

David Gagnon
Clerk of the Committee
House of Commons
Standing Committee on Finance

August 7th, 2020

RE: RECOMMENDATIONS FOR PRE-BUDGET CONSULTATIONS IN ADVANCE OF THE 2021 BUDGET

- **Recommendation 1:** That the government include the following covenant from the Large Employer Emergency Financing Facility (LEEFF) “publishing an annual climate-related financial disclosure report, highlighting how corporate governance, strategies, policies and practices will help manage climate-related risks and opportunities; and contribute to achieving Canada’s commitments under the Paris Agreement and goal of net zero by 2050.” in all forthcoming Covid-19 recovery measures directed towards large employers, especially those in high emission sectors.
- **Recommendation 2:** That the government implement a Strategic Innovation Fund for clean technology.
- **Recommendation 3:** That the government add to the definition of principal-business corporation with relation to the provisions in the Tax Act that governs flow-through shares (FTS): “The development and deployment of emissions-reducing technologies.”
- **Recommendation 4:** That the government implement a national cleantech investor tax credit program.



- **Recommendation 1:** That the government include as standard the following covenant in the Large Employer Emergency Financing Facility (LEEFF):
“publishing an annual climate-related financial disclosure report, highlighting how corporate governance, strategies, policies and practices will help manage climate-related risks and opportunities; and contribute to achieving Canada’s commitments under the Paris Agreement, and goal of net zero by 2050” in all forthcoming Covid-19 recovery measures directed towards large employers, especially those in high emission sectors.
- **Rationale:**
 - Climate de risking is investment de risking. The inclusion of climate-related financial disclosures in the LEEFF was a pioneering step by the Canadian government in aligning large employer strategy with the expectations of the financial sector. Companies like Black Rock advocating for environmental, social and governance criteria in the disclosures of major emitters¹. Requiring Canadian companies to adopt these measures now will position them to better respond to demands from capital markets in the future. This will make companies more successful in their attempts to raise capital.
 - Climate risk management will drive SME growth. Requiring companies to consider climate risk will drive them to engage with SMEs developing technologies that contribute to the carbon economy by reducing emissions. This is an effective way to leverage large employer relief to benefit cleantech SMEs.

¹ See: <https://www.pionline.com/esg/blackrock-ramps-climate-related-stewardship-report>



- **Recommendation 2:** That the government implement a Strategic Innovation Fund for clean technology.
- **Rationale:** The Covid-19 crisis has demonstrated the need for investment in resilient, nature-based, and circular economic systems. Experts agree² that there is a window of opportunity to invest in clean technology solutions that deliver economic growth, create jobs, and reduce emissions.

Stimulus spending on clean technology is most effective when paired with training, and blended (public and private) capital³. Now is the time to invest in scaling these solutions. Mission driven ecosystems and cluster development yields jobs, attracts, grows firms' investment and reduces GHG emissions, even in post-recession economies. In Denmark in 2010, an investment of 20 million euro in CLEAN, their local cleantech cluster, resulted in 1000 jobs. In 2010, in South Africa, a concerted government investment facilitated \$1.6 million in renewable energy projects and renewable energy manufacturing resulting in 2700 jobs over a 5 year period.

The network to deploy training is already in place through a robust network of Innovation Centres, Accelerators, and Cluster groups across Canada, with many having already transitioned from a traditional in person training model to a digital one to support remote learning. This network can provide the necessary training piece to support rapid growth where an adequately funded infrastructure exists in tandem.

The existing ISED Strategic Innovation Funds are a pre-existing tool to deploy additional training and co-investment in support of Canada's clean technology infrastructure and energy transition. A SIF dedicated to clean technology is the simplest solution to support any climate and carbon economy measures included in the 2021 budget.

² See: [Building Back Better](#), Oxford University, May, 2020

³ See: [Sustainable Recovery](#), International Energy Agency (IEA), June, 2020



- **Recommendation 3:** That the government add to the definition of principal-business corporation with relation to the provisions In the Tax Act that governs flow-through shares (FTS): “The development and deployment of emissions-reducing technologies.”
- **Rationale:**
 - Big potential: From 2010-2012, the average annual FTS sold in Canada was \$547m. In 2019 that number is \$126m⁴. This implies a supply side potential of \$420m in FTS investment.
 - Return on investment: During the 6 years (2007-2012) studied in the [2013 Report on Federal Tax Expenditures](#), FTS raised \$8.4bn for mining and energy. The cost to the government of raising that money was \$2.6bn on a cash basis. This equates to about \$0.31 cents / dollar of investment in the sector generated.
 - Job creation: \$80,000 in incremental investment into early stage ventures generates roughly one direct FTE⁵. Assuming a potential investment of \$420m via FTS into cleantech, this is 5,250 jobs.
 - Emissions reducing: Since every \$20 invested in clean technology yields a 1 tonne reduction in annual CO2 emissions (IEA). \$420m of cleantech investment will yield an annual reduction of 18m tonnes of CO2e emissions (6% progress to Canada’s Paris commitment).

⁴ [Access to Capital](#), Prospectors and Developers Association of Canada, 2020

⁵ [Quantifying Canada's Clean Energy Economy](#), Clean Energy Canada, 2019



- **Recommendation 4:** That the government implement a national cleantech investor tax credit program.
- **Rationale:** Capital is the number one ‘ask’ from cleantech companies, and can be a major barrier to success if not achieved. According to Analytica Advisors⁶, only 25% of the equity demand from cleantech companies is being met by Canadian investors. Clean Energy Canada notes that sector investment has remained flat since 2014⁷.

Assertive measures are required to catalyse Canadian investment in the sector.

[Venture Capital Corporations](#) for clean technology are known and well-used de-risking tools in parts of Canada.

Incentives to extend these policies to any province that does not already have them would synchronize early stage investing frameworks nationally, and make it simpler for companies anywhere in Canada to raise capital on the same terms.

This not only makes it easier for companies to raise money in Canada, it also increases their ability to expand their presence nationally, and rapidly accelerate their business growth trajectory.

⁶ [Canadian Clean Technology Industry Report](#), Analytica Advisors, 2017

⁷ [Quantifying Canada's Clean Energy Economy](#), Clean Energy Canada, 2019



About Foresight

Foresight is a non-profit accelerator dedicated to advancing the growth of cleantech ecosystems in Canada. They have supported 500+ SMEs through their Launch, Deliver, Grow, and Challenge Programs. This has resulted in 5,000+ high-paying jobs, \$250+ million in company funding, and \$50+ million in member company revenues. Foresight is collaborative, entrepreneurial, and market-oriented. Working in sectors including agriculture & food, built environment, energy, mining, forestry, transportation, and water, they foster the growth of cleantech by scaling SMEs that improve environmental results and create economic growth.

This framework includes an expanded SME accelerator that operates in multiple provinces, and new pan-Canada programs (including programs in agriculture, water, carbon capture, and a unique COVID 19 recovery program). It also includes an expanded industry innovation challenge program, through which Foresight has successfully completed over 38 challenges in the past year. Learn more about Foresight at www.foresightcac.com

Contact

Jeanette Jackson, CEO - Jeanette is an experienced CEO, entrepreneur, and business strategist with broad-based experience in technology, business development, marketing and operations. She has successfully raised millions in investment funding, established partnerships to maximize revenue potential, led cross-functional teams to deliver real results, and created highly functional advisory teams and boards of directors.

