

Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

By Ontario Clean Technology Industry Association (OCTIA)
on behalf of its partners Alberta Clean Technology Industry Association
(ACTia), Écotech Québec, Foresight, Centre for Social Innovation (CSI),
MaRS, The Maritimes Energy Association and Newfoundland & Labrador
Environmental Industry Association (NEIA)

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1. Recommendations

Recommendation 1: De-risk cleantech investment by providing tax-deductions to corporate, institutional and individual investors. Use mechanisms such as flow-through shares, angel investor tax credits, or capital gains exemptions.

Recommendation 2: Implement green public procurement programs through integration of life-cycle assessment methodologies that fast-track piloting and deployment of cleantech and SME technologies. Earmark a percentage of the funding for SMEs modelled after the US SBIR-STTR Seed Fund.¹

Recommendation 3: Expand the 100% accelerated capital cost allowance beyond clean energy generation and energy conservation equipment to all cleantech investments.²

Recommendation 4: Provide a federal loan guarantee program for cleantech projects tied to deploying novel Canadian innovations.

Recommendation 5: Update and simplify existing granting programs including SRED, IRAP and SDTC. Expand programs to include marketing expenses.

Recommendation 6: Centralize programs under a single platform or business/start-up ID "i.e. a Green NEXUS".

Recommendation 7: Support early stage entrepreneurs by setting up a federal Simple Agreement for Future Equity (SAFE note) investment program and implement through existing channels, including BDC and/or EDC.³

Recommendation 8: Offer 100% federal match to provinces for cleantech and low carbon stimulus project investment (e.g. CleanBC Innovation Fund, Alberta Technology Innovation and Emissions Reduction Fund, Quebec Plan d'action pour la croissance et les technologies propres 2018-2023, etc.).

Recommendation 9: Expand Federal ISC Challenge program⁴ to provide matching funding to private sector coalitions investing in cleantech infrastructure.

Recommendation 10: Create a recovery granting program that offers

¹ www.sbir.gov

² <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/sole-proprietorships-partnerships/report-business-income-expenses/claiming-capital-cost-allowance/accelerated-investment-incentive.html>

³ <https://betakit.com/a-safe-model-for-early-stage-investing-in-canada/>

⁴ <https://www.ic.gc.ca/eic/site/101.nsf/eng/00001.html>

grants as well as training and rehiring support for fast-recovering companies meeting GHG reduction milestones.⁵

Recommendation 11: Ensure GHG target commitments are made for all industry recovery packages.

Recommendation 12: Replicate the Department of National Defence (DND) Industrial and Technology Benefits (ITB) program for energy transition investment.⁶

Recommendation 13: Launch a Clean Growth Hub led review of federal and provincial regulatory barriers to clean growth.

⁵ E.g. modelled on Federation of Canadian Munisipalities and ICLEI Canada Milestone Framework for Municipalities <https://fcm.ca/en/programs/partners-climate-protection/milestone-framework>

⁶ <https://www.wd-deo.gc.ca/eng/11978.asp>

2. Background

Cleantech is one of Canada's key growth sectors

Statistics Canada estimates that 317,000 jobs were attributable to environmental and clean technology activity in 2018 (1.7% of jobs in Canada). In nominal terms, the value of environmental and clean technology activities totaled \$66.3 billion in 2018 and accounted for 3.2% of Canadian GDP.⁷ Clean technology GDP grew by 16%, more than the growth rate of 13% for the economy as a whole from 2017 to 2018.⁸ Volumes of environmental and clean technology exports increased 1.1% from 2017 to 2018. In nominal terms, the value of Canadian exports of these products totaled \$13.6 billion in 2018, accounting for 1.9% of total Canadian exports. In 2018, 77.6% of all environmental and clean technology product exports were clean technology products (mostly manufactured goods). The global market for clean technology is expected to reach \$2.5 trillion by 2025.⁹

As part of Canada's Economic Strategy Tables Innovation, Science and Economic Development (ISED) Canada stated that its goal is to make cleantech one of Canada's top five export industries with a targeted value of \$20 billion annually. Canadian cleantech solutions also play a crucial role in helping Canada achieve its climate commitments.

Key barriers to growth in the cleantech sector are access to capital as well as regulations at the federal and provincial level.

Cleantech is crucial for Canada's resilient recovery

COVID-19 has disrupted our way of life. The protection of life and looking after the immediate financial needs of the public has rightfully been the priority of government. As Canada shifts its focus to re-opening and stimulating the economy it must also give serious thought to what kind of recovery it is stimulating. It's a simple question. Do we want to recreate the status quo? Or should the government create a pathway for a cleaner, more sustainable and more resilient future?

It is the view of the Ontario Clean Technology Industry Association (OCTIA) and its CanadaCleantech Alliance partners (subsequently referred to as OCTIA and its partners) that the Canadian government should focus its recovery efforts on creating jobs, encouraging economic diversification and equity, spurring cleantech innovation, cutting pollution such as carbon, water and illness-causing air pollution, and making Canada more resilient.

⁷ <https://www150.statcan.gc.ca/n1/daily-quotidien/200313/dq200313b-eng.htm>

⁸ ISED Clean Technology Macroeconomic Data, Communities of Interest on Data Presentation, June 23, 2020

⁹ <https://www.edc.ca/en/blog/global-markets-for-cleantech.html>

We recognize that creating a meaningful shift and impact will require significant capital investment. By most accounts this shift will require an injection of \$50-106 billion to support this recovery effort.¹⁰

Canada's cleantech sector requires no or moderate cost economic stimuli

OCTIA and its partners recognize that the sheer volume of capital investment that is required to put Canada on a path towards a resilient recovery is significant at a time when the government is facing unprecedented fiscal challenges.

OCTIA and its partners believe that the government can unlock private capital investment in the cleantech sector by using proven financial tools such as flow-through shares, angel investor tax credits, and/or capital gains exemptions bringing private capital into Canada's resilient recovery efforts.

Other policy mechanisms with no or low cost to the government that would de-risk investments in cleantech and facilitate access to capital for Canada's cleantech innovators include:

- Federal loan guarantees
- The simplification of existing granting programs including SRED, IRAP and SDTC, GHG target commitments for all industry recovery packages
- The Department of National Defence (DND) Industrial and Technology Benefits (ITB) program for energy transition investment which would encourage the procurement of innovative Canadian clean technology.

A Clean Growth Hub led review of federal and provincial regulatory barriers to clean growth would also be an effective stimulant at moderate cost.

¹⁰ Task Force for a Resilient Recovery Preliminary Report", July 2020