



TaxNewsFlash

Canada

New Consultation for Clean Technology and Electricity ITCs

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Corporations that invest in clean technology and electricity projects as well as participants in the manufacturing supply chain, may be interested in a new federal government consultation related to the Clean Technology and Clean Electricity Investment Tax Credits (ITCs). The federal government is emphasizing an in-Canada focus by considering the introduction of a domestic content requirement for these ITCs, designed to encourage eligible businesses to use Canadian-made products. Finance has released a list of specific key questions about the design and favourability of a domestic content requirement and is asking interested stakeholders from both the investment and manufacturing sectors to provide feedback on these questions by March 13, 2026.

The Clean Technology ITC incentivizes adoption of clean technologies across sectors, including power, heat, and industrial processes and generally applies to private-sector developers and industrial taxpayers. The Clean Electricity ITC encourages non-emitting electricity generation, storage and transmission to support a net-zero electricity grid by 2035 and is generally the better fit for utilities, Crown entities, municipalities, and Indigenous-led projects, given its eligibility for tax-exempt entities and its focus on grid infrastructure.

Affected corporations may want to consider making a submission to Finance about the design of a potential domestic content rule, since it could have a broad effect on project economics, procurement strategies, and timelines for eligible clean technology and energy projects.

Background

The Clean Technology ITC is a refundable 30% tax credit available for eligible property

that is acquired and becomes available for use from March 28, 2023, to December 31, 2034. Taxable Canadian corporations, including taxable Canadian corporations that are members of partnerships, as well as real estate investment trusts (REITs) are eligible for the Clean Technology ITC. This credit applies to the capital cost of clean technology property including certain systems and equipment used for:

- Generating electricity or heat from solar, wind, water, geothermal, small modular nuclear, and waste biomass systems
- Stationary electricity storage systems that don't use fossil fuels
- Low-carbon heating, such as air- and ground-source heat pumps
- Non-road zero-emission vehicles and the equipment to charge or refuel these vehicles.

The Clean Electricity ITC, which has not yet been enacted but was reconfirmed in the 2025 federal budget, is a refundable 15% tax credit available as of April 16, 2024 for projects that began construction after March 27, 2023 and before 2035. Taxable Canadian corporations, including taxable Canadian corporations that are members of partnerships, are eligible for the Clean Electricity ITC. In addition, certain Crown corporations, corporations owned by municipalities and Indigenous communities, and pension investment corporations are also eligible for the Clean Electricity ITC.

The Clean Electricity ITC applies to new projects and refurbishing existing facilities using certain systems and equipment used for:

- Non-emitting electricity generation (solar, wind, water, geothermal, large scale nuclear and waste biomass systems)
- Generating electricity from qualified natural gas energy system
- Stationary electricity storage systems that don't use fossil fuels
- Transmission between provinces and territories.

Finance announced in the 2025 federal budget that it intended to announce a consultation to introduce a domestic content requirement for the Clean Technology and Clean Electricity ITCs. The United States has domestic content requirements for its clean electricity tax credits.

Domestic content requirement consultation

As part of its consultation, Finance has provided several key questions on which it is seeking feedback. Specifically, Finance is asking for comments on:

- Whether stakeholders are in favour of introducing a domestic content requirement
- What kinds of products should a domestic content requirement apply to, including whether an exemption should be allowed for certain products or under certain scenarios
- What consequences should be introduced for failing to meet a domestic content requirement
- What mechanisms should be used to administer the measure (e.g., certification of country of origin or other documentation of domestic content)
- Whether a domestic content requirement would have positive or negative businesses impacts (e.g., costs, project timelines, employment)
- Whether this requirement is an appropriate approach to support Canadian products
- Whether there are other key considerations related to a domestic content requirement (e.g., administrative or implementation considerations, potential economic benefits, specific sectors in Canada affected by other countries' protectionist practices, supply chains challenges or opportunities).

We can help

Your KPMG adviser can help assess the effect of a domestic content requirement on your business and advise you on the submission process should you wish to make a submission. For more details, contact your KPMG adviser.

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