

*The New Economy Alliance (NEA)*

# **Pre-budget submission to The House of Commons Standing Committee on Finance**

**Prepared on behalf of *The New Economy Alliance* representing:**

BIOTECanada  
Canadian Federation of Agriculture  
Canadian Renewable Fuels Association  
Chemistry Industry Association of Canada  
CropLife Canada  
Forest Products Association of Canada  
Sustainable Chemistry Alliance

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August 12, 2011

“having companies that ‘make something’ is a key element of economic success, in part because manufacturing jobs have historically paid above average wages. For its part, Germany embraced manufacturing, and much of its economic success is thanks to that decision.”

- The Secrets of Germany’s Success, What Europe’s manufacturing powerhouse can teach America; Foreign Affairs, July/August, 2011

## **EXECUTIVE SUMMARY**

### **The New Economy Alliance (NEA) - Who are we?**

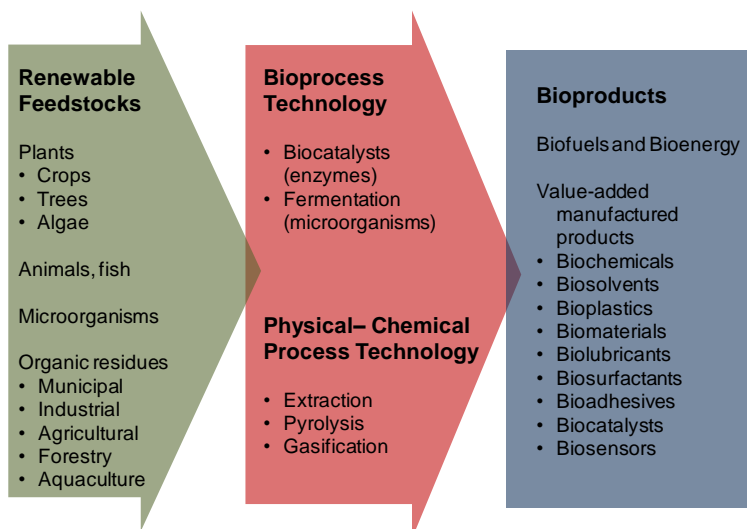
For the first time, the NEA brings together a group of industry associations representing forestry, chemicals, agriculture, renewable fuels and biotechnology with a common purpose and shared vision. Our purpose is to promote innovation in new technologies for bio-fuels, bio-chemicals and bio-materials. Our vision is for Canada to develop a world-leading bio-economy that adds value to our vast wealth of natural resources, creates high-value jobs, generates economic growth, enhances Canada’s international competitiveness and improves our environment.

Members of the NEA include BIOTECCanada, Canadian Federation of Agriculture, Canadian Renewable Fuels Association, Chemistry Industry Association of Canada, CropLife Canada, Forest Products Association of Canada, and the Sustainable Chemistry Alliance.

### **What is the bio-economy?**

Bioproducts (bio-fuels, bio-chemicals and bio-materials) are an increasingly important, emerging segment of the international economy. Bioproducts are a new generation of manufactured goods produced wholly or in part from renewable resources such as raw materials derived from agricultural crops, trees, plants, animals, microorganisms and organic residues.

**Figure 1: The Bio-Economy Value-Chain**



## **What is Canada's bio-economy opportunity?**

Canada is envied around the world for its wealth of natural resources. For example, Canada has 10 percent of the world's forest. This "natural resource advantage" can and should create more than mere "extraction value" for the Canadian economy. Sophisticated value-added manufacturing, combined with innovation and upgrading, creates high paying jobs, and generates greater tax revenues for governments.

Examples of current achievements in Canada's bio-economy include biofuels (ethanol and biodiesel), biomaterials (hemp and flax crops for textiles, plastic composites, insulation and paper), bio-industrial oils (for fuels, lubricants, plastics, paints, inks), and wastes from farm and food processing (biodegradable plastics and biogas).

As well, bio-products can provide opportunities for traditional industries to upgrade and expand, and can stimulate much needed economic development in rural and coastal communities by creating new employment around the harvesting and processing of raw materials from agricultural, forest and marine sources.

Value-added resource upgrading and technology innovation is expected to open up new multi-billion dollar markets for Canadian industry - the 2009 global market for 'green chemicals' alone was \$46 billion, and is forecast to be \$62 billion by 2015. According to BioProducts Canada Inc., renewable biomass resources could account for \$100 billion of Canada's GDP by 2020.

Canada's trading partners are actively engaged in supporting innovation and commercialization in this sector, including Australia, Brazil, China, France, Israel, Norway, the United Kingdom, the European Union, and the United States. These countries employ a variety of support mechanism from grants and loans (France, Norway, the UK, USA), to emerging technology funds (China), to tax credits (Australia, France, USA) to research support (European Union, USA), to support for small business innovation (European Union, USA). Later this year in Brazil, Dow Chemical plans to build the world's largest sugarcane to polyethylene plant. In the U.S., the Department of Agriculture has identified 5,100 bio-preferred products for purchasing, and over 100 companies have applied for the 'bio-preferred' label.

Canada is well positioned to take greater advantage of its natural resources by implementing the necessary policy, program, and procurement initiatives to advance the value added economy across agriculture, forestry, chemistry and energy.

## **How does the bio-economy address the concerns of the finance committee?**

- **Achieving a sustained economic recovery in Canada** – Canadian manufacturers could supply the fast growing international bio-product market, and keep high-value jobs here in Canada

- **Creating quality sustainable jobs in Canada** – Investing in the emerging bio-economy will enhance Canada’s competitiveness and generate economic growth, thereby creating high quality sustainable jobs.
- **Ensuring relatively low rates of taxation while achieving a balanced budget -** Stimulating private sector investment will generate greater revenues for governments and create more high-value Canadian jobs. Individual and corporate tax rates may stay low, but there will be more individuals, and more successful companies paying taxes.
- **Attaining high levels of job growth and business investment in order to ensure shared prosperity and a high standard of living for all -** All regions of the country enjoy natural resources wealth. If we turn our forest and agriculture biomass into value added domestically produced solvents, plastics, paints, adhesives, insulation, textiles, and consumer products, we will create high value manufacturing jobs across Canada.

### **What does the NEA recommend?**

The sole recommendation of the New Economy Alliance is that the Government of Canada, led by Natural Resources Canada and Industry Canada, should, in collaboration with industry and other stakeholders, assess what precise steps need to be taken – whether through the tax system, through program design, through Government procurement, or through a combination of each - to drive investment in the bio-economy, and set Canada on a path to sustainable job creation and economic recovery.

### **FURTHER REMARKS IN SUPPORT OF THE EXECUTIVE SUMMARY**

#### **There are a number of factors that could drive growth in Canada’s bio-economy**

- **Canada's green advantage:** Canada is envied around the world for its wealth of natural resources. Canada has 7 percent of global land area and 10 percent of the world’s forest. With its large, vegetated land mass and well–developed forestry and agricultural sectors, Canada has a “green advantage” for the use of biomass as a source of bioproducts.
- **Value-added resource upgrading and technology innovation:** Canada’s natural resource advantage can and should create more than mere “extraction value” for the Canadian economy. Sophisticated value-added manufacturing, combined with innovation and upgrading, creates high paying jobs, and generates greater tax revenues for governments.
- **Reducing our dependence on fossil fuels:** It is now widely accepted that the dependence on non–renewable petrochemical and fossil fuel feedstock must be reduced due to its rising cost and decreasing security of supply. To this end, the use of renewable resources as a feedstock holds great promise due to advances in process technology, especially biotechnology, which allows biomass to compliment petroleum as an industrial feedstock.

- **Focusing on sustainable economic development:** Bioproducts can provide new opportunities for traditional industries to expand, create jobs and contribute to growth in GDP. Growth in bioproducts can also stimulate much-needed economic development in rural and coastal communities by creating new employment opportunities around the harvesting and processing of raw materials from agricultural, forest and marine sources.
- **Protecting our environment and health:** There is growing concern over the impact of the use of fossil fuels on human health, climate change and environment including air and water pollution from the release of toxic substances. Bioproducts utilize innovative environmental technologies and renewable resources and therefore can help address these concerns.

### **How will a vibrant bio-economy speak to the issues facing the committee?**

- **Achieving a sustained economic recovery in Canada** – This Government has recognized that “business investment is critical to our long-term prosperity. It yields innovation and growth, with more jobs and higher wages for Canadian workers” (Advantage Canada, 2006). The support and development of technology expertise attracts investment and creates employment. Commercialization by Canadian companies of the value-added products that result from research and development efforts means Canadian manufacturers can supply the fast growing international bio-product market, and keep high-value jobs here in Canada.
- **Creating quality sustainable jobs in Canada** – Investing in the emerging bio-economy will produce high-value, renewable biofuels, bio-chemicals and bio-products that will enhance Canada’s competitiveness and generate economic growth, thereby creating high quality sustainable jobs.
- **Ensuring relatively low rates of taxation while achieving a balanced budget** - “Value added” investments by the private sector, whether from our natural gas, oil, mineral, agriculture or forest biomass resources, can create up to 40 times the original value of the resources when upgraded into consumer products. Leadership by Canadian governments, whether by investing in targeted research grants, consumer and investment tax credits, tax exemptions, expansion of accelerated capital cost allowances, loan guarantees, procurement policies or information programs, could stimulate private sector investment that will generate greater revenues for governments and create more high-value Canadian jobs. Individual and corporate tax rates may stay low, but there will be more individuals, and more successful companies paying taxes.
- **Attaining high levels of job growth and business investment in order to ensure shared prosperity and a high standard of living for all** - All regions of the country enjoy natural resources wealth – whether oil and gas, or forest and agriculture biomass. This natural resource wealth represents a national development opportunity from which all regions of the country could benefit. If, through innovation and upgrading, we turn our

forest and agriculture biomass into value added domestically produced solvents, plastics, paints, adhesives, insulation, textiles, and consumer products, we will create high value manufacturing jobs across Canada.

**What is our sole recommendation?**

*“If it continues on course, the bioeconomy could make major socioeconomic contributions in OECD and non-OECD countries. These benefits are expected to improve health outcomes, boost the productivity of agriculture and industrial processes, and enhance environmental sustainability. The bioeconomy’s success is not, however, guaranteed: harnessing its potential will require coordinated policy action by governments to reap the benefits of the biotechnology revolution.”*

The Bioeconomy to 2030 - Designing a Policy Agenda (OECD, 2009)

**Recommendation:** The Government of Canada, led by Natural Resources Canada and Industry Canada, should, in collaboration with industry and other stakeholders, assess what precise steps need to be taken – whether through the tax system, through program design, through government procurement, or through a combination of each - to drive investment in the bio-economy, and set Canada on a path to sustainable job creation, and economic recovery.

Such an assessment should include an analysis of current policy gaps and market barriers that limit increased demand for bio-products, and should establish measurable, performance-based criteria that help determine whether individual policy initiatives are succeeding at maximizing the potential of the bio-economy. An evaluation of the policies of our major trading partners would assist with developing an effective suite of complementary Canadian policies.

Potential policy options that could be considered include:

Strategic Investment Policies	Supportive Policies
<ul style="list-style-type: none"> <li>• Research grants</li> <li>• Consumer tax credits</li> <li>• Investment tax credits</li> <li>• Tax exemptions</li> <li>• Accelerated capital cost allowances</li> <li>• Loan guarantees</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstration programs</li> <li>• Bio-Procurement policies</li> <li>• Consumption targets</li> <li>• Information programs</li> <li>• Emission restrictions for vehicles</li> <li>• Performance-based contracts</li> </ul>

Source: Adapted from “Bio-product Market Development Strategy - A Scoping Study on Federal Policies for Creating Market Demand for Bio-products in Canada”, Pembina Institute (2005).

All of which is respectfully submitted this 12<sup>th</sup> day of August, 2011.

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