

FINA 2020 Budget Consultations - Climate Emergency: The Required Transition to a Low Carbon Economy

Executive Summary:

Aurora Cannabis is the largest, solely Canadian-owned, cannabis company operating in Canada. Our global reach, primarily in medical cannabis markets, has required us to innovate and lead standards on several continents. Our comments on moving to a lower carbon economy will demonstrate the work that Aurora is doing, proactively, and to ask FINA to support new, potential incentives (financial and/or tax); removal of current disincentives or obstacles to cannabis companies affording lower carbon solutions; and to review how two policy goals within the same government, result in increased, excessive plastic use and emissions. Aurora would welcome the opportunity to appear at committee to discuss this submission.

The June 2019 motion of the Standing Committee on Finance inviting the post-election Finance Committee to pass their own seek submissions on this topic for the 2020 Budget, may not be taken up by a new Finance Committee. It does however provide an opportunity for Canadians to engage in this movement and for companies, like Aurora Cannabis, to offer proactive solutions and to tell the story of what is already underway in our company. The government could consider incentives for promising initiatives, leading to broader uptake and innovations in the cannabis industry, and more broadly. In certain cases, there also needs to be an examination of internal, government consistency in governance, regulations, etc., when implementing government wide initiatives such as banning single use plastics.

The Canadian cannabis industry is not homogenous. Those licensed producers who were supplying to the legal medical system prior to legalization of adult use cannabis on October 17, 2018, have “pre- and post-” experience yet the industry is still young by other comparators. It is possible to build a sustainable cannabis industry. Canada is already considered the global leader in cannabis. Working smartly with government could help us maintain that position. This will require a look at the regulation, the business, and the current Canadian tax regime.

Additionally, though not directly tied to this theme, it is connected. Medical cannabis was accessed legally, from Health Canada licensed producers prior to the legalization of adult use cannabis in October 2018. FINA is very aware of the fact that excise duties on medical cannabis did not exist prior to October 17, 2018. Sales tax did. Since then, some cannabis companies are absorbing some or all of the federal excise. Some are not. Companies like Aurora Cannabis, who do absorb it, could be using the foregone revenue to strengthen innovation towards a lower carbon industry. Applying a sin tax to medical cannabis is punitive, unnecessary and does not support innovation in green technology.

1. Organic Waste Treatment and Diversion

Cannabis cultivation and processing produce organic wastes. The *Cannabis Act* (2018), its regulations, and additional provincial regulations lead to strictly regimented processes for safe disposal. Aurora Cannabis has been funding innovation, proactively. Currently, organic waste, often mixed with kitty litter, is largely trucked to landfill. In addition to gases produced through natural breakdown, there are

significant greenhouse gas (including carbon) from heavy truck transport. Moreover, the organic waste in landfills results in methane emissions, which are 30 times more potent than carbon emissions.

Aurora has invested in [Micron Waste Technologies](#) (MWT), whose proprietary technology can break down organic waste into water that can be released back into the municipal system (i.e. meets municipal effluent discharge standards). MWT estimates that their technology results in 58.5% fewer carbon emissions over a 2-year period compared to the impact of daily disposal by waste management companies. A pilot project is underway in one Aurora facility using the Micron Waste “Cannavore.”

Cannabis-supported innovation such as with Micron Waste Technologies could enable broader organic waste reduction to other, larger organic waste, such as food.

Recommendation 1.1: Provide tax and/or financial incentives for cannabis companies to deal with organic waste on-site, which could result in significant carbon reductions.

2. Energy Efficiency

As a plant, cannabis consumes significant carbon dioxide. Cannabis cultivation, processing, and sale is an energy and labour intensive process, however. Aurora Cannabis operates in a state of continuous-improvement across all elements of our business. Our investments can further encourage other industry leaders to find innovative, cost-effective, and environmentally sound production technologies.

Government should reward such investment and incentive it’s broader application. Examples include:

- Lights are used as needed, but wherever possible, Aurora takes full advantage of natural sunlight – resulting in our biggest cost-savings and environmental efficiency. In fact, at SKY, lights aren’t required at all for more than two months per year. SUN will be even more impressive in this respect, located in Medicine Hat, Alberta (Canada’s sunniest city, with more than 2,500 hours of sunshine per year).
- Aurora is running pilots that use LED lighting instead of traditional standard high-pressure sodium lamps (which are currently the industry standard).
- Energy screens (shades) installed in the roof of SKY are used to reduce energy consumption on very hot or very cold days. They’re part of SKY’s overall heating and cooling strategy, allowing management of energy use.
- Carbon dioxide generated from SKY’s boiler system (heated with natural gas) is sequestered and reused to fuel plant growth.
- The entire SKY (and soon SUN) facility is warmed using zero-emission radiant heat.

Recommendation 2.1: Provide financial/or tax incentives for cannabis companies to be more energy efficient.

3. Facility Construction

Cannabis facilities, including design and build, are heavily regulated. Companies like Aurora and others are seeking means in initial builds to maximize efficiencies. Aurora Cannabis, for example, employs

sustainable technologies in our greenhouses – water reuse, roof snow melt/water collection, solar panels (Mountain), harnessing sun to reduce energy, etc. Whether a new build or a retrofit of an existing facility, government can create business and environment friendly conditions for lower carbon.

Recommendation 3.1: Offer tax credits for LEED-certified production facilities. This would also support energy use reduction.

4. Packaging

The Government of Canada, with the support of Canadian licensed producers, has a strategic objective of protecting children from harm from accidental consumption of cannabis. There are stringent requirements determining what is child safe and what labeling is required or prohibited. Subsequently, the Prime Minister announced that Canada will lead as a nation to reduce use and diversion of plastics, notably single use plastics, with a ban as early as 2021.

A significant amount of plastic is used for cannabis products. Consumers and provinces alike are unhappy with the volume of plastic containers from legalization of the first wave of cannabis products. The second wave, edibles, topicals and extracts will result in even more individual packaging requirements pursuant to regulation. Aurora Cannabis is seized of this practical issue.

Cannabis packaging, as currently federally regulated, runs contrary to the spirit and success of this consultation theme and building a cannabis industry with lower carbon.

Recommendation 4.1: *That Government revisit the approach to cannabis packaging. Amend packaging restrictions to incentivize environmentally friendly, innovative solutions and remove a barrier to moving to a lower carbon economy within the cannabis industry.*

Recommendation 4.2: *That Government consult provinces and licensed producers to pool information regarding existing efforts to address packaging waste and seek sensible solutions within the spirit of policy objectives.*

5. Possible Additional Government Incentives

The Government of Canada has within its existing toolbox means to incentivize sustainable development of a lower carbon cannabis industry. Such measures are applied in other industries.

Recommendation 5.1: *That Government review its existing tools to support a lower carbon economy with a cannabis industry focus. These possible tools include:*

- Carbon offsets.
- Carbon credits, trading, or exchange among cannabis companies.
- Ensure Canadian cannabis companies have access to carbon reduction funding programs.

Examples include:

- [Low Carbon Economy Fund.](#)
- [BC Carbon Neutral Capital Program](#)
- [Breakthrough Energy Solutions Canada](#)

6. Possible additional, voluntary industry efforts to incentivize

Cannabis companies also have tools available that could contribute to a lower carbon economy. There is neither a homogeneous industry nor a one size fits all approach to doing so. With the appropriate government supports, companies of various size and means could take actions to lower environmental foot print. These would need to be voluntary but with incentive enough to maximize implementation.

Recommendation 6.1: That Government review the potential impacts of voluntary measures taken by the cannabis industry to lower environmental footprint. Where feasible, provide tax and/or financial incentives including for:

- ***On-site renewable energy systems where possible (i.e. solar).***
- ***Electric, hybrid or natural gas fleet vehicles.***
- ***Companies programs/subsidies to encourage employees to use transit or cycle.***
- ***Sourcing carbon-neutral ingredients and fertilizers.***
- ***Low carbon building materials.***

In Conclusion:

The Canadian cannabis industry is a governance and economic example for the world. Efforts to 'get it right from the start' are not just buzz words but truly aspirational within the industry, especially at Aurora Cannabis. We are publicly traded and making our way through many systems, worldwide. Regulations, packaging, and taxes affect business decisions. These impacts could be positive or negative depending upon the value placed by the government on the policy outcomes, not just the objectives. At the completion of this year's federal election, cannabis for adult use will have been legal for a year and a few days. There is time to consider how to strengthen the cannabis industry, through incentives and removal of disincentives. The recommendations outlined offer means. And finally, medical cannabis excise taxes should be immediately removed.

