



2023 Pre-Budget Consultation Submission

for

Bioindustrial Innovation Canada

Submitted on October 7, 2022



Recommendations in Brief

Use the Canada Growth Fund to support green business accelerators with funding opportunities of up to \$50M each.

Ensure that Canada's clean tech sector is competitive vis a vis other jurisdictions, notably with respect to the U.S. *Inflation Reduction Act and Climate Smart Commodities Investments Programs*

Develop a national strategy for green business accelerators and incubators

Introduction

BioIndustrial Innovation Canada (BIC) is pleased to submit comments to the House of Commons Finance Committee Pre-Budget Consultation ahead of Budget 2023. BIC is a national not-for-profit business accelerator that provides critical strategic investment, advice, and services to developers of clean, green, and sustainable technologies. BIC has a strong track record of success that extends from coast to coast and has a positive effect on many industries. Our portfolio partners range from leading lithium-ion battery resource recovery companies (Li-Cycle Corp.: Sustainably recovering critical materials from all types of lithium-ion batteries) to cleantech companies using innovative technology to purify everyday resources such as water (Renix Inc.: Ion exchange-based liquid separation & purification to reduce, reuse and recycle in recovered water), and others that seek to decarbonize transportation (Refuel Energy Inc.: Decarbonizing heavy-duty transportation through the production of renewable fuels from sustainable biomass). The concept of sustainable chemistry, a critical component of our partners' clean tech innovations, plays an important role in the development of solutions to the impacts of climate change, peak oil, energy security, the need for safe water, and the use of scarce natural resources. The increasing global demand for green and safer products offers the opportunity to create thousands of new jobs and immense economic value for Canadians.

A leader in the emerging Canadian bioeconomy, BIC's 32 portfolio companies achieved a documented reduction of 1 megaton of greenhouse gas (GHG) emissions and created over 5,200 jobs through \$19.5 million in direct investments. Those same portfolio partners are on track to support a reduction of over 13 megatons of GHG emissions by 2030 and create an additional 5,000 jobs, in addition to 15,000 indirect and direct construction jobs. From their initial investment, BIC has also been able to leverage over \$355 million in additional third-party investments in support of these early-stage companies.

BIC's competencies and domain knowledge allow it to connect across resource sectors and technology and understand the opportunities created by global market pressures to decarbonize heavy industry and advanced manufacturing. BIC understands that reaching Canada's net-zero targets will take a nationwide effort – and we are here to help through our strategic investment and business advice. At BIC, we believe the environment and economy can go hand-in-hand, and our work is a prime example of that harmony. By supporting green business accelerators, it is possible to amplify these positive benefits further. Against this backdrop, BIC submits the following recommendation ahead of Budget 2023.



Recommendations in Detail

Use the Canada Growth Fund to support green business accelerators with funding opportunities of up to \$50M each.

Canada's revised commitment to fighting climate change by reducing the country's GHG emissions by 40-45% below 2005 levels by 2030 and achieving net-zero emissions by 2050 will be no small task. BIC both applauds and shares these ambitions while understanding that the Government of Canada is considering all available options to ensure those targets are met. As all sectors and industries across the country look to reduce emissions, BIC believes that innovation must be supported with strategic investment and critical technical business services; therefore, the Government of Canada should ensure that early-stage companies – through the support of business accelerators – are not forgotten or left behind.

BIC recommends that the Government of Canada support green business accelerators using the already announced Canada Growth Fund, with opportunities to receive up to \$50M of funding each, to support their work at accelerating clean growth. BIC is better suited than existing government structures to invest in and support the work of emerging clean, green, and sustainable business developers.

BIC has been playing in this space for over a decade now and has developed a unique multi-pronged approach to identifying, supporting, and investing in green innovation. Before we complete an investment, we evaluate the business' unique hurdles to commercialization and identify how to break those barriers down with the strategic support and placement of our technical staff. This approach, coupled with our investment, track record, and expertise in clean, green, and sustainable business development uniquely positions us as the mechanism of choice to help the Government of Canada deliver on its mandate to grow the economy with a focus on achieving net-zero targets. Our track record of investments has resulted in a better than 16x leverage of third-party investment and we believe with dedicated accelerator support we can continue to deliver similar results.

Ensure that Canada's clean tech sector is competitive vis a vis other jurisdictions, notably with respect to the U.S. *Inflation Reduction Act*

This past August, the competitive landscape for clean tech shifted instantly and massively with the arrival of the *Inflation Reduction Act* (IRA). The IRA provides massive subsidies that don't exist in Canada, such as an Investment Tax Credit (ITC) worth up to 50% (Canada is rolling out one worth 30%); production credits for clean fuels but especially ones of strategic importance such as hydrogen (up to \$3 USD / KG) and sustainable aviation fuel (\$1.75 USD / gallon). Canada has no production incentives whatsoever to compete against these and will not be a competitive destination for investments as a result.

This new mechanism makes it next to impossible to grow sustainable projects here in Canada without a focus on green accelerators like BIC who can help bridge the gap and provide strategic technical support at the same time. For example, the IRA subsidies to support a sustainable aviation fuel project make the economics related to its scale-up and production difficult to compete with. However, BIC's multi-pronged approach offers Canada a chance to attract and retain globally significant green projects.



Develop a national strategy for green business accelerators and incubators

Business accelerators like BIC – with proven track records of how to successfully identify promising start-ups that have a focus on sustainability and clean technologies – are in a position to leverage exponential growth of their service offering. With the support of government-backed investments, these accelerators can further secure additional private capital to invest and assist green technology developers on the road to commercialization, a goal that helps both Canada’s economy and moves the country closer to its net-zero ambitions. By establishing a national green business accelerator strategy, the Government of Canada can ensure more sustainable and innovative ideas successfully reach commercialization and have the opportunity to positively impact the Canadian economy and the fight against climate change.

Climate change is a challenge that governments can no longer address on their own, and by supporting innovative early-stage companies, they no longer need to.

A complementary avenue to support green business accelerators is through expanding the eligibility of future funding programs (stream creation) to include such organizations. For example, business accelerators such as BIC provide support to start-ups too early in development to be eligible for government funding due to the early commercial nature of their research and development stage. By allowing third-party business accelerators to apply instead, the Government of Canada can ensure that a range of financial tools – such as non-repayable and low-interest loans – are available to help Canadian start-ups move the development needle and scale up operations to drive growth, all while minimizing risk. Beyond providing capital, BIC also employs a team of experts in the sustainable chemistry field, providing added value to start-ups in the industrial bioeconomy, sustainable processes, and the circular economy. This approach allows BIC to be more integrated into the process of selecting companies for funding, as our team has significant experience in these fields. Doing so ensures that BIC is more than just a business accelerator or capital partner; BIC looks beyond financials when determining which companies to seed and support through commercialization. This expertise and experience would be an asset to the government when it comes to evaluating, making targeted investments and de-risking new and emerging businesses.

In addition to improving Canada's GHG reductions, increased support for green business accelerators would also help retain Canada's brightest and most innovative minds. The future is a green economy, and decisions related to sector support now will significantly impact Canada's economy and workforce in the years to come. BIC understands and experiences this firsthand. Canada faces significant challenges regarding talent retention in all sectors and must do more to ensure Canadian start-ups continue to call Canada home. Data from Statistics Canada shows that Canada's emigration levels jumped in 2021, and Q4 of the same year saw the largest number of residents leaving since the 1970s (an increase of approximately 215% from the previous year).¹ Further, Ceridian's 2022 Pulse of Talent survey reveals that 60% of Canadian respondents are considered a flight risk, with 39% open to leaving for the right

¹ <https://betterdwelling.com/canada-just-saw-the-biggest-q4-for-residents-permanently-leaving-since-the-1970s/>



opportunity and 21% actively looking.² By ensuring our best and brightest stay and grow roots in Canada, we guarantee success for our country in the green economy of the future.

Conclusion

The Government of Canada cannot combat climate change alone. Instead, a collaborative and innovative approach must be taken, one that recognizes the role of green business accelerators in supporting the Canadian economy and reaching our collective net-zero commitments.

By supporting green business accelerators, the Government of Canada has the opportunity to help organizations such as BIC create jobs and economic development across the country. BIC's experience with innovative and sustainable start-ups aligns well with government objectives and ensures Canada's strength in the green economy for generations to come. BIC thanks the Finance Committee for the opportunity to submit recommendations ahead of Budget 2023.

For Further Information

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² <https://www.ceridian.com/ca/resources/2022-pulse-of-talent-spotlight>