



Canadian
Chamber of
Commerce

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du Canada

The Voice of Canadian Business™
Le porte-parole des entreprises canadiennes^{MD}

Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget

By: Canadian Chamber of Commerce

List of Recommendations:

Carbon Pricing

- **Recommendation 1:** That the government ensure that carbon pricing is accompanied with a reduction in regulations to address competitiveness challenges and develop a principle of recycling revenue generated by the carbon fuel surcharge.

Circular Economy

- **Recommendation 2:** That the government work together with the business community in developing a national circular economy strategy that will reduce costs, waste, and inefficiencies for businesses.

Infrastructure

- **Recommendation 3:** That the government provide dedicated funding to the Canada Infrastructure Bank and the National Trade Corridors Fund for major climate resilient infrastructure and adaptation projects, adopt a Pan-Territorial Infrastructure Strategy, create a dedicated Northern Infrastructure Fund, and develop strategies to implement all-season road networks to improve transportation infrastructure in Indigenous and remote communities.
- **Recommendation 4:** That the government provide national leadership and work with utilities to provide flexible and innovative pathways to achieving net-zero energy grids by 2030.
- **Recommendation 5:** That the government implement mmWave spectrum without delay to make smart cities a reality and allow businesses to use the Internet of Things for climate change mitigation.

Tax and Investment

- **Recommendation 6:** That the government conduct a comprehensive review of the Canadian tax system to increase competitiveness, promote innovation, and encourage investments in climate change mitigation actions and activities.
- **Recommendation 7:** That the government adopt an “innovation box” regime that would reduce the corporate tax rate for income derived from patented inventions and intellectual property connected to new or improved cleantech products, services and related processes developed in Canada.
- **Recommendation 8:** That the government provide investors with a 30% refundable tax credit of up to \$200,000 in eligible cleantech businesses, establish a 15% refundable tax credit on eligible cleantech startups for angel investors, provide a tax exemption on cleantech venture capital gains, reinstate the Scientific Research and Experimental Development depreciable property tax credit, and make flow-through shares available to all types of cleantech firms.

Skills and Training

- **Recommendation 9:** That the government provide dedicated funding for the reskilling and upskilling of Canadians in a green economy.
- **Recommendation 10:** That the government enhance apprenticeship investments to promote skilled trades in renewable and cleantech industries.

International Policy and Trade

- **Recommendation 11:** That the government provide support services for cleantech exports through the Trade Commissioner Service
- **Recommendation 12:** That the government support cleantech foreign direct investment through Invest in Canada.
- **Recommendation 13:** That the government remain engaged in negotiations on Article 6 of the Paris Agreement recognizing that some of the most impactful opportunities for climate change mitigation are located outside of Canada's borders.

Body of Submission:

Every day, the businesses that drive our economy are looking for opportunities to create jobs and invest in our future. While climate change is not the only challenge our companies face, the transition to a low carbon economy, if done correctly, can help businesses mitigate climate-related risks and enhance Canada's competitiveness. As a leader in clean and low carbon technologies, with a strong resource sector, Canada can continue to create the economic opportunities that help us take significant action on climate change.

Climate change is a defining issue of our time and Canadian businesses have a role in combatting it. 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. Companies of all sizes should have the opportunity to guide the transition to a low carbon economy by working together with decision makers to confront this challenge and develop solutions.

The Canadian Chamber of Commerce has long advocated the importance of effective and pragmatic action in addressing climate change. Our members recommend the federal government concentrate on six key areas – carbon pricing, the circular economy, infrastructure, tax and investment, skills and training, and international policy and trade – to help Canada's businesses thrive in the transition to a low carbon economy.

Carbon Pricing

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.

The ultimate purpose of carbon pricing is to change behavior. To do this, facilities must either reduce their energy consumption or find ways to utilize less carbon-intensive energy. 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.

Circular Economy

The circular economy involves reimagining our value and supply chains to ensure that the waste products created by one industry can either be reabsorbed or sourced as an input into another industry as many times as possible. While maximizing the circulation of materials is a primary aim, the circular economy can also ensure that energy is reused. Using waste heat from industrial processes to generate electricity or warm nearby buildings and homes is a prime example. Given Canada's reliance on

natural resources, agricultural and aquaculture products, there are significant and unique opportunities that Canadian businesses can utilize.

Rarely are the barriers to adoption of circular economy models technological in nature. Rather, it is our regulatory system and limited financing for small to medium sized Canadian businesses that can discourage progress. Adopting a circular economy model requires new standards and certifications to allow waste products to become inputs for industrial processes or to be developed into new products. Regulators often fail to approve these new supply chains, subject approvals to significant delays, or provide ambiguous responses that create uncertainty for businesses that otherwise would be innovators.

Infrastructure

Investments in climate change resiliency will be important as extreme weather events become increasingly disruptive and costly to businesses throughout the country. Extreme weather will create more work disruptions, impact supply chains, create property damage for Canadian businesses and lead to higher premiums for both commercial and residential insurance packages. Climate change continues to threaten the seasonal transportation infrastructure relied upon by many Northern and remote communities, leading to socioeconomic challenges that will only worsen as increasingly warmer temperatures further reduce winter road access. Addressing these costs will require significant capital investments in climate-resilient infrastructure, including improved transportation systems, flood prevention infrastructure, and the physical hardening of energy distribution systems. These costs cannot fall solely on the business community nor can businesses bear the costs of inaction on climate change.

Many Canadians benefit from power grids that are largely non-emitting and affordable for businesses and households. The government must ensure Canadian utilities are able to pursue new technologies and energy sources, develop new assets, and manage the opportunities and challenges of greater decentralized energy production as Canada moves toward a primarily non-emitting grid. Developing the smart grids to take advantage of these opportunities will require a thorough review of regulatory inefficiencies that continue to slow the adoption of new technologies and make grid modernization costly. Reducing the regulatory burdens facing Canadian utility companies will further encourage the infrastructure investments needed to meet 21st century electricity demands.

Digital infrastructure is also an integral component of the transition to a competitive low carbon economy. Smart cities provide the opportunity to transition to more sustainable communities through the efficient use of resources. The Internet of Things allows businesses to use data for their climate change mitigation efforts and to improve productivity through the use of new technologies in sectors such as precision agriculture and smart mining. Capitalizing on these innovations will require implementing, without delay, a frequency spectrum that allows for sensing technology.

Tax and Investment

Any successful approach to adapt tax policy to a low carbon economy must include a ground-up, comprehensive review. Canada's current approach uses partial measures that complicate the tax code with temporary provisions that favour one sector, technology, or fuel source over another. Climate change, in contrast, is ubiquitous and impacts all industries, from manufacturing to natural resources to the service sector. Canadian businesses, from large tech firms to family farms, are mitigating climate change by adapting their business models and capital investments to the drivers of sustainable success in a low carbon economy. This transition requires an equally significant effort in the

form of a comprehensive review to deliver new approaches to tax competitiveness that reflect the weight of this change.

A number of tax policy initiatives can help facilitate Canada's transition to a low carbon economy. Many of the factors that drive low carbon growth and innovation – capital investments, patents, copyrights, and research and development – will continue to be closely tied to taxation. Canada should focus on implementing tax policies that facilitate the deployment of new clean technologies, patented inventions, intellectual property, and new processes. Fostering these innovations will also require that Canada build a highly competitive green venture capital industry that incentivizes investments in clean technology.

Skills and Training

The transition to a low carbon economy will require green skills to adapt products, services and processes to climate change mitigation and resiliency at all levels of the workforce. Greening the workforce will require upskilling and adjusting qualification requirements across occupations and industries. Emerging economic activities will create new or renewed occupations and related qualifications and skills profiles. Structural labour force changes may also require worker retraining and reskilling.

Skills development policies will play a major role in ensuring that significant changes in human resource needs are met by the labour market. Training programs in emerging low carbon industries will be instrumental in avoiding the skills shortages, gaps, and bottlenecks that slow growth and deter competitiveness in these sectors. These should include investments in the skilled trades, where there will be valuable opportunities for training, reskilling, and upskilling.

International Policy and Trade

Canada is a trading nation and agreements signed in recent years have created significant new markets for Canadian businesses. The federal government has an opportunity to create a globally competitive cleantech sector by building on these existing trade opportunities and attracting foreign investment to these industries. Exporting Canadian cleantech will require greater support in helping these businesses explore funding opportunities, utilize trade agreements, and connect with experts and qualified contacts. Coordinated investment promotion, marketing, and in-market outreach will also be essential to attract potential global business investors to Canada's cleantech industries.

Canada has the opportunity to lead the transition to a low carbon global economy by displacing high-emission energy sources in other jurisdictions with cleaner Canadian alternatives. Achieving this goal will require that international agreements take into account the positive impact Canadian energy has in reducing global emissions. Continued engagement on Article 6 of the Paris Agreement and the use of Internationally Transferred Mitigation Outcomes will help Canada meet its Nationally Determined Contributions. In addition, Canada should develop concrete plans with clear timelines to get our energy products to global markets.