



Submission by

Clean Energy Association of British Columbia
(CEBC)

To

House of Commons
Standing Committee on Finance

“Pre-Budget Consultations”

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Executive Summary

Canada needs to accelerate the growth and development of the clean energy sector. There is climate change as well as economic development imperatives which drive this need.

The July 2011 gathering of Canadian Energy Ministers in Kananaskis indicates an appetite for change, cooperation and leadership that exists within the Canadian federation.

The measures recommended here are modest and ones which enable the private sector to do what it does best and should be doing: innovating, investing and re-innovating.

3 Policy Recommendations:

- 1. Establish a Green Bond to support financing clean energy develop in Canada.**
- 2. Establish a fully refundable investment tax credit to support clean energy development in Canada.**
- 3. Enhance provisions for accelerated capital cost allowance deductions in the clean energy sector.**

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Introduction

The Clean Energy Association of British Columbia (CEBC) is a 20 year old industry association representing 300 members comprised of developer/operators and supply chain providers in the clean energy sector in BC.

Operating in BC today are 60 clean energy projects consisting of the following:

- 48 small hydro
- 4 biomass
- 4 biogas
- 2 gas
- 2 wind
- No coal, or nuclear

Our members provide approximately 10% of the electricity that is available to ratepayers in British Columbia. Projects are situated throughout BC and provide much needed jobs and benefits to rural and First Nation communities.

As well as electricity from these proven technologies, there are numerous projects in various stages of pilot development and testing in tidal, wave, geothermal and kinetic hydro. Commercial scale solar is being tested and hydrogen and fuel cell development is advancing.

While CEBC represents clean energy development across all fuel types, we also represent integrative solutions coming about through smart grids and distributive generation projects. Ultimately, it's not simply about solutions by fuel types as it is about energy systems to meet societal electricity needs. Canadians want low cost, non-polluting, secure, readily available firm electricity.

Despite the fiscal and economic challenges that many countries face, the reality of human induced climate change compels all nations to reduce GHGs and improve their environmental performance. The countries who lead on this front will be the leading economies of the future.

The challenge is about deploying capital efficiently and this involves both the public sector and private sector. As the Canadian Electricity Association states in How Will we Power Canada's Future? (2011), "Industry must respond to the demand for low –emitting and sustainable technologies for electricity generation and a more efficient and responsive bulk power system; governments and regulators must establish policies and conditions that will enable the investment and technological development needed to make the transformation possible..." (p.3).

In order to optimize private sector capital and investment in the clean energy sector, CEBC makes the following 3 recommendations to the federal government:

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1. Green Bond

The federal government should establish a green bond, the proceeds of which would be invested in large scale clean energy projects that assist Canada in reducing carbon emissions and thereby combat climate change. The green bonds would be government guaranteed with modest rates of returns (like Canada Savings Bonds) but privately marketed through Canadian financial institutions. In future there could be a tie to carbon credits.

Green Bond funds could invest in emerging new clean technologies and help fill the gap for proven clean energy projects that may not be able to obtain competitive rates from commercial lenders in the period between new development and full operation.

These bonds could also be an attractive investment option for Canadians who may be looking for new investment opportunities, but want the assurance of government backing – especially in volatile financial times.

Many details would need to be worked out about eligibility, scale, risk exposure, but the concept is clear, Canada needs to spur developments in the clean sector to help it meet policy objectives to combat climate change. Green Bonds could be tuned to spark private sector investment in key areas of research, innovation, targeted development, initial testing and commercialization.

Tom Rand, author of *Kick the Fossil Fuel Habit: 10 Clean Technologies to Save Our World* and manager of GreenBond.ca says,

“We need to do something to accelerate the deployment of renewable energy production, and we need to engage the Canadian public in what is essentially a nation-building project.it’s about a positive vision, stimulating the economy and realizing Canada’s potential as a renewable energy superpower.”

Green bonds are not a new idea. For example, the World Bank launched a green bond last November, raising approximately \$350 million (US) to fund climate change-related projects.

According to a [recent poll by Nanos Research](#), the demand is out there: 82 percent of Canadians support the idea of green bonds and 62 percent say they’d purchase a green bond with an interest rate similar to that of a CSB.

2. Refundable Tax Credit

This idea was recommended to the House of Commons Standing Committee on Finance by the Renewable Energy Coalition of Canada previously. The federal government would establish a refundable investment tax credit to stimulate and support the clean energy and clean technology sector. The parallel precedent is the film industry.

The clean energy investment tax credits could be applied to capital costs expended in constructing a clean energy facility.

3. Enhancements to Capital Cost Allowance (CCA)

This idea was also previously recommended to the House of Commons Standing Committee on Finance by the Renewable Energy Coalition of Canada previously.

Class 43.2 provides an incentive for an accelerated rate of CCA deductions for capital expenditures described in Class 43.1.

The problem is that the acceleration provided for in Class 43.2 will expire in 2012. In addition the qualification parameters are too narrow. Hydro projects are limited to 50MW, transmission capacity costs do not qualify and wind project costs are also limited. Furthermore, few companies investing in capital for clean energy projects generate sufficient up-front revenues to benefit from the acceleration provisions, hence the current provision is inefficient and underutilized.

We propose that the 2012 expiration date be extended forward and the categories for capital cost eligibility in Class 43.1 be reviewed and expanded to ensure maximizing financing opportunities. These should be considered in consultation with industry sector representatives.

Conclusion

Societally, we need to reduce greenhouse gas (GHG) emissions and also maintain economic prosperity over the long-term. The 3 recommendations we make will help Canada do just that.

Ultimately the most effective way to reduce GHG emissions is through economic policies that make it expensive to pollute with the best tools being carbon taxes or cap and trade systems. While positive steps have been taken by governments in Canada, we are not



there yet and neither are our neighbours. The measures proposed here are designed to accelerate the transition into that environment – an environment we recommend where Canada takes a global leadership role.

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