), (ix)** or (xiv) of Class 43.1 in Schedule II to the Income Tax Regulations

The effect of this amendment would be to make installations using waste wood as fuel to generate electricity, immediately eligible for the proposed 30 percent refundable investment tax credit, just like solar, wind and water energy.

1. About us

Pelican Lake First Nation is a Saskatchewan First Nation with, as of December 2022, a registered population of 1,722. Pinehouse is a Saskatchewan Métis community. According to Stats Can's 2021 census data, the Northern Village of Pinehouse has a population of 1,013. Both communities face significant economic and social challenges related to a lack of reliable electricity. The volume or capacity of electricity available per capita is roughly 1/3 the national average.

From a community perspective, the limited and unreliable power supply makes much-needed development – including housing, community facilities such as schools and health centres, and economic and commercial development – virtually impossible. Both communities are served by SaskPower and are at the ends of lengthy distribution lines. Line loss due to distance, as well as the tendency of remote distribution lines to be damaged by forest fires, storms, and other natural occurrences, combine to limit the per capita volume of electricity available in each community and cause frequent and regular outages. This impacts residents' standard of living as families do not have enough power available to connect and make use of appliances such as air conditioners, freezers, or washers/driers. Food insecurity is also heightened as frequent power outages lead to spoilage.

Pelican Lake and Pinehouse have formed a joint venture, alongside Mitigokaa Development Corporation (MDC), to construct, operate and manage biomass generating facilities that will meet their electricity needs both today and well into the future. Together they propose the construction of a wood waste biomass generating plant in each community. The plant infrastructure selected – primarily the boilers and generating turbines – have been utilized in

numerous communities around the globe and have a proven record of providing clean, safe, and reliable electricity.

Project planning is very well-advanced. Most permits are now in hand. Site selection (including all necessary engineering studies) and plant design work have been completed. Sufficient waste wood supplies have been identified. Equipment and physical plant suppliers have been identified and formal bids received. We intend to use “off the shelf” solutions with a track record of reliability and success, which both reduces costs and ensures the availability of any required after-market support as well as spare and replacement parts. We have held extensive discussions with and submitted a detailed proposal for a Power Purchase Agreement to SaskPower, which is very supportive of the two projects. Detailed 20-year financial projections have been completed and Pelican Lake has undertaken the process to become scheduled under the *First Nations Fiscal Management Act* and has held positive discussions with the First Nations Finance Authority towards obtaining project capital financing. A recent referendum undertaken by ISC Canada in Pelican Lake First Nation overwhelmingly approved the project.

2. Rationale for our proposed amendment

The Clean Technology Investment Tax Credit was first announced in the 2022 Fall Economic Statement but excluded electricity generation projects fueled by waste wood biomass.

The 2023 Fall Economic Statement, portions of which would be enacted through Bill C-59, announced an expanded definitions for the Clean Technology Investment Tax Credit, now including projects fueled by waste wood biomass. The Fall Economic Statement indicated that the inclusion of biomass would be legislated separately, at a later date, but that eligibility would be retroactive to the date of the Fall Economic Statement.

Pelican Lake and Pinehouse’s projects are well advanced and we anticipate finalizing all financial matters this summer. As the 30 percent investment tax credit will have a significant impact on financial requirements and viability, the certainty provided by legislative action is rather necessary to the financiers. With a minority Parliament there is always the possibility that government initiatives that are delayed will never actually be implemented.

The amendment required to achieve our goals is very minor, as per the opening of this brief. We do not believe it is significant enough to require consultation or legislative deliberation beyond that already taking place to implement the Clean Technology Investment Tax Credit for all other eligible types of project, as is happening with Bill C-59.

Accepting the amendment we have proposed would not incur any additional cost to the Treasury. The Fall Economic Statement is explicit that eligibility for the Clean Technology Investment Tax Credit, for projects utilizing wood waste biomass, will be retroactive to the date of the Fall Economic Statement.

The Benefits of acting today

It contributes to multiple federal government policy priorities:

SaskPower relies heavily on coal for electricity generation. **The biomass plants, by displacing the electricity currently generated elsewhere and inefficiently transported along lengthy distribution lines, will remove a total of more than 100,000 MT of carbon emissions annually,** contributing towards Canada's climate change goals and saving approximately \$17.5 million in annual carbon taxes for ratepayers.

The federal government has made a broad commitment towards significant progress on the infrastructure gap between Indigenous and non-Indigenous communities by 2030, including an explicit commitment to end the reliance on diesel (and fossil) electricity generation in all remote communities by 2030. While neither of our communities currently utilizes diesel generation, they are supplied by coal generation. Many communities that rely on coal or diesel are for the most part Indigenous communities and/or communities who are well-situated geographically to take advantage of the opportunities that wood waste biomass presents for clean, sustainable, dispatchable, and load-following electricity generation. From our perspective as Indigenous communities, the construction, operation, and maintenance of new plants, as well as the harvesting and transport of fuel supplies, will provide meaningful and stable long-term employment that we desperately need. The provision of reliable energy supplies will facilitate the construction of new infrastructure – social, health, and recreational facilities as well as housing and commercial facilities – that we are unable to contemplate under current limitations. **Immediate eligibility for the enhanced tax credit would allow us to make real progress on the infrastructure gap we face and would allow many other Indigenous communities to contemplate similar solutions, represent a meaningful investment in reconciliation between our peoples and the Crown.**

The accelerated implementation of waste wood biomass solutions will also lead to improved forest management practices. In the case of our project, Pelican Lake will be using the “slash” from existing forestry and mill operations as waste wood fuel. This waste wood is currently left *in situ* to rot or is burned in the field or at the mill site, using diesel fuel as an accelerant – both of which represent an unfortunate waste of clean energy potential. **Removing this waste wood and using it productively will improve forest management practices and leave less fuel on the ground for wildfires.** To fuel Pinehouse's biomass plant, we will harvest and utilize burned timber left behind by previous forest fires, followed by replanting to regenerate quicker. These burns have been extensively lab tested and found to still have excellent heat value. This will also deter future fires and encourage natural regeneration within the boreal forest more quickly. Accelerating the development of biomass projects will not prevent the kind of devastating wildfires that we have seen in recent years but reducing the available fuel sources may reduce their severity in some cases.

The immediate inclusion of biomass will also help to reduce regional inequities. All infrastructure development in northern remote communities, including the development and construction of our biomass generation projects, carries with it a significant cost premium

related to workforce recruitment and accommodation, the short construction season, and long transportation of equipment and materials. Immediate eligibility for the 30 percent tax credit would essentially socialize those incremental costs, placing communities like ours on a more even footing with community projects located further south or closer to larger urban centres. As noted above, the northern and remote communities (many of which are Indigenous) that are most in need of clean and reliable electricity are much better situated to take advantage of biomass than they are technologies such as wind or solar (both of which would require significant further investments in storage capacity to meet availability and reliability needs). Providing certainty with regard to the government's stated intent to support waste wood biomass projects through the tax credit would allow many more communities to develop and implement solutions to long-standing challenges.