



Climate Caucus

Submission to House of Commons Standing Committee on Finance
**Pre-Budget Consultations in Advance of
the 2026 Federal Budget**

May 2026

List of Recommendations

Recommendation 1: That the government amend the Building Communities Strong Fund to fund preventative adaptation infrastructure, regardless of that infrastructure's ability to enable more housing.

Recommendation 2: That the government introduce an act to regulate and plan for datacentres in accordance with municipal priorities and concerns.

Recommendation 3: That the government permanently fund climate-aligned municipal infrastructure.

Summary

Canada is only as strong as its local communities. Yet local leaders from across the country are struggling to maintain even basic infrastructure and services as they grapple with accelerated wear and tear from climate change-driven extreme weather, increasing emergency events and energy price shocks.

Municipal leaders are invested in making their communities as resilient and affordable as possible, but there is only so much they can do with their limited fiscal capacity. They also want to contribute to the federal government's strong and clear direction for the country.

Canada is facing a generational opportunity to reduce our exposure to international shocks and catalyze clean and resilient growth in communities big and small. When our communities thrive, they can live up to their full potential. The economy of tomorrow—and the health and success of Canadians living within that economy— requires inexpensive and dependable renewable energy, as well as local infrastructure which continue to perform well during extreme weather events.

However, all economic development and major projects require municipal infrastructure. Without good roads, bridges, sewers, housing and snow clearing, the country cannot achieve its full potential. It is essential that the government prioritise the longevity of such foundational resources to our country—and the municipalities that are responsible for them. Municipal leaders are willing partners for the achievement of the federal government's agenda. Climate Caucus is confident that the following budget recommendations will provide a solid foundation upon which the government can build to ensure all of Canada's communities thrive.

Recommendation 1: That the government amend the Building Communities Strong Fund to fund preventative adaptation infrastructure, regardless of that infrastructure’s ability to enable more housing.

Climate change has increased extreme weather events across the country. This has led to increased costs due to emergency events, as well as significant infrastructure degradation which adds up over the long term and requires unexpected maintenance or replacement investments. [A recent report](#) found that investing about \$4 billion per year in proactive adaptation in Canada would prevent most of the infrastructure damage caused by rising heat and heavier rainfall—freeing up public dollars for other priorities.

Through the implementation of priorities outlined in the National Adaptation Strategy, the federal government has the potential to become a trusted partner with regards to adaptation infrastructure funding for municipalities. However, while there is an adaptation focus across programs and departments, federal investments in infrastructure which prevent the worst impacts from climate change are sorely lacking.

Prevention is a cost-effective strategy: according to the Canadian Climate Institute, every \$1 invested in adaptation saves between \$13-15. Additional economic benefits include reduced insurance premiums for households and fewer catastrophic losses for businesses, municipalities, and households over the short and long run.

Department Leads: Housing, Infrastructure and Communities Canada (HICC); Environment and Climate Change Canada (ECCC); Emergency Management and Community Resilience Canada

Recommendations:

- 1) Increase the Building Communities Strong Fund (BCSF) communities stream funding to reflect the massive adaptation infrastructure deficit across Canada’s local governments (see recommendation 2). (HICC)
- 2) Amend the Building Communities Strong Fund communities stream to waive the housing-enabling funding infrastructure criteria for local governments which are managing population decline or have strong adaptation needs which are not directly tied to enabling housing development. (HICC)
- 3) Provide turnkey support for, and fast-track the approval of, municipal projects which meet certain regional adaptation criteria or priorities. Establish a prevention continuum which municipalities can use federal funding to achieve progress on a year-over-year basis. (ECCC and HICC)
- 4) Recapitalize the Natural Infrastructure Fund to support municipal natural infrastructure projects and the acquisition of sensitive and strategic natural lands. (HICC and ECCC)

- 5) Allow municipalities to use federal data from flooding or fire maps to quickly apply for federal adaptation funding, rather than requiring third-party data, which adds additional expenses for municipal adaptation projects. (*HICC and Emergency Management and Community Resilience*)

Recommendation 2: That the government introduce an act to regulate and plan for datacentres in accordance with municipal priorities and concerns.

Datacentres are emerging in communities across the world before local leadership has the opportunity to properly undertake evaluations or understand their repercussions. Without proper consultation and involvement, municipalities can face datacentre neighbours who lack transparency, and overuse water and electricity, leading to negative outcomes for other businesses and homes. To reduce friction and increase chances of successful outcomes for both communities and project proponents, the federal government has a role to play to ensure that datacentres in Canada are sustainable over the long term and respectful of communities' capacity to make informed decisions about their land use planning and economic development.

Department Leads: Innovation, Science and Economic Development Canada (ISED); Housing, Infrastructure and Communities Canada (HICC)

- 1) Set national efficiency, water management and renewable energy standards for new datacentres to ensure they do not create artificial and sustained demand for additional fossil fuel (including “behind the meter”) or water use.
- 2) Establish and implement federal disclosure criteria on water, energy and other resource consumption. This data should be reported to an independent body who has the power to conduct their own investigations, evaluate and report publicly on their findings before Parliament.
- 3) Create a local datacentre preparedness fund which could be used by local governments to revise bylaws, zoning, official community plans and policies surrounding water and energy use, as well as community benefit agreements. It should also be used to determine potential co-benefits for communities, including beneficial recovery and reuse of waste heat.

Recommendation 3: That the government permanently fund climate-aligned municipal infrastructure

Federal funding for municipal infrastructure has stagnated as inflation, fossil fuel price hikes and labour shortages have led to increased costs and borrowing rates for municipal governments. The cyclical nature of federal funding for municipal governments also means that

for smaller communities, which may not have the same level of project preparedness as their larger counterparts, applying for new or modified funding programs establishes an additional barrier to entry for much-needed funding.

Given municipal infrastructure needs are only going to become more acute over time, and that the federal government already steps in with funding after extreme weather events have occurred through Disaster Financial Assistance Arrangements (DFAA), Climate Caucus believes it would be more efficient to provide a rolling intake for permanent municipal infrastructure funding.

Department Leads: Housing, Infrastructure and Communities Canada (HICC); the Department of Finance (FINA); and the Department of National Defence (DND).

Recommendations:

- 1) Establish a permanent funding mechanism to deliver predictable, sustainable funding to municipal governments for climate-proof infrastructure. This funding mechanism provides stable funding for long-term local infrastructure planning which achieves high resilience standards. *(HICC and FINA)*
- 2) Establish a concierge service to support municipal applicants in leveraging the Build Communities Strong Fund to crowd in additional infrastructure funding via the Canada Infrastructure Bank, Canada Sovereign Wealth Fund, pension plans and other funding mechanisms. *(FINA and HICC)*
- 3) As the federal government moves towards the achievement of a national 5% NATO spending target, include resilient local infrastructure as criteria for Canada's international defence commitments. *(DND)*

About Climate Caucus

Climate Caucus is a non-partisan, national non-profit working at the intersection of local democracy and climate policy and the largest organisation representing climate-forward local leaders in Canada. With more than 1,000 members from coast-to-coast-to-coast, we work to support local elected leaders enact climate policy that keeps their communities safe and prosperous, while advocating for necessary, ambitious climate policies at provincial and federal scales.

For further information:

Alex Cool-Fergus
Senior Manager, Public Affairs
Climate Caucus