

Canada Infrastructure Bank's Growth Plan Backgrounder

\$10B Investment Plan to Grow the Economy and Create Jobs

Highlights

The Prime Minister, Justin Trudeau, announced the Canada Infrastructure Bank's (CIB) \$10B plan to invest in major infrastructure initiatives to create jobs and strengthen economic growth. The Growth Plan developed by the CIB is expected to create 60,000 jobs across the country.

Over the next 24-36 months, the CIB's plan will build new infrastructure that connects more households and small businesses to high speed internet, strengthen Canadian agriculture and help build a low-carbon economy. These investments will help Canadians get back to work.

One of the defining characteristics of the CIB is to invest in projects in a manner that attracts private and institutional capital now and in the future. In this way, every dollar of public investment has maximum impact.

In delivering this plan, the CIB will also work in close co-operation with provinces, territories, municipalities and Indigenous communities across Canada.

Given the substantial amount of work already completed, the CIB expects to begin investing in projects before the end of 2020.

\$2.5 Billion for Clean Power

The CIB will invest in clean power generation, transmission and storage over the next three years. This \$2.5B investment is a major step towards the CIB's intention to invest \$5 billion in clean power over the medium-term.

The CIB's interest in clean power will include renewable generation and storage. Also, investment in inter-provincial / territorial transmission can stimulate the advancement of clean power.

In pursuing these initiatives, the CIB will work with Indigenous communities towards the transition to cleaner and more reliable sources of power.

Clean power projects are often delayed or not developed because of financing challenges and gaps in the capital structure. To help deliver clean power projects, the CIB will provide low cost and long-term capital often pegged to revenue streams that are not typically sufficient for traditional debt and equity investors. In working with governments and project developers on delivering clean power projects, the CIB will structure these investments to increase the use of private sector capital, reduce the weighted average cost of capital, provide certainty on long-term debt and equity returns, and transfer more construction and operations risk to the private sector.

Clean power investments will result in a reduction of greenhouse gas emissions and help Canada achieve its 2030 and 2050 emission reduction targets.

\$1.5 Billion for Agriculture Infrastructure

The CIB's investments will focus on transformative irrigation infrastructure projects that are high priorities for Western Canada. The benefits of this new initiative include the addition of an estimated 700,000 acres of newly irrigated land, increased food output, improved water resource management, more secure domestic food supply and export opportunities.

Agriculture and agri-food sector growth can face obstacles in attracting long-term investment capital to finance large infrastructure projects. The CIB's investments in irrigation will help to mitigate private sector lenders' concerns with the risks associated with financing projects that involve uncertain ramp-up periods and higher risk repayment sources due to exposure to commodities pricing associated with revenues from agricultural products.

Preliminary estimates suggest that completed critical irrigation projects could also help stimulate an additional \$1.5 billion in investment by users for "on-farm works" and associated precision / smart technology for more efficiency.

As a world-leader in agriculture and agri-food, Canada is uniquely placed to build up its competitive advantage while improving the food system for Canadians and strengthening the resiliency of Canada's supply chains.

\$2 Billion for Broadband

The CIB's broadband initiative will accelerate connectivity in Canada by developing and delivering large-scale, high-impact projects. The CIB's investments will connect more than three quarters of a million households and businesses – in underserved communities – creating new economic, education and health care service opportunities.

Broadband projects for underserved areas have high capital costs but lack the user base density to commercially support the initial capital investment. The CIB intends to bridge this gap with low cost financing to help make the projects more viable.

The CIB will offer low-cost, flexible financing to broadband projects connecting many premises that would otherwise not be commercially viable. The CIB will execute its broadband plan in two primary ways. First, it will partner with other federal and provincial programs designed to encourage greater broadband connectivity. Secondly, the CIB will continue its direct engagement with Internet Service Providers across the country on projects that will not rely on those additional government programs, but can still be viable with CIB participation and support.

The pandemic has made the need for widely distributed broadband connectivity more important than ever. The CIB's broadband investments will contribute to the federal government's commitment to ensure that all Canadians have access to high-speed internet.

\$1.5 Billion for Zero-Emission Buses

The CIB's investments in this area will accelerate adoption of modern zero-emission bus fleets, and reduce green house gases and operating costs over the long-term.

Financing challenges often limit the development and expansion of clean transit systems. The CIB will address financial barriers faced by bus owners and operators, such as transit authorities, municipalities or school bus operators due to high upfront capital costs of zero-emission buses (ZEBs) and associated charging infrastructure.

The CIB's initiative to finance the high upfront cost differential of zero-emission buses (compared to other higher polluting buses) will create long-term operating savings. These savings are estimated to be substantial, as lifetime operating costs for ZEBs could be as much as 40% lower than diesel buses. The initiative will also help address the transition and procurement barriers by facilitating pan-Canadian participation, knowledge sharing and potentially bulk purchasing.

Investing in public transit is essential to growing local economies and reducing greenhouse gases. These investments contribute to the Government of Canada's goal of 5,000 zero-emission school and transit buses over the next five years.

Beyond the immediate priorities in the \$10B Growth Plan, the CIB will continue to focus on existing and new opportunities for transformational public transit projects across Canada such as light rail transit, regional rail, subway and bus rapid transit.

\$2 Billion for Energy Efficient Building Retrofits

The CIB will help improve the energy efficiency of existing buildings by working with large private and public sector real estate owners to modernize buildings.

The CIB initiative will finance the upfront capital costs of energy-efficient building retrofits creating long-term savings from efficiencies. The investment in large-scale projects will crowd in private capital where investment from the private sector has traditionally been limited due to the uncertain nature of expected cost savings. The CIB can play a significant role in proving out this market and providing the track record required to attract private sector capital. The CIB is creating a mainstream, broadly marketed debt product to attract new market participants beyond the existing large equipment manufacturers and energy services companies present in the current limited market.

Inefficient energy consumption in commercial buildings is a major source of greenhouse gases. Energy efficient buildings will reduce greenhouse gas emissions and contribute to Canada's transition to a low-carbon future.

The Government of Canada's climate plan identifies energy efficiency of buildings as a key priority, as energy to heat and cool buildings accounts for about 12 percent of Canada's greenhouse gas emissions.

\$500 Million for Project Acceleration

In addition to the five new initiatives described above, as part of the Growth Plan, the CIB will invest in due diligence and early construction works in order to accelerate high impact infrastructure projects in which the CIB expects to make a long-term investment.

The objective of project acceleration is to expedite the studies, technical reports and analysis required to shorten critical paths to construction.

The capital deployed to fund development and early works activities will be structured with a view to rolling these amounts into eventual CIB investments in those projects.

Large infrastructure projects take years to plan and develop. Project acceleration can create more immediate employment opportunities and economic growth.

About the Canada Infrastructure Bank

The Government of Canada established the Canada Infrastructure Bank under the *Canada Infrastructure Bank Act* to invest, and seek to attract investment from private sector and institutional investors, in revenue-generating infrastructure projects that are in the public interest. The CIB is a centre of expertise for advisory, investment and research regarding infrastructure, and will invest a total of \$35 billion.

The Government of Canada's *Investing in Canada Plan* provides \$180 billion for investment in infrastructure.

For more information about the CIB and its Growth Plan, visit www.cib-bic.ca.