

Montreal, July 25, 2019

The Honourable Wayne Easter
Chair
House of Commons
Standing Committee on Finance
131 Queen Street, Sixth floor
Ottawa, Ontario K1A 0A6

By email: FINA@parl.gc.ca

Dear Mr. Easter:

Subject: CPEQ comments for the federal pre-budget consultations

The Quebec Business Council on the Environment (CPEQ) wishes to submit its comments for the pre-budget consultations announced by the Government of Canada in its June 13, 2019, press release.

The CPEQ was founded in 1992 by representatives of Quebec's major business and industry sectors. It is an umbrella organization that represents Quebec businesses and coordinates its members' actions regarding environmental and sustainable development issues of interest to them and the general public. The CPEQ includes more than 300 of Quebec's largest businesses, associations and research centres, which directly employ more than 300,000 people and report combined revenues of over \$45 billion.

1. General comments

In recent years, many new environmental measures and regulations have been introduced, particularly to fight climate change. This new legislative and regulatory framework has a significant impact on businesses' financial obligations, which could affect their competitiveness.

For example, according to Quebec's most recent greenhouse gas (GHG) emissions data, the province's industrial sector has reduced its emissions by 26.4% since 1990.

However, if the sector wishes to further reduce its emissions, it will need to make significant investments in major projects. In fact, a 2016 report of Canada's Ecofiscal Commission convincingly demonstrated that investing in low-carbon technologies to help the Canadian manufacturing sector modernize its operations and equipment is one of the best ways to spend carbon-pricing revenues.

We believe that investing a significant portion of the Low Carbon Economy Fund into the industrial and manufacturing sector would give the government another arrow in its quiver to meet its GHG reduction targets. In the newly introduced output-based pricing system where revenues are generated by businesses, this investment becomes vital, because it incentivizes them to improve their manufacturing processes and stay in Canada rather than move to countries with weaker environmental regulations. Not only would government assistance help reduce GHG emissions and fight climate change, but it would also foster a strong, green economy, protect Canadian jobs and help build a deep expertise.

2. Specific comments

- *Enhancing the Low Carbon Economy Fund*

The CPEQ believes that the Low Carbon Economy Fund should receive additional funding. We believe the Fund could be an important tool in the fight against climate change in Canada.

For example, the “Leadership” part of the Fund has already provided additional funding for effective Quebec programs such as ÉcoPerformance and Technoclimat, which have led to successful emissions reduction projects in Quebec. Increasing the funding to the provinces would maximize the emissions reduction potential of these programs.

The “Challenge” part should also receive additional funding to enable companies to carry out major GHG emissions reduction projects. In a 2016 letter to the Minister of the Environment and Climate Change, we listed a number of projects that could be carried out with government assistance. In lieu of repeating the list, we will say that Quebec businesses could reduce their GHG emissions by close to 11 million tonnes over 10 years if the government were to provide approximately \$1 billion in funding.

We also believe that access to funding should be simplified. We have noticed that it can be difficult for businesses to obtain funding because the time frame for submitting applications is often too short, and it can be challenging for small businesses to identify feasible projects. Therefore, it may be appropriate to impose deadlines on government analysts for each program under the Low Carbon Economy Fund. We also suggest that the government provide financial support to small businesses to help them fill out funding applications, which can be complex.

We suggest extending the time frame for calls for projects and giving small businesses funding to explore their options for carrying out GHG emissions reduction projects.

We believe that increasing financial assistance to the industrial sector is all the more vital because all other GHG emissions reduction measures depend on industry performance. For example, expanding public transit requires petrochemicals, as well as petroleum and mining resources. Therefore, a high-performing industrial sector could make implementing other measures easier.

- *Modernizing industrial processes*

We believe that the industrial sector would be able to significantly cut its GHG emissions by replacing fossil fuels with electricity or other greener energy sources, such as biofuels, where possible.

However, even when doing so is technically possible, some businesses prefer continuing to use fossil fuels because the purchasing and operating costs for new equipment are too high.

Consequently, we believe that the government should massively invest in energy efficiency programs to help transition to cleaner energy.

Furthermore, the electrification of industrial processes is part and parcel of Sustainable Development Goal (SDG) No. 7, which includes targets for greater use of renewables and increased energy efficiency.

- *Promoting innovation*

The CPEQ has found that the development of new technology is often compromised during the commercialization phase, generally owing to a lack of funding.

In order to address this problem, we believe that funding must be available at every link of the innovation chain: in the lab, during the pilot project, in the demonstration plant and all the way up to commercialization. Ongoing funding is vital to the emergence of new technology designed to meet Canada's energy targets.

To boost funding for innovation in energy efficiency and GHG emissions reduction, the government should continue to support research and development by, for example, increasing the tax credit for research and development to enable both small and large companies to carry out their energy efficiency projects.

Research and development requires long-term planning, and a lot of testing is needed before new technology can go to market. We suggest enhancing the Sustainable Development Technology Canada program to provide more funding for field-testing new technology.

Furthermore, the government should tailor its various policies to stimulate investments from the private sector and provide support for marketing and commercializing these new technologies through programs that offer access to capital. One option is extending the research and development tax credit up to the commercialization phase for new technology.

Although grants are the best form of financial assistance, interest-free loans can also help businesses carry out research and innovation projects.

Among the innovative technologies available, we believe that carbon capture and sequestration (CCS) has tremendous potential to reduce GHG emissions. In fact, in its report *Canada's Energy Future 2016: Energy Supply and Demand Projections to 2040*, the National Energy Board expressly recognized that CCS technology could transform Canada's energy system and have a domino effect on the effectiveness of other technologies.

However, CCS is very expensive to implement, requires further development and is still limited to ongoing demonstration projects. Before this technology can be economically viable, a great deal of research and development is needed.

Therefore, the CPEQ believes that funding to further CCS technology development should be specifically earmarked in the budget.

3. Conclusion

The CPEQ wishes to reiterate the importance of enhancing the Low Carbon Economy Fund and simplifying access to funding so that businesses can carry out ground-breaking GHG emissions reduction projects. Additionally, small businesses should have access to funding to review their operations and identify opportunities to reduce their GHG emissions.

Massive government investments in energy efficiency programs are vitally needed, and we believe that funding should be specifically earmarked to help businesses streamline their industrial processes.

We believe that the government must promote innovation, particularly by providing more support for commercializing new, clean technology. It should also increase the funding for programs that support the development of that technology and implement measures to help it get to market.

I trust that these comments will be useful.

Yours sincerely,



Hélène Lauzon
Chair
Quebec Business Council on the Environment

Please see our recommendations below.

Recommendations

➤ Recommendation 1:

The government should provide more funding for the “Leadership” and “Challenge” parts of the Low Carbon Economy Fund.

➤ Recommendation 2:

The government should extend the periods for small businesses to respond to calls for projects under the “Challenge” part of the Low Carbon Economy Fund.

➤ Recommendation 3:

The government should provide funding for small businesses to identify feasible GHG emissions reduction projects.

➤ Recommendation 4:

The government should provide specific funding for the electrification of industrial processes.

➤ Recommendation 5:

The government should enhance the Sustainable Development Technology Canada program to provide more funding for field-testing new technology.

➤ Recommendation 6:

The government should tailor its various policies in order to stimulate investments from the private sector and provide support for marketing and commercializing new technology through programs that offer access to capital.

➤ Recommendation 7:

The government should provide specific funding for developing CCS technology.