

Smart Prosperity Clean Innovation Launch - High-Level Message Map

Challenge

When it comes to turning innovative clean technologies into businesses, jobs and wealth—Canada is falling short.

We're great at generating ideas and developing them into viable technologies. But we're falling behind other countries in getting those ideas to market.

Progress

World-class environmental policy is half of the clean innovation equation. On that front, Canada is on the right path.

The Government has doubled-down on clean innovation with significant investments to grow Canada's clean tech industry and shift to cleaner energy. They're also fixing a critical market failure, through carbon pricing. And they've committed to bring in world-class low carbon policies (for energy, buildings, vehicles...)

Call To Action

Canada should push ahead with the strong environmental rules needed to drive innovation, but match them now with strong competitiveness actions to support clean innovators.

Governments should keep their commitments to world-class environmental standards, which spur innovation. But they need to do more on the competitiveness side, such as reducing regulatory barriers and creating tax incentives for clean innovation and adoption.

The Need

Government has a critical role to play in unleashing private initiative and investment, while securing competitiveness.

Investors and entrepreneurs are the driving force behind clean innovation, but we need government to fix market failures and stimulate demand. The key is to set world-class environmental standards while, at the same time, providing incentives to help businesses stay globally competitive while making the low carbon transition.

Opportunity

Clean innovation is critical to the success of every sector of Canada's economy.

This is where the world is going. Let's move past the zero-sum debates; the fact is, clean innovation is a high-return opportunity for every industry in Canada. It is the key to making Canada a world leader in both economic and environmental performance, and boosting efficiency.

Clean Innovation Launch

Detailed Messaging & Proof Points

Call To Action Message:

Canada should push ahead with the strong environmental rules needed to drive innovation, but match them now with strong competitiveness actions to support clean innovators.

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Leaders are recommending three specific competitiveness actions:

- 1) Accelerated capital cost allowances for all clean technologies, to boost adoption and stimulate market demand for clean tech.
- 2) A tax credit for investments in the growth clean technologies, to help stimulate private investment and to leverage the government's \$2 billion public investment in clean tech (in the 2017 Budget).
- 3) Reducing regulatory barriers to innovation, for example by creating "regulatory sandboxes" with trial periods, developing nimble regulatory regimes for emerging technologies, and creating a "troubleshooter office" in governments to help innovators resolve regulatory impediments when they arise.

Opportunity Message:

Clean innovation is critical to the success of every sector of Canada's economy.

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- Clean innovation is a rapidly growing global market, estimated to be worth \$2.5 trillion by 2022 (more than Canada's annual GDP).
- Demand for clean innovation and technologies is ramping up globally. For example:
 - Energy-efficient vehicle market is estimated to be \$80 billion (USD) by 2020

- Estimated global market for water treatment technologies will be \$55.4 billion (USD) by 2020
- Growth in demand for rare earth elements is 2600%. This could benefit Canada's mining sector
- Estimated growth in the market for smart homes and buildings by is 30% by 2020
- Investment in clean innovation will increase across industries as well, for example:
 - By 2030, the estimated investment in boosting resource efficiency and innovation in resource-based sectors worldwide will be \$3.6 trillion CAD
- The cleantech sector already employs more than 55,000 Canadians, and the potential for growth is enormous.

Challenge Message

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- Clean innovation is a rapidly growing global market, estimated to be worth \$2.5 trillion by 2022 (more than Canada's annual GDP).
- Canada's share of the global clean technology market has fallen by 12 percent since 2008
- Canada's cleantech sector often incubates promising new technologies that either fail to secure the financing needed to achieve commercial success or end up finding it elsewhere — bringing jobs and economic gains to other countries.
 - This is part of the reason Canada's share of the global cleantech market is small (1.4%) and falling.

Progress Message

World-Class environmental policy is half of the clean innovation equation. On that front, Canada is on the right path.

The Government has doubled-down on clean innovation with significant investments to grow Canada's clean tech industry and shift to cleaner energy. They're also fixing a critical market failure, through carbon pricing. And they've committed to bring in world-class low carbon policies (for energy, buildings, vehicles...)

- The Canadian government has introduced a number of programs that kick-starting innovation and create demand for low-carbon technologies, for example:
 - Canada's Ocean Supercluster will work on renewable energy
 - Establishment of the Pan-Canadian Framework on Clean Growth and Climate Change
 - The proposed federal carbon pricing system
 - Establishment of new regulatory agencies Canadian Energy Regulator and the Impact Assessment Agency that streamline approval processes and study environmental and other impacts of new projects.
- In Canada, the cleantech sector already employs more than 55,000 Canadians, and the potential for growth is enormous.

The Need Message

Government has a critical role to play in unleashing private initiative and investment, while securing competitiveness.

Investors and entrepreneurs are the driving force behind clean innovation, but we need government to fix market failures and stimulate demand. The key is to set world-class environmental standards while, at the same time, providing incentives to help businesses stay globally competitive while making the low carbon transition.

- Recommended actions that boost competitiveness include:
 - An accelerated capital cost allowance for all clean innovation
 - A tax credit for investment in growing clean technology companies
 - Reduction of regulatory barriers
- We should be targeting Canada's comparative advantages. We are leaders in agriculture, energy, manufacturing and mining, among other industries. We have a head start in these industries for advancing the clean solutions the world needs.

Clean Innovation Report launch Q&A

Questions about Smart Prosperity

1. Who is Smart Prosperity?

Smart Prosperity is a group of Canadian leaders from all parts of society who have come together to put forward practical, achievable, and ambitious solutions for a stronger, cleaner economy.

2. What do you aim to achieve?

We're putting forward an achievable but ambitious roadmap for Canada's transition to a cleaner, stronger economy. We want to see Made-in-Canada become a global brand for economic performance and clean innovation in the next decade.

3. Why did you get involved?

Speak briefly from your personal / professional perspective and then segue to one of our core themes (see message map) and why that matters to you.

4. What are you pledging to do as part of this group?

My number one commitment is to lead by example, putting the principles of this project to work in my own actions—personally and professionally. All of us have pledged to contribute our diverse expertise and networks to build this roadmap, to help convene people from all sectors around it, and to bring new thinking and new solutions forward to governments, businesses, and communities.

5. Why is business involved? Is this greenwashing?

We need business at the table because business has to be a part of the solution, and we're already seeing many business leaders step up to the plate. Every sector of our economy stands to benefit from this transition, and our country as a whole will benefit most by having all those players pulling in the same direction.

6. How is Smart Prosperity funded?

The Smart Prosperity initiative is funded by a range of supporters including Canadian philanthropic foundations, Canadian corporations, and individual philanthropists. You can find the full list of supporters on the Smart Prosperity

website.

Questions about the Clean Innovation Report

7. What are the top recommendations in this report?

The report calls for a strong government role in unleashing the private initiative and investment necessary to accelerate clean innovation across all industries.

This means fixing market failures and creating smart incentives and investments to get made-in-Canada innovations over the valley of death and into the marketplace, so they can create jobs and wealth.

Ultimately, what we want to see is an overall Canadian strategy for clean innovation that identifies and bets big on our competitive advantages.

FOR REFERENCE – Leaders’ 6 Recommendations:

1. Unleash private investment in clean innovation.
2. Set world-class environmental standards.
3. Open export markets.
4. Lead by example through green procurement and infrastructure.
5. Strengthen Canada’s clean innovation ecosystem.
6. Create a Clean Innovation Strategy.

8. How do the ideas or recommendations in this report differ from recent/existing government initiatives?

The recent Government investments in clean innovation are a good start and carbon pricing is a critical piece of the puzzle.

Now governments need to be entrepreneurial and bold to deliver on the plan they’ve started. That means putting in place world class environmental standards paired with strong incentives that keep the cost of doing business competitive.

9. Are you proposing that the government pick winners and losers?

No. We’re proposing that the Government create the conditions for success for private initiative in EVERY sector.

Market failures have resulted in low demand for clean innovation and little

incentive for private investment. But we know, in the global transition to a low-carbon economy, clean technology will only become more valuable. It's a low-risk, high-reward opportunity for every sector.

- 10. Your report suggests that governments need to do more than just create enabling policies for clean innovation, they need to be investing in it directly. How do we ensure government investments drive the right kind of results?**

Governments need to be a part of this solution. From the internet, to the oil sands, to your smart phone—big innovations have always been achieved through a mix of public and private investment.

The key is to create policies that maximize opportunity for industry-led ingenuity and continuous improvement, without locking into a particular technology.

- 11. Just because a policy aims to ramp up renewable energy doesn't make it a good policy. Just look at the criticism of Ontario's Green Energy Act. How do you avoid pitfalls like that?**

I'm not going to get into a debate about a particular policy but, sure, you can have well-intentioned policies that have unintended consequences. That's why getting the details of policy design right is so important. You start with the problem you are trying to solve and then you have to fine-tune the details to the economic and social context.

- 12. The report seems to suggest that it's possible to make this transition without losers – that every part of the economy can benefit. But is that realistic? Aren't some industries, like oil, just going to die off?**

Absolutely this transition can benefit every sector of Canada's economy, because there is huge global demand not just for emerging sectors but for innovations that will make traditional industries—including resource development and manufacturing—more sustainable. That's an advantage for Canada. That doesn't mean every individual business will succeed, it means we can have global clean economy leaders at the top of every sector.

- 13. The report talks about the huge opportunity to grab a share of global infrastructure investments, which you say is going to be worth trillions of dollars. What would capturing those investments actually look like for Canada? How do we position ourselves to do it?**

Around the world, countries are set to make major investments in infrastructure over the next decade—particularly urban infrastructure as city populations boom. And they are looking for infrastructure solutions that are

going to be sustainable--lower carbon, highly efficient in terms of resource use. Canadian companies, many of whom are already leaders in energy technology, water infrastructure, and transportation innovation, can position themselves to get a share of that big global pie.

14. What are we talking about when we say “clean innovation” and “clean technology?” Are we talking about solar panels?

Clean innovation includes the new technologies, products and business practices that improve environmental performance in EVERY sector of the economy. Sure, that means renewable energy, but it also includes innovations that improve the carbon competitiveness of Canadian manufacturers, farmers, and resource developers.

15. What about the people in Alberta who are losing their jobs now. When are these new, clean jobs actually going to be available and how accessible are they going to be to Canadians in places like Ft. McMurray?

This is undoubtedly an extremely challenging time for Canada’s oil sector and for many of the people who make their living in that sector. The good clean innovation jobs we talk about in our report are already starting to develop. More than 50,000 people across the country are working in clean innovation, including in our resource sector. We can’t scale that up overnight, but that’s where job growth is headed. And that’s why one of the key actions Smart Prosperity called for in our launch report is investment in advanced skills training for Canadian workers across the country.

16. How can we make sure that the transition to a cleaner economy does not leave out some people, communities or companies?

17. In your recommendations you focus on the importance of unleashing private investment, but how about public investment? Could the Canadian government do more to support financially the growth of clean innovations? Could it offer more fiscal incentives, for instance?

18. What role can provinces play in promoting and encouraging the growth of clean innovations in Canada? What kind of cooperation could be established between the federal and provincial governments?

19. The US just placed major levies on both aluminum and steel, which will make it even harder for Canada to compete in the US. How does clean innovation help? Won’t it just make our products even more expensive and less competitive?

