



5 August 2014

TO: Finance Committee Members

RE: Budget 2015 Submission

As the government prepares for Budget 2015, we are writing to ensure that you keep the potential of Canada's growing clean technology industry in mind. This broad and diverse sector covers everything from renewable energy technologies and energy efficiency to water and agriculture technologies as well as opportunities to transform a wide range of industrial process within our natural resource sectors.

The sector is made up of more than 700 growing small to medium-sized companies across the country, each creating jobs, expanding domestic and overseas markets, and steadily growing in revenue. It takes more than a generation to build industrial capacity that can both attract international capital and compete on a global basis and clean technology is on its way. The industry revenues have grown to \$11 billion compared to an aerospace industry that has grown to \$22 billion over the last several decades. At current growth rates clean technology will become a \$26 billion industry in the next five years. This is the kind of sustainable economic growth Canada needs.

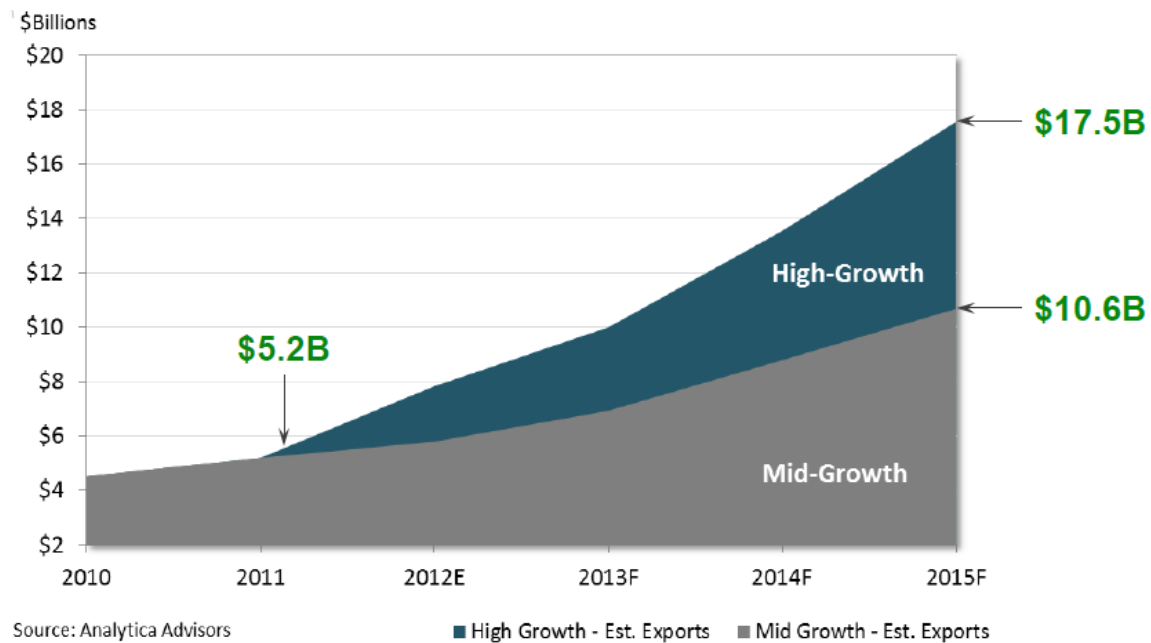
Over the past 15 years Canada has built a clean technology industry that has the potential to deliver \$10 to \$17 billion in *annual* exports within five years. The export-based benefits from this industry are comparable to those of major free trade agreements and energy infrastructure investments. Below is the graph of the industry's projected exports based on reports from Canada's clean technology companies themselves. These are conservative scenarios based on growth rates that are modest compared with what the industry achieved since 2007.

The graph below appeared in our submission last year. By way of an update:

- Industry exports in 2012 were \$5.8 billion and were therefore consistent with the mid-growth scenario;
- New investments in mid-term and long-term climate finance as well as renewed economic strength in US markets would suggest that 2013 exports could continue on the mid-growth scenario with upside potential;

- Exports to non-US markets grew from 21 to 22 percent of industry revenues. Exports to non-US markets are forecast to grow to 35 percent of total industry revenues by 2015.
- Europe, China and the rest of Asia are the markets expected to contribute most to industry revenues after the Canada and the US. Canada is currently expanding trade with each of these areas and the clean tech sector is a significant part of future growth. This is an industry which can provide diversification to Canada's exports with innovation-based solutions that are manufactured at home.

Canadian Clean Technology Sector



As you consider how to allocate precious fiscal resources, we encourage you to look to the clean technology sector as a key part in securing financial stability and economic growth. Over the last several years, we have been working closely with policy makers to suggest a number of measures that will support a strong system of innovation in Canada, expand our export potential and create jobs and economic growth.

The industry's economic impact is clear and strong, employing 41,000 people in 2012 across Canada in diverse sectors such as energy efficiency, transportation, bio-refineries, energy infrastructure, micro-grid and power generation. These companies are serious about innovation and global competitiveness. In 2012, Canadian clean technology companies in energy related sectors invested \$1.1 billion in R&D with three quarters of this investment being made by companies with less than \$50 million in revenue. Half of

revenues are derived from exports today and in five years exports will grow to 70 percent of revenues.

The industry can play a pivotal role in enabling businesses and consumers conserve energy, efficiently use our natural resource wealth and reduce overall environmental impact. At the same time, our industry can contribute to market diversification through its already significant engagement with high growth markets that provide a strong complement to natural resource exports revenues. Canada's SMEs have proven their ability to contribute significantly to trade even during periods of strong currency and commodity prices.

We would like to offer the following practical recommendations for your consideration for Budget 2015:

- > Build knowledge and awareness about the industry to Canadians by tracking its economic impact in terms of investment, jobs, exports, R&D investment, companies and our global market share. This may be done in the context of broader initiatives to understand total exports by size of firm, total business expense in R&D (BERD) by size of firm and total employment by size of firm.
- > Expand clean technology exports by building on the Global Markets Action Plan:
 - Improved access to multinational buyers through leverage of EDC pull credit facilities;
 - Industry consultation and inclusion in trade liberalization discussions;
 - Access to market through treaties and agreements that address temporary entry of professionals, temporary entry of equipment, IP protection and flexible working capital provisions among others;
 - Investment in "cooperation" programs within the environmental chapter of future bilateral trade discussions with emerging economies. Cooperation programs may be initiated within trade negotiations as a way of understanding development needs and objectives. Proactive investment of this kind contributes to establishing the basis of trust for future opportunities for responsible and sustainable economic development.
- > Establish pilot programs to test new ways to catalyze private sector investment for Canada's potential participation in mid to long-term climate finance. These pilots can include:
 - Public sector financing of feasibility studies (to be conducted by qualified execution agencies) to leverage Canada's contribution to International Financial Institutions such as the World Bank, the Inter-American Development Bank and the Asia Development Bank
 - Public sector credit enhancements to enable project finance for project sales of less than \$10 million by Canadian clean technology companies. Credit

enhancements could include first loss provisions for private sector debt funds such as the first loss provisions being implemented for equity investors in the Government's venture capital program as administered by the BDC.

- > Unlock sustainable capital to enable sales for our companies. Domestically our utilities and our infrastructure funds have existing pools of capital that are under-used and that can be leveraged to catalyze private capital to help our companies grow using familiar financial tools within existing regulatory frameworks. The same is true in international funds to which Canada contributes.
- > Continue to support private sector innovation. Fewer than ten percent of Canadian clean technology companies are founded on intellectual property of academic origin. Enable our dynamic SMEs to continue to commercialize R&D through program-based funding from within government and through arms-length agencies.

We look forward to working with you and would be pleased to provide more details for as you develop the Budget.

Sincerely,



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