

BYLAW 21241 - INDUSTRIAL CARBON CAPTURE FACILITY TAX INCENTIVE EXEMPTION BYLAW

Recommendation

That Bylaw 21241 be given the appropriate readings.

Purpose

To create a tax exemption for up to 10 years for industrial carbon capture facilities that:

- have eligible capital costs of at least \$75 million
- are new facilities that capture at least 300,000 tonnes of carbon annually, or
- are expansions of existing facilities that capture an additional 300,000 tonnes of carbon annually

Readings

Bylaw 21241 is ready for three readings. A majority vote of City Council on all three readings is required for passage.

If Council wishes to give three readings during a single meeting, then before moving third reading, Council must unanimously agree “That Bylaw 21241 be considered for third reading.”

Advertising and Signing

This Bylaw does not require advertising, and can be signed and thereby passed following third reading.

Position of Administration

Administration supports this Bylaw.

REPORT

Industrial investment is essential for Edmonton to maintain fiscal sustainability, manage core services, and achieve the key priorities of being a healthy, urban and climate-resilient city within a prosperous region. On June 18 2025, Council received an update on the Industrial Investment Action Plan (IIAP) (UPE02544) that includes nine actions designed to attract, retain and grow

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industrial development in Edmonton. The IIAP provides a strategic framework that will expand Edmonton's industrial tax base, stimulating economic growth through investment attraction.

Under Action 8 of the IIAP, to grow industrial development in Edmonton, the City will need to be strategic by identifying and making available financial and non-financial incentives that are attractive to target sector investors. Additionally, Edmonton's Community Energy Transition Strategy (CETS) states the importance of market-led energy efficiency and improvements for climate resilience. A critical approach identified in Pathway 4 in the CETS calls for support and investment in carbon capture technology that reduces carbon from the atmosphere. Removing carbon from the atmosphere through technology and nature-based solutions is important as it addresses the gap of almost 20 per cent of targeted emission reductions. To advance industrial investment with the support of the IIAP and climate resilience through CETS, Administration has created a tax exemption bylaw to attract investment by industrial carbon capture facilities that capture at least 300,000 tonnes of carbon annually.

This tax exemption bylaw will be available to industrial carbon capture facilities with eligible capital costs of at least \$75 million. Eligible capital costs will include new expenditures for constructing or expanding the facility (including land, labour, materials, construction costs, and machinery and equipment), but not costs incurred before the application for this exemption is made.

The exemption will apply to new facilities that capture at least 300,000 tonnes of carbon annually or to expansion projects that capture an additional 300,000 tonnes of carbon annually over their current carbon capture baseline. The exemption applies to municipal tax on non-residential property, including linear property and machinery and equipment, so long as the exemption conditions are met. It does not include provincial education property taxes, and will not apply to other requisitions and levies. The exemption will be available for up to ten years from the start of operations and will not exceed \$2.4 million per year per project.

This exemption falls under section 364.2 of the *Municipal Government Act*, which allows municipalities to create property tax exemptions for non-residential investments. See Attachment 1 - Bylaw 21241- Industrial Carbon Capture Facility Tax Incentive Exemption Bylaw for the full text of the Bylaw.

Eligibility

To be eligible for this tax exemption, the facility must be located in the City of Edmonton. It must be a new facility or an expansion project. The facility must have an eligible capital cost of at least \$75 million. A new facility must capture at least 300,000 tonnes of carbon annually once it is operational, and an expansion project must capture an additional 300,000 tonnes of carbon, above its previous capture amounts annually.

The application for an exemption must be received by June 30th for a facility to be considered for an exemption in that year. However, regardless of the date of application, the exemption would be applied in the first year the facility becomes operational. If the facility is not operational within

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seven years of the date of approval, the approved exemption would be cancelled and the applicant would need to reapply.

Community Insight

A jurisdictional scan was conducted of similar programs in Alberta and of other industrial grants and incentives offered by the Government of Canada and the Province of Alberta. No public engagement was conducted.

Budget/Financial Implications

This program will not require dedicated funding because tax exemptions are not expenditures.

The financial impact of this bylaw will ultimately depend on the number of eligible applications; however, Administration does not anticipate a large number of applications for industrial projects that meet the requirements for this exemption, given the scope and scale of these projects. Applicants who qualify may receive a maximum of \$2.4 million in non-residential tax exemption each year, for up to 10 years. An exemption would only begin once the facility is operational, which may be up to seven years after the application is approved.

This program is expected to require administrative resources to track projects, perform manual calculations and monitor compliance mechanisms. These costs can be absorbed in current budgets if the number of qualifying projects is as limited as Administration anticipates.

Next Steps

Should Council approve this Bylaw, applications will be made through the Industrial Growth Hub. The Industrial Growth Hub will be available to support the applicant through the application process and answer relevant questions about this tax incentive exemption.

All information related to the tax exemption, including the application form, guidelines, eligibility requirements, application timelines and primary contact information for the Industrial Growth Hub, will be included on the City of Edmonton's website once it becomes available.

In addition, Administration will proceed with preparing bylaw amendments to enable the creation or alignment of a committee of Council as the mechanism for appeals to decisions under Bylaw 21241.

Legal Implications

Under Section 364.2 of the *Municipal Government Act*, municipalities may pass a bylaw to exempt or defer taxes to encourage the development or the revitalization of properties in the non-residential and machinery equipment classes. A bylaw must establish an application process and criteria for the determination of the exemption. If a delegate of the City Council is deciding whether to grant the exemption, there must be a process outlining how to apply for a review of

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this decision to the council of the municipality. This review could only be delegated to a committee of council.

Attachment

1. Bylaw 21241 - Industrial Carbon Capture Facility Tax Incentive Exemption Bylaw

Others Reviewing the Report

- M. Gunther, Acting City Solicitor