



2021 Federal Budget Submission

Green Economy Canada

August 7, 2020



Summary of Recommendations

Recommendation 1: Encourage the broad adoption of smaller GHG reduction projects through a sliding scale national incentive program for projects \$10K to \$100K.

Recommendation 2: Combine grants with low / zero interest loans to eliminate the up-front capital investment on eligible GHG reduction projects from \$100K to \$1M.

Recommendation 3: Provide sustainability-focused training subsidies for existing staff in SMEs to build business knowledge for a low-carbon future.

Recommendation 4: Invest in a Green Recovery Internship program to provide meaningful youth employment while keeping green recovery opportunities top of mind for businesses.

Recommendation 5: Expand the NRCan Energy Manager program to put deep in-house energy management expertise within reach for SMEs.

Recommendation 6: Accelerate the launch and growth of 20 Green Economy Hubs across Canada to engage and support businesses in transitioning towards a net zero future.



Stimulate the economy. Strengthen small businesses. Meet climate targets.

Prompted by the dual needs of post-pandemic economic recovery and the urgency of addressing the climate crisis, Green Economy Canada is calling on the federal government to launch a major national investment in green infrastructure which can meet all these goals.

While many voices have been shaping the ‘green recovery,’ few have emphasized the importance of engaging small and medium-sized enterprises (SMEs) – the backbone of our local and national economy – as a lever for economic transformation.

Our network has extensive experience supporting these businesses in reducing their environmental impacts while saving money, engaging their workforce, and building their brand. We have seen how sustainability can be a source of competitive advantage and are strongly advocating for green stimulus measures which will help SMEs grow and become more resilient while also bringing us closer to hitting our national climate change goals.

The Green Economy Canada network currently supports over 300 businesses to take action on climate change, build sustainability into their operations, and create a better future for generations to come. Based on feedback from our network, and our experience with previous programs, we strongly urge the Government’s investments in green stimulus to consider the following points:

- SMEs recovering post pandemic will be especially cash strapped to invest in GHG reduction measures out of pocket, and will have limited time to figure out what actions to take as they turn their focus on getting their business running again.
- We can make the impact of stimulus measures last by investing in capacity-building activities that work with businesses to go beyond individual reduction projects to begin internalizing an interest and commitment to the low-carbon transition.

To this end, we are proposing the following six recommendations aimed directly at supporting our local businesses across the country to get back on their feet in a stronger, more resilient way.

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Recommendation 1: Encourage broad adoption of smaller GHG reduction projects through a sliding scale national incentive program for projects \$10K to \$100K

Make smaller commercial retrofit & GHG reduction projects accessible to SMEs to get them started on climate action. A sliding scale of funding will encourage more accessible projects.

- Eligible projects up to \$100K would be funded 90% for the first \$25K, 50% for the next \$25K, and 25% for the last \$50K, with a cap of \$50K per business for the project.
- As part of accessing this incentive, SMEs would need to complete a facility assessment including GHG inventory with those costs covered up to \$5K.

Government Investment: \$1B per 25,000 projects (assumes \$40K average reimbursement per project); could be partly funded by the existing Climate Action Incentive Fund in Federal backstop provinces

Brief: A 90% incentive on the first \$25K will enable large numbers of smaller projects across the country, engaging thousands of cash-strapped SMEs in green stimulus measures. It also provides effectively a 50% incentive on a \$100K project, making slightly larger projects more accessible. We recommend that SMEs be required to submit a third-party facility assessment with an initial GHG inventory (submitted following approval-in-principle) as a way for them to start measuring and understanding their carbon footprint alongside reduction opportunities.

Recommendation 2: Combine grants with low / zero interest loans to eliminate the up-front capital investment on eligible GHG reduction projects from \$100K to \$1M

Make mid-size deeper reduction projects immediately accessible to SMEs.

- Eligible projects would be funded through a combination of a grant + low interest loan for the remaining balance. An initial third-party audit is required to qualify, with costs included as eligible expenses in the grant portion.
- Projects which reduce GHGs as expected upon completion as confirmed by a third-party follow-up evaluation would receive interest forgiveness and a portion of loan forgiveness scaled to the level of GHG reductions achieved.

Government Investment: \$1B per 7500 projects (assumes \$500K projects with an average 25% of those costs covered as a grant + loan forgiveness); could be partly funded by the existing Climate Action Incentive Fund in Federal backstop provinces.

Brief: Government could work with eligible businesses through financial institutions to guarantee and underwrite low interest loans for approved projects, subject to review. For accountability and to promote deeper action, applicants should provide a standardized GHG inventory produced by a third party, an audit, and a follow-up evaluation 2 years after completion



to confirm savings, with these costs eligible as project expenses (capped). The application process should be kept as simple and streamlined as possible. We are recommending that an initial GHG inventory is required as a way for businesses to start measuring and understanding their overall carbon footprint to contextualize which projects would have the biggest benefits on their GHG footprint.

A grant would incentivize getting the project started and reduce the size of loan needed. A sliding scale portion of the loan would be eligible for loan forgiveness upon successful project completion depending on the level of GHG reductions achieved. Further interest relief, potentially to reduce interest to zero, could be provided to projects which perform as projected or achieve a particular GHG reduction threshold following a third-party follow-up evaluation. This financing helps spur demand for green jobs and retrofit projects, and provides SMEs with a financing pathway to take on more impactful GHG reduction projects during economic recovery.

Recommendation 3: Provide sustainability-focused training subsidies for existing staff in SMEs to keep people employed while building business knowledge for a low-carbon future.

Build SME capacity by providing training subsidies for existing staff to build their knowledge and skills in reducing GHGs and advancing sustainability in the workplace.

- Directs wage stabilization measures towards the low-carbon transition.
- Builds in-house knowledge and skills so SMEs can internalize making their operations more sustainable to go further with energy efficiency & GHG reduction efforts.
- Supports adoption of green stimulus actions by increasing the knowledge and capacity of SMEs to rebuild green without needing highly specialized sustainability staff.

Government Investment: \$7M per 2000 workers based on \$2500 training subsidy + \$1000 wage replacement for employers.

Brief: Businesses could apply for a subsidy to enroll staff in government approved sustainability-related training courses, either existing or in development. This would encourage SMEs to build internal capacity to measure, understand, and manage energy consumption and GHG emissions as part of day-to-day business operations, while also supporting the business in maintaining and engaging their staff in the immediate term. As part of receiving the subsidy, employees would need to provide a brief summary of how they will apply what they have learned to their work context to advance sustainability efforts.

Recommendation 4: Invest in a Green Recovery Internship Program

Create an inclusive youth employment program focused on supporting business sustainability education and the adoption of green stimulus measures by SMEs and the broader business community.



- Provide 100 host business networks like Chambers of Commerce with direct expertise and resources to support local businesses with learning more about how to rebuild with green in mind, and accessing green stimulus opportunities.
- Employ 100 diverse graduate interns with a business & sustainability focus for two years, providing them with key employment experience for the green economy.

Government Investment: \$15M over two years, primarily to intern salaries and hosting costs. (detailed budget breakdown available)

Brief: A fully funded two-year internship for 100 graduates with a business and sustainability focus or interest in climate change. These interns would be placed in 100 community-based business networks, preferably in Canada's Chambers of Commerce or Boards of Trade. They would act as a dedicated resource on green stimulus measures and provide introductory sustainability education to help businesses recover with a lower carbon footprint in mind. These interns would be the responsibility of the host, but would be supported centrally by a qualified organization like Green Economy Canada through direct training, sharable resources, and ongoing content expertise on available stimulus programs and ways to green business operations. This program would put green recovery front and centre with hundreds of thousands of businesses for a sustained period of time while providing high value employment for young professionals, especially those from marginalized or disadvantaged backgrounds.

Recommendation 5: Expand the NRCan Energy Manager program

Continue the wage subsidy for energy management specialists.

- Supports demand for skilled green jobs, which will be needed in much greater numbers to meet Canada's 2030 and 2050 climate goals.
- Makes specialized energy management capacity available to SMEs who would benefit from it but cannot currently afford it.
- Supports businesses to reduce operating costs, energy demand, and GHG emissions while increasing their in house ability to take advantage of green stimulus opportunities.

Government Investment: \$9.3M (triple the 2019 allocation).

Brief: NRCan's Energy Manager program was dramatically oversubscribed last year (only 20 of over 230 eligible projects were funded in 2019). This popular program would help SMEs acquire in-depth in-house expertise to understand and manage their reduction opportunities, and would support the adoption of other green stimulus measures.



Recommendation 6: Accelerate the launch and growth of 20 Green Economy Hubs across Canada to engage and support businesses in transitioning towards a net zero future.

Launch 11 new Green Economy Hubs and expand the work of existing Hubs to build the on-going capacity of businesses and communities to achieve net zero emissions by 2050.

- Moving SMEs toward net-zero by 2050 will require businesses to take on more than one-off projects; it will require extensive engagement to internalize a commitment to reaching net zero emissions, and support to do that in a systematic and sustained way.
- Green Economy Hubs are a proven model to deliver on this deeper, long-term sustainability transition within businesses and communities, and build broader support for the green transition locally.
- Over 50 community-based green economy professionals would be employed and thousands of businesses would be engaged meaningfully in a low-carbon transition.

Government Investment: \$10M over 5 years starting in 2020. More details:

<https://greeneconomy.ca/2020-2021-federal-budget-submission/>

Brief: A \$10M investment by the Federal government represents a 30% share of the total project cost. It will inspire a national community-based movement of SMEs retooling for a low carbon future while becoming more competitive and resilient, and drive demand for local policies and practices that support the transition to a vibrant, sustainable and just economy.

Funding would enable the launch of 11 new Hubs across Canada and strengthen the capacity of existing Hubs to collectively engage thousands of businesses across the country. This investment will fill a key gap in current climate policies, and help Canada's SME sector keep pace with the needed net zero transition to avoid getting left behind. It builds on other stimulus measures to work with businesses who are ready to reduce their emissions across their operations and internalize a commitment to reaching Canada's 2030 and 2050 goals. Validating our own experience, European studies show that approaches like the Hub model lead to a significant increase in the uptake and adoption of energy efficiency measures compared to providing resources, information and funding alone.¹

1. Palm, J., Backman, F. [Energy efficiency in SMEs: overcoming the communication barrier](#). *Energy Efficiency* (2020).