

Cost Estimate of Election Campaign Proposal

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Short title: Support Energy-Efficient Renovations for Farms

Description: This measure would provide farmers with interest-free loans up to \$50,000 per farm for the installation of geothermal heating. The loan would have to be repaid over a period of 10 years.

The program will be in place from April 1, 2020 until March 31, 2024.

Operating line(s): Other Fiscal Arrangements

Data sources:	<u>Variable</u>	<u>Source</u>
	ecoENERGY program data	Natural Resources Canada
	Number of farms in Canada	Statistics Canada
	Interest on public debt	PBO EPC Baseline
	Provision for losses on loans	Annual Report – Farm Credit Canada

Estimation and projection method: The cost estimate has been calculated based on the assumption that the Government of Canada will finance the loans by issuing debt. The cost of the interest on this debt has been calculated using the PBO's Public Debt Interest Cost Calculator.

To estimate the number of farms that will take advantage of the interest-free loans, historical data from the Government of Canada's ecoENERGY program, in place between 2007 and 2012, was used. During this period, 0.2% of single-family residential homes took advantage of the financial support of the program to install a geothermal heating system. Accounting for the the existence of stronger incentives for some farm buildings to improve their energy efficiency and the improvement in geothermal technology over the past 10 years, it was estimated that the proportion of farms that will benefit from this measure would be 1%.

Since the installation of geothermal heating systems is generally expensive, it was estimated that the beneficiaries will use the entire loan (\$50,000).

This estimate includes an additional provision for loan loss in the event of default. The amount of this provision is based on Farm Credit Canada's Annual Report.

Uncertainty assessment: This estimate has a high degree of uncertainty. The lack of available farm data and quantitative analyses on comparable programs has led to an approximation of the number of farms that will benefit from this financial support. This approximation is based on qualitative observations as well as data from a residential program that was in place about 10 years ago. In addition, the financial data underlying the cost estimate and the investment decisions of farm businesses are sensitive to economic fluctuations

Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Total cost	-	small	1	3	4	3	3	3	2	2

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost