

**Written Submission for the Pre-Budget
Consultations
in Advance of the 2021 Budget**

By: Enerkem

ECOFISCAL RECOMMENDATIONS

Recommendation 1: That the Government of Canada takes action to strengthen economic competitiveness and the environment by exempting second generation ethanol from the federal fuel excise tax. Natural gas currently benefits from this exemption when it is used as an alternate transportation fuel, and grain-based ethanol benefitted from this exemption in the past.

Recommendation 2: That the Government of Canada takes action to strengthen economic competitiveness and the environment by restructuring the flow-through share system to encompass the cleantech sector.



Hon. Wayne Easter,
Chair House of Commons Standing Committee on Finance
Sixth Floor, 131 Queen Street House of Commons Ottawa
ON K1A 0A6

Dear Hon. Wayne Easter,

Thank you for the opportunity to contribute to the House of Commons Standing Committee on Finance's pre-budget consultation process for 2021.

Enerkem's proprietary clean technology produces a growing range of low carbon transportation fuels and chemicals from non-recyclable waste and woody residues. As we have stated before, Enerkem is supportive of the Government of Canada for its continued focus on leveraging Canada's natural cleantech advantages, such as its research capacity, manufacturing capacity and skilled workforce of engineers and tradespeople, to foster a thriving domestic industry that will be among world leaders in generating jobs, investment, exports and diversifying markets for trade. It should come as no surprise that our 200+ skilled employees in Quebec and Alberta share these objectives, as does our network of Canadian-based suppliers of specialized manufactured equipment. We are driving towards our objectives through smart partnerships and private investments of over \$800 million.

Our game-changing Edmonton facility is the first [commercial-scale facility] in the world to produce advanced biofuels and chemicals from non-recyclable municipal solid waste, and we are building on this homegrown innovation as we develop and build a new advanced biorefinery in Varennes, Quebec. We are also growing globally, as we work on the development of a new facility in Rotterdam in partnership with Nouryon, Air Liquide, Shell and the Port of Rotterdam and another facility in Tarragona, Spain with SUEZ.

Our recommendations can help Canada catch up with the global marketplace and reap the economic and environmental benefits.

RECOMMENDATIONS:

Exempt second generation ethanol from the federal fuel excise tax

In order to fulfill the economic and environmental potential of Canada's cleantech sector, it is time for the Government of Canada to exempt advanced (second generation) biofuels from the federal fuel excise tax.

Presently, the federal excise tax (FET) on gasoline is 10 cents per litre. A Second-Generation Biofuels Federal Excise Tax Exemption would transfer the value of the excise tax to the biofuels producer to enhance the competitiveness of second-generation biofuels and level the playing field with other alternative fuels.

Conventional biofuels like grain ethanol benefited from this incentive prior to 2008, and natural gas currently does when it is used as a transportation fuel. Second-generation biofuel plants do not and have not previously benefitted from this incentive. By adjusting the scope of the exemption, this cost-effective measure can not only help attract private investment but will also increase the competitiveness of the Canadian second-generation biofuels industry vis-à-vis its counterparts in the U.S. and Europe. This would directly contribute to the decarbonization of Canada's transportation sector and help position it for a transitioning economy. This measure would also support the current Renewable Fuels Regulation and is in line with the government plan to implement a Clean Fuels Standard. Taxing renewable fuels is a policy measure that goes against the objectives of the government to green the transportation sector and to fight climate change.

Exempting second-generation biofuels—which reduce GHG emissions on average by 60-90%— from the excise tax would drive investment and help cover the higher capital costs of these innovative facilities resulting in economic and environmental benefits to Canada.

Modernize financial infrastructure to create a made-in-Canada flow-through share system (FTS) for cleantech

The Government of Canada has a critical opportunity to innovate through its flow-through share (FTS) system, which currently benefits the oil, gas and mining industries. The risks associated with scaling-up transformative cleantech innovation is similar to exploration risks, and the activities are similarly capital-intensive. The government should consider facilitating the investment of capital from high net-worth Canadians, which is currently going to our mature resource-based sector, towards our growing commercial-ready clean innovation sector. This would not only send a clear signal to investors and attract necessary capital to this innovative sector, it would also help the government achieve certain of its other objectives, namely fostering reductions in GHG emissions, the creation of well-paying and skilled jobs and enabling the transition from a resource-based economy to a greener, more innovation-based economy.

Conclusion

Enerkem's technology represents a Canadian cleantech success story and is the result of more than 20 years of sustained efforts to scale-up our technology and build the world's first ultimate waste-to-low carbon transportation fuels facility. Today, we are successfully developing commercial-scale facilities to produce renewable energy for the transportation sector and low carbon chemicals in Canada and abroad. The Government of Canada must take immediate action to ensure that tax policies and programs support the cleantech sector and that all efforts are made to ensure the growth of the emerging second-generation biofuels sector. The government must also ensure that the funds allocated to green infrastructure, innovation and clean technology are accessible in a timely manner to private companies with innovative commercial green technology projects, and to complement these funds with appropriate tax-related mechanisms for attracting private capital. Canadians deserve to benefit from the GHG emissions reductions and the economic benefits of the growing Canadian biofuels and biochemicals sector.