

**Written Submission for the Pre-Budget
Consultations in Advance of the 2020 Budget
The Required Transition to a Low Carbon Economy**

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By: 3M Canada

Recommendation 1: That the government implement tax measures to encourage investments in climate change mitigation actions and activities as well as improving energy efficiency while retaining competitiveness and promoting innovation.

Recommendation 2 – That the government protects businesses competitiveness by addressing present regulatory burden and avoiding adding additional layers of regulations to achieve a low-carbon economy.

At 3M we are a purpose-driven enterprise. We know that we can grow our business while collaborating to solve some of humanity's greatest challenges. 3M is a longtime leader in Sustainability going back decades setting goals that drive environmental stewardship, pollution prevention, driving energy and climate sustainability efforts through a holistic approach, ensuring every life is improved. The world faces tremendous challenges in this time of unprecedented change. Science plays a critical role in building a resilient future where everyone can thrive. At 3M, science is at the heart of what we do. We collaborate with our customers, governments, and communities — with the ambition to improve every life. 3M Canada has established itself as a global leader in energy efficiency, setting best practices for other Canadian manufacturers and for 3M subsidiaries around the world across our manufacturing processes, our products, and our business operations.

From establishing the Corporate Energy Management Department in 1973 in addition to over 40 years of setting sustainability targets, 3M has taken a broad approach to managing our energy footprint, which includes evaluating the impact of our new products, manufacturing processes, equipment, and locations, as well as reducing the energy footprint of our existing manufacturing and administrative locations.

3M has committed to furthering the 2030 United Nations Agenda for Sustainable Development, including 17 Sustainable Development Goals to drive economic, social, and environmental improvements globally. 3M developed new company sustainability goals in accordance with the United Nations Development Goals.

3M Canada was the first company in Canada, and only second in the world to achieve the designation of ISO 50001 with Superior Energy Performance (SEP) at the highest level, platinum, for energy efficiency accomplishments. We now have six facilities in Canada who achieved the distinctive ISO 50001 certification demonstrating our dedication to continuous improvement in energy management.

3M was an early adopter of the ISO 50001 standard, with its Brockville, Ontario tape plant receiving one of the first certifications in North America, along with Superior Energy Performance® (SEP) platinum certification, in 2011. Since then, 3M Canada facilities in London, Brockville, and Perth have all been ISO 50001 certified, as well as facilities in Quebec and Manitoba.

In December 2018, at the United Nations Climate Conference (COP24), 3M shared its first major goal in conjunction with the Strategic Sustainability Framework: Beginning 2019, every new product that enters 3M's commercialization process must have a Sustainability Value Commitment demonstrating how it drives impact for the greater good. Requiring a Sustainability Value Commitment in all new products builds on 3M's history of creating products that emphasize reuse, recycling, and reduced resource use.

In February 2019, 3M announced its commitment to move to 100% renewable electricity. As part of the goal, 3M joined the RE100, a global initiative led by the Carbon Disclosure Project, that brings together influential businesses committed to sourcing 100 percent renewable power for their worldwide operations. 3M is committed to moving to 100 percent renewable electricity in all facilities around the world, setting an interim target to source at least 50 percent of our electricity from renewables by 2025.

Most recently, 3M announced its membership in the Ellen MacArthur Foundation's Circular Economy 100 (CE100). The CE100 platform brings together businesses, innovators, cities, governments and universities committed to collaborate on the transition to a circular economic model built on making the best use of the planet's resources through designing for the prevention of waste, the reuse of products, and the

recycling of materials. Sustainability is at the heart of 3M innovation. Joining the CE100 is part of 3M's strategic focus on science for circular, with the ambition to design solutions that do more with less material, advancing a global circular economy.

Recommendation 1 – That the government implement tax measures to encourage investments in climate change mitigation actions and activities as well as improving energy efficiency while retaining competitiveness and promoting innovation.

The federal government plays a major role in assisting Canadian businesses in moving to a low-carbon economy while promoting innovation. Tax measures are the single most important policy tool the government has, to positively impact climate change while improving economic growth. One of the most powerful levers any government has at its disposal is taxation. Taxation can, and should, be used as a tool to incent investment in Canada and drive business to move towards a low carbon economy.

It is crucial for the government to ensure Canada remains competitive compared with other nations especially our close neighbors, USA and Mexico.

To encourage Canadian businesses to invest in Canada in low carbon technologies, we recommend reviewing the corporate tax system to ensure that it helps achieving Canada's GHG objectives, making businesses more competitive and attracting new investment to Canada.

There is a need to revise taxation regime generally but more specifically tax policies to a low carbon economy to ensure competitiveness in the transition. Current approach adds measures on an already complex tax code with temporary provisions. Canada's capital investments have been lagging for years while the need for capital investment has never been more crucial to compete while the government is imposing additional cost on industry.

Canadian businesses such as 3M are mitigating climate change by adapting business models integrating measures such as ISO 50001 and across the board energy efficiencies adapting capital investments in order to maintain operations in a low carbon economy. Sustained investment in productive assets, innovation, and associated training are key success factors for operations to be able to compete. Maintaining a competitive tax structure, controlling costs, competitive labour environment, and demonstrating a continued commitment to partnership and collaboration are important to the attractiveness of Canada as a place to do business.

Investment in energy management processes, machinery, equipment and advanced technologies is the most important factor in improving GHG reduction while improving productivity and competitiveness.

To achieve these goals, we recommend that the federal government:

- Work with the provincial governments to introduce a shared 20 per cent investment tax credit on the purchase of new machinery, equipment and technologies, including software.
- Introduce an outcomes-based business tax credit tied directly to companies' success at reducing their greenhouse gas emissions.
- Modernize and simplify the Scientific Research and Experimental Development (SR&ED) tax incentive program to better support clean technology product commercialization.
- Introduce a patent-box system that lowers corporate taxes on domestic and exported sales to expand Canada's ability to develop emissions-reducing technologies.
- Develop a high-emission reduction fund that targets investment projects to reduce GHG emissions and improving energy efficiency.

The idea of patent box has been successful in other jurisdictions such as Italy, the UK, Netherlands, Spain, and France. In Canada, we are seeing the introduction of patent box legislation at the provincial level in Quebec and in Saskatchewan. While action at the provincial level is needed and most welcome, action is also required at the federal level to develop a truly effective and compelling Canadian patent box system aiming at the development of clean energy technologies.

Affecting business competitiveness by increasing cost create the risk that Canada will lower its domestic GHG emissions by exporting economic activity to countries where environmental standards are not as stringent. The design of carbon pricing polices and systems and other policies needs to take into consideration the impact on the country's competitiveness and address the risk for Canadian operations to be driven out of the country.

Recommendation 2 – That the government protects businesses competitiveness by addressing present regulatory burden and avoiding adding additional layers of regulations to achieve a low-carbon economy.

Regulatory burden on businesses has been identified by the government as a break to innovation and to investment in Canada. The Canadian government has been promising to reduce the regulatory burden on industry and streamline their regulatory process for several years, but at this point, limited progress has been made. Industry continues to face costly regulations that are at times unnecessary and redundant.

3M has many examples, like the Hazardous Products Act “True Copy” where the government is adopting a “Canada Only” requirement (unlike all European countries, the US and others) without clear justifications. This requirement adds administrative burden on all supply chain participants by having to retain a “true copy” of a product label for six years making Canada manufacturing even less competitive.

We recommend the federal government to:

- Increase leadership in eliminating interprovincial trade barriers.
- Ensure consistency and quality in cost-benefit analysis in regulatory and legislative proposals and ensure a formal avenue of appeal for stakeholders.
- Consider alternatives to additional regulatory burden by providing incentives and consulting stakeholders earlier.
- Increase international alignment (e.g. food safety international standards).
- Include economic and business impacts into the regulatory process and the mandate of regulators.
- Create mechanisms to reduce cumulative burden, accelerate regulatory simplification, enhance regulatory competitiveness and accountability.
- Include regular review provisions in the regulatory process to ensure there is a post-evaluation to define that goals were met.

It is essential that the federal government create a strategy for effective climate change mitigation and resiliency at the lowest possible cost to Canadians and Canadian businesses.

Canada is facing competitiveness issues due to the layering of carbon pricing frameworks and climate related regulations. Layering implicit carbon pricing regulations - such as the proposed Clean Fuel

Standard, output-based pricing, and methane regulations - with explicit carbon pricing mechanisms, like the carbon levy, creates greater costs for both businesses and consumers.

Energy affordability, which is a key factor in Canada's economic competitiveness, is a significant concern. The impacts of additional implicit carbon pricing costs must be carefully balanced so energy remains affordable for all Canadians and businesses remain competitive with other jurisdictions that may not face the same regulatory burden. Policymakers must be attentive to how implicit and explicit carbon pricing interact to make Canada a more expensive place to invest in energy-intensive projects when compared to other jurisdictions.

To be effective, a carbon pricing framework must ensure that the revenue generated is recycled and used to drive innovations in energy efficiency and clean technologies.