

Written Submission for the Pre-Budget Consultations in Advance of the 2025 Federal Budget



Submission Date: August 1, 2025

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Recommendations

Recommendation 1: That the government position Canada as a global energy superpower by swiftly advancing the five priorities outlined in the open [letter](#), *Build Canada Now*: streamline regulation, establish firm project approval timelines, enable responsible production growth, attract investment, and incentivize Indigenous co-investment opportunities.

Recommendation 2: That the government collaborate with industry to refine the proposed amendments to the federal Methane Regulations for the oil and gas sector in a manner that maintains emissions reduction goals while providing regulatory flexibility to support innovation, economic competitiveness, and the delivery of affordable, reliable energy for Canadians.

Recommendation 3: That the government enhance the effectiveness and accessibility of clean economy investment tax credits by ensuring broader eligibility of capital costs, extending credit timelines, enabling full participation by Indigenous communities and municipalities, and modernizing rules to accommodate emerging business models such as 'energy as a service'.

Recommendation 4: That the government repeal paragraphs 74.01(1)(b.1) and (b.2) of the federal *Competition Act*.

Recommendation 5: That the government modernize Canada's tax framework to support capital formation and investment competitiveness by addressing the limitations of the excessive interest and financing expenses limitation rules, removing withholding tax on cross-border dividends, and ensuring fairer treatment of taxpayers in the dispute resolution process.

Recommendation 6: That the government ensure the Indigenous Loan Guarantee Program remains sector-agnostic, supporting both new and existing energy infrastructure, and flexible to meet diverse community investment needs.

Recommendation 7: That the federal government delay the publication of new building codes until a comprehensive cost analysis is completed on the tiered GHG emission requirements introduced in this code cycle.

Build Canada Now

Canada's longstanding reliance on a single trade partner has underscored the urgent need for diversification, galvanizing Canadians in their call for greater energy security and economic growth. Bill C-5 is an important step towards advancing Canada's economic growth and energy security. However, to fully capitalize on this opportunity and establish Canada as global energy superpower, we must go further. Energy infrastructure must be elevated to a national priority. By accelerating the development of pipelines, LNG terminals, and expanded oil and gas projects, Canada can unlock billions in investment, access new markets, and advance its energy sovereignty.

To that end, Enbridge reiterates the recommendations set out in *Build Canada Now*, an open [letter](#) penned by 38 CEOs from across Canada's energy sector to Prime Minister Carney:

1. **Simplify regulation:** Modernize and streamline processes. Overhaul the Impact Assessment Act and lift the west coast tanker ban to enable timely, court-resilient decisions.
2. **Commit to firm approval deadlines:** Ensure major infrastructure projects are reviewed and determined within six months of application.
3. **Grow production:** Remove the unlegislated emissions cap to allow the energy sector to achieve its full economic and environmental potential.
4. **Incent Indigenous co-investment:** Scale up Indigenous loan guarantees to enable infrastructure ownership, drive prosperity, and enable communities to benefit from development.

Draft Amendments to the Federal Methane Regulations

Canada's energy sector, contributing 8.9% to GDP, is critical to economic stability. As the federal government proposes to amend the federal Methane Regulations, it must balance environmental goals with affordability, reliability, and competitiveness.

Industry remains concerned about compliance costs, which Environment and Climate Change Canada (ECCC) estimates at \$15.4 billion (2027–2040) per its Regulatory Impact Analysis Statement (RIAS)—a figure likely understating the true burden. This means higher costs for consumers, including families and businesses. The timing of the amendments, amid U.S. trade tensions, adds regulatory uncertainty that could deter investment and delay infrastructure.

As previously drafted, the performance-based compliance option is unworkable, since current monitoring technologies lack the precision ECCC requires. Industry's recent efforts, including retrofits of pneumatic instruments to meet compliance with Phase 1 of the existing Methane Regulations should be allowed to remain in-place and avoid the risk of stranded capital, as the proposed amendments would deem them noncompliant.

To support both environmental and economic outcomes, Enbridge recommends:

1. **Update the RIAS** to include detailed cost information and midstream-specific examples that have been repeatedly provided to ECCC by industry stakeholders.
2. **Adjust the coming-into-force dates** of the draft amendments to reflect current economic realities, as well as the delay in final publication. Ensure the draft amendments align with the federal government's stated objective to support investment in new energy infrastructure.
3. **Co-develop a technology-neutral, performance-based compliance pathway** with the midstream industry to enable innovation and cost-effective emissions reductions through enhanced flexibility.
4. **Introduce exemptions for pre-existing, in-scope equipment** that is within two years of end-of-life at the time the draft amendments come into force. Additionally, extend the

compliance timeline to 20 years from the date of purchase for equipment replaced or retrofitted under Phase 1 of the Methane Regulations.

Investment Tax Credit (ITC) Framework

Canada's path to a net-zero economy by 2050 relies heavily on lower-carbon solutions like carbon capture, utilization, and storage (CCUS). These projects require high upfront investment and long development timelines, making policy certainty and sustained financial support essential for attracting private investment.

The federal government's CCUS ITC, covering eligible expenses from 2022 to 2040, has been a key mechanism for de-risking private capital. However, the planned phase-out of maximum rates after 2030 compresses timelines for late-decade projects and discourages long-term investment.

The clean technology and clean electricity ITC's narrow eligibility criteria further limit its impact. By requiring that equipment be used in commercial or business settings, it excludes 'energy as a service' models that could scale deployment. Additionally, early-stage project activities are excluded from eligible expenses, increasing developer risk and deterring early investment. Restricting this ITC to taxable Canadian corporations also limits participation by Indigenous communities and municipalities, despite their potential to contribute land, local knowledge, and leadership.

To strengthen the ITC framework, Enbridge recommends the following:

1. **Extend ITC eligibility periods and maintain maximum CCUS ITC rates through 2040.**
2. **Create a carve-out for Indigenous communities and municipalities by allowing tax-exempt entities full access to clean economy ITCs**, including exemptions from "at-risk amount" and tax shelter rules.
3. **Amend leasing rules** under the clean technology and clean electricity ITCs to include leases with customers not using the property for direct commercial purposes.
4. **Include preliminary project development work** within the list of eligible capital costs.

Competition Act

The addition of paragraphs 74.01(1)(b.1) and (b.2) to the *Competition Act* has introduced significant legal uncertainty and risk for businesses in communicating publicly about their environmental aspirations, initiatives and performance. Given that the Act already contains robust tools to protect consumers against greenwashing, these new provisions are unnecessary, with the unintended consequence of stifling of dialogue about energy and the environment, at a time when these conversations are critical, given the political climate.

In light of these concerns, Enbridge recommends the repeal of paragraphs 74.01(1)(b.1) and (b.2) of the federal *Competition Act*.

Excessive Interest and Financing Expenses Limitation

The excessive interest and financing expenses limitation (EIFEL) regime reduces Canada's global competitiveness by limiting interest deductions to 30% of a corporation's adjusted taxable income. This increases tax liabilities for large Canadian multinationals and reduces capital available for domestic reinvestment. Capital-intensive infrastructure projects, often funded through long-term debt, are particularly affected as EIFEL raises their financing costs by altering how debt and equity expenses are measured. These higher costs can ultimately be passed on to shippers and consumers through price increases. EIFEL also adds complexity to an already dense tax framework that includes thin capitalization, foreign affiliate dumping, and reasonableness tests, which already target similar policy issues.

To foster capital investment and accelerate economic recovery, Enbridge recommends a full repeal of the EIFEL rules. If full repeal is not feasible, Enbridge recommends the following targeted relief measures:

1. **Introduce a carve-out for large infrastructure projects** to preserve the feasibility of long-term, public-benefit investments.
2. **Establish transitional rules** that fully exempt pre-existing debt from the new interest deduction limits.
3. **Extend the temporary 40% interest deduction** through 2028 or beyond to provide businesses with greater financial certainty.

5% U.S. Withholding Tax on Cross-Border Dividends

The current 5% U.S. withholding tax on dividends paid by a U.S. subsidiary to its Canadian parent has proven to be a disincentive for repatriating profits to Canada. As a result, these funds are often either reinvested in the U.S. or loaned back to Canada, effectively eroding the Canadian tax base.

When the Canadian parent is a holding company with minimal taxable income, it may be unable to use the foreign tax credit, making the withholding tax an unrecoverable cost. In contrast, jurisdictions such as the United Kingdom and the European Union have adopted more favorable rules by exempting such dividend payments from withholding tax.

Given the global push for fairness and consistency through base erosion and profit shifting initiatives, Enbridge recommends that Canada similarly eliminate withholding tax on cross-border dividend payments.

50% Prepayment Rule for Large Corporations

Large corporations are currently required to remit 50% of a disputed tax reassessment while their objection is under review. This rule, introduced in 1993 to deter frivolous objections, is now outdated. Amendments to the *Income Tax Act* since then have strengthened objection requirements, obligating corporations to provide detailed factual and legal support, clearly identify the issues, and specify the relief sought.

Enbridge recommends that the 50% prepayment requirement be repealed. At a minimum, interest should accrue symmetrically during the objection or appeal period, starting at the time of payment, to avoid unfair advantage or penalty to either party.

Indigenous Loan Guarantee Program

Across Canada, Indigenous nations are pursuing direct ownership in energy infrastructure projects, providing powerful levers to advance self-determination, generate stable, long-term revenue, and create lasting prosperity for future generations.

We applaud the federal government for expanding the Indigenous Loan Guarantee Program from \$5 billion to \$10 billion. At Enbridge, we have witnessed firsthand the catalytic role of loan guarantee supports in delivering meaningful economic reconciliation. For instance, in July 2025, Enbridge and the Stonlasec8 Indigenous Alliance Limited Partnership, representing 38 First Nations in British Columbia, announced a landmark agreement enabling the alliance to acquire a 12.5% interest in the Westcoast natural gas pipeline system. This \$715 million transaction was made possible by a \$400 million loan guarantee from the Canada Development Investment Corporation.

Advancing the Indigenous Loan Guarantee Program and supporting strategic investments, such as the Westcoast pipeline partnership, are meaningful steps toward economic reconciliation. These efforts help remove barriers to Indigenous equity participation in major infrastructure



projects and contribute to building energy systems that deliver Canadian resources to North American and global markets.

Enbridge recommends that the Indigenous Loan Guarantee Program remain sector-agnostic, supporting both new and existing energy infrastructure, and be flexible enough to accommodate the diverse investment priorities of Indigenous communities.

National Model Building Codes

Recent developments in federal building code policy risk undermining housing affordability and energy reliability for Canadians. The current approach prioritizes electrification above other viable energy options, such as natural gas, without fully evaluating cost, technical feasibility, or implications for energy security. These model code changes were introduced without being integrated into the government's broader infrastructure and affordability agenda. Advancing building codes in isolation could increase construction costs, limit consumer choice, and reduce the effectiveness of Canada's energy systems.

To ensure building code policies support rather than hinder national housing and infrastructure goals, Enbridge recommends the government:

1. **Delay publication of new building codes** until a comprehensive cost analysis of the tiered GHG emission requirements introduced in this code cycle has been completed.
2. **Align future model codes with the government's broader affordability, infrastructure, and energy security objectives**, including maintaining access to diverse, low-cost energy sources such as natural gas.

Conclusion

Enbridge is grateful for the opportunity to contribute to the House of Commons Standing Committee on Finance's annual pre-budget consultation process and we appreciate your consideration of our recommendations.

For any further inquiries or additional information, please contact Brad Lattanzi, Manager Federal Government Affairs (Brad.Lattanzi@enbridge.com).