

Sept 13, 2023

Hon. Danielle Smith
Premier of Alberta and Minister of Intergovernmental Relations
307 Legislature Building
10800 – 97 Avenue
Edmonton, AB T5K 2B6

Sent via email: premier@gov.ab.ca

Re: Proposed “Labour Requirements” for Investment Tax Credits (“ITCs”)

Dear Premier Smith,

We are writing to express our serious concerns with an aspect of the federal government’s massive Clean Technology Investment Tax Credits (ITCs).

While member companies of the Progressive Contractors Association of Canada (PCA) support federal tax incentives to speed up the transition to a greener economy, requiring companies to comply with a proposed artificially high wage rate and benefits, in order to qualify for the full Investment Tax Credit (ITC), will translate into higher costs, more government red tape, and fewer clean energy projects.

An anti-competitive “prevailing wage” will significantly disrupt the labour market by instigating a domino effect of wage and benefit inflation across the construction sector and pose a serious risk for large clean energy construction projects in Alberta – projects that are critical to achieving Alberta’s net-zero goals and moving the provincial economy forward.

In turn, these regulations will hurt taxpayers, by raising the cost of clean energy projects. Ultimately, energy ratepayers and consumers, who are already struggling with an affordability crisis, will pay more for fewer clean energy projects.

Background on ITCs

The federal government is currently working on changes to Investment Tax Credits which would affect Labour Requirements for Clean Technology, Clean Hydrogen, Clean Electricity, and Carbon Capture, Utilization, and Storage.

The ITCs, as currently presented, would provide a credit of up to 30% under the Clean Technology program, 40% under the Clean Hydrogen program, and 15% under the Clean Electricity program. However, if the Labour Requirements of the programs are not satisfied, a penalty of 10% will be applied (i.e., 20% instead of 30% under the Clean Technology program,

30% instead of 40% under the Clean Hydrogen program, and 5% instead of 15% under the Clean Electricity program). The forthcoming ITC for Carbon Capture, Utilization, and Storage is expected to have the same design.

To qualify for the full ITC, a business seeking an ITC would need to satisfy the Labour Requirement, to ensure that all covered workers are compensated at the “prevailing wage” and benefits. Otherwise, the ITC would be reduced by ten percent. These wage and benefits costs are currently structured to be based solely on “eligible collective agreements,” which we have been informed by federal Ministry of Finance officials, are intended to be the Building Trades Union multi-employer collective agreements.

Issues with ITC Labour Requirements

We have major concerns with the federal government’s proposal. Here’s why:

- **Canadians will wind up paying a lot more for fewer green energy projects.** If the government is intent on interfering in the construction market and mandating its proposed arbitrary wage and benefit rates, that will drive up construction costs, and drive away investors who will take their green energy projects elsewhere.
- **The federal government should not be setting high-end worker remuneration.** Today, at the height of a skilled labour shortage, skilled construction workers are commanding and receiving top dollar. That’s how a competitive construction market works.
- **Arbitrary wage and benefit rates would cause massive disruption across the construction industry, and set back Canada’s green energy transition.** Here’s how:
 - **Potential project cancellations.** Preliminary estimates show the impact of what the government is contemplating will amount to hundreds of millions of dollars in added project costs. This could lead to project delays or even cancellation.
 - **The ITC program will inflate wages and benefits across the construction industry.** The artificial rise in workforce remuneration will result in project proponents taking their projects and investments south of the border.
 - **Governments are not known for their efficiency these days.** Imagine the government administering the wage rate including overseeing company compliance across many different trades, projects and regions. This will no doubt require another layer of bureaucracy and added cost. Small businesses that aren’t equipped to handle more paperwork are unlikely to bid on projects. Less competition means higher costs.

Today, in the midst of an affordability crisis, the federal government should be looking for ways to build more efficiently. Instead, its ITC plan, as contemplated, will have the opposite result.

If the federal government's plans are implemented, this could have a devastating effect on planned clean energy projects in Alberta.

Conclusion

The federal government's proposed Labour Requirement is a serious problem, not just for our 40,000+ members, but for the Alberta economy, hundreds of thousands of construction workers, Alberta's net-zero goals, and Albertans' energy bills.

We were grateful to learn that you have raised this issue with the Prime Minister and that your ministers are also joining this issue. We also want to congratulate you on the recent news that the federal government is willing to create a working group with Alberta to discuss key issues such as emission reductions and energy development while respecting the exclusive jurisdiction of the provincial government. We commend you for this work.

We do, however, remain extremely concerned with the direction the federal government is taking. We offer our support to you and your government to oppose the federal government's changes to ITCs.

To date, PCA has raised its concerns in several ways, and will keep building on this work:

- PCA Submission on Labour Conditions for Clean Tech and Clean Hydrogen Investment Tax Credits – January 2023 (August 8, 2023). See attached;
- PCA Submission to Department of Finance regarding Prevailing Wage (August 18, 2023). See attached;
- Held multiple meetings with federal Finance officials;
- Raised this issue with ministers and staff for the Government of Alberta;
- We are currently raising this issue with industry associations across Canada.
- Raising awareness with our members.

We will continue advocating strongly against the proposed Labour Requirements, and work to support you and your government in this fight.

Respectfully yours,

Paul de Jong
President
Progressive Contractors Association of Canada (PCA)

cc. Darrel Reid, VP Policy & Advocacy PCA

The Progressive Contractors Association of Canada (PCA) represents construction companies whose members employ over 40,000 skilled workers across Canada through 150 contractor organizations. Over the past twenty years, their workers have built over \$150 billion in major construction projects across Alberta, from the Oil Sands and Rogers Place to the Calgary Cancer Centre and Stoney Trail, and account for more than 50% of major industrial construction and maintenance projects. Since PCA's founding in 2000, we have worked to ensure fair access to work opportunities for our members by promoting a legislative framework and industry practices that establish a level playing field for all construction industry participants.

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