

2020 Federal Budget Submission

Green Economy Canada

January 30, 2020



Summary

Canada has committed to national net-zero carbon emissions by 2050, and an interim goal of reducing 219MT nationally in the next decade. To meet these ambitious goals, the federal government must invest to accelerate the transition for the small and medium enterprise (SME) sector, the largest share of the Canadian economy.

To accelerate this vital transition, and ensure our SME sector remains competitive, we recommend the following initiatives be included in upcoming Federal budgets.

Recommendation #1: Invest \$10M over 5 years to help establish and support Green Economy Hubs in 20 Canadian communities, with a projected 1MT of GHGs reduced by 2030. Green Economy Hubs are a proven and effective model for supporting local businesses, particularly SMEs, to reduce their greenhouse gas emissions (GHGs) while increasing their profitability and growing the low-carbon economy. Enabling the launch and growth of these community-based Hubs will build the capacity of Canadian businesses to take meaningful climate action while becoming more economically competitive.

Recommendation #2: Increase the Climate Action Fund to \$30M/year. The Climate Action Fund is a valuable funding source to support NGOs in advancing climate action initiatives, yet it is currently too small and oversubscribed, leading to many worthwhile projects being unfunded. An expanded fund will activate transformative projects to support the goals of the Pan-Canadian Framework on Climate Change.

Recommendation #3: Expand the Low Carbon Economy Fund to include a \$100M program with smaller project thresholds accessible to more SMEs. Project incentives make a difference to businesses taking action. An investment in reliable, appropriately scoped Canada-wide incentives will allow SMEs to take action in GHG reduction projects.

Recommendation #4: Include funding for the role of intermediaries in emissions reductions programs broadly. We also strongly advocate for the inclusion of capacity-building support as eligible costs in funding programs like the Low Carbon Economy Fund. Funding the work of intermediaries to help increase uptake and the accessibility of these programs has been a key gap in government funding programs that if addressed, could greatly accelerate the reach and adoption of behavioural and technological practices for the low carbon transition.

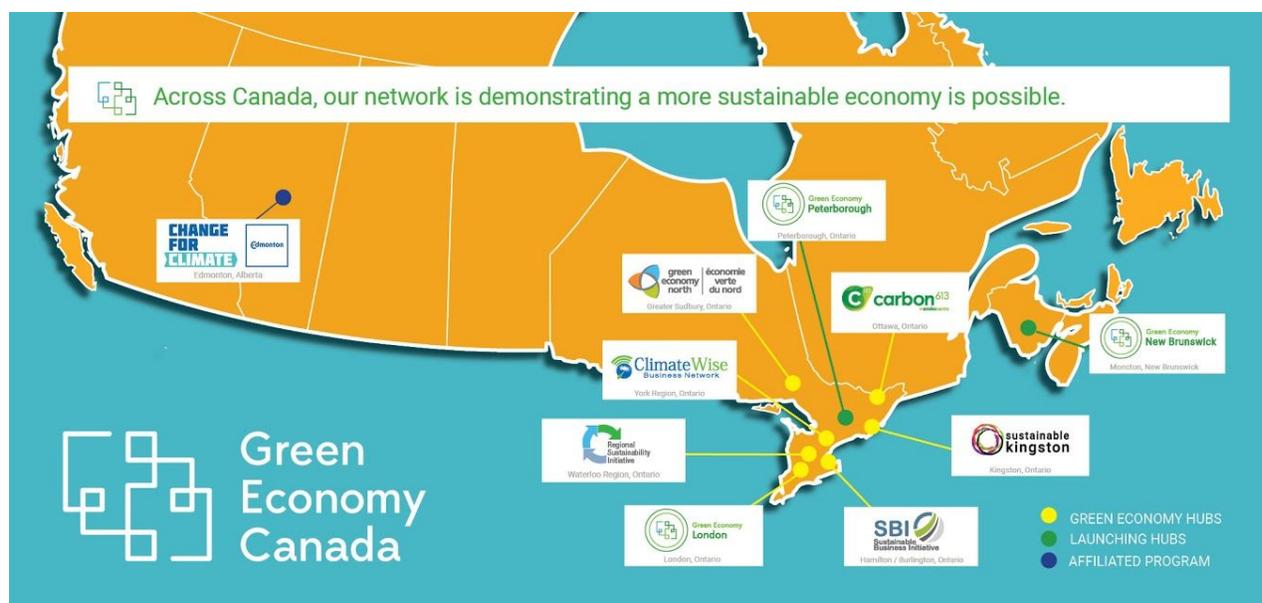


About Green Economy Canada

Green Economy Canada is a national non-profit organization that works with community organizations to launch and grow Green Economy Hubs across Canada. **Green Economy Hubs** are social enterprises that support a local network of businesses to set and achieve sustainability targets, improving their energy efficiency, reducing their costs, and increasing their competitiveness in the transition to a low carbon economy.

Green Economy Canada currently supports 7 Ontario-based Hubs, and the Edmonton Corporate Climate Leaders Program. These programs are working with 300+ organizations - mostly SMEs - to strengthen their business by setting ambitious but achievable GHG reduction targets, and taking action to reduce their emissions. These businesses have collectively reduced over 200,000 tonnes of GHGs to date. Hubs build the capacity of participating businesses to reduce their environmental impacts through providing a variety of tools and resources, peer learning events, and 1:1 support. With interest in the Hub model from communities across Canada, our goal is to establish 20 Hubs in major Canadian cities by 2024. Two new Hubs are currently in development in both Ontario and New Brunswick.

With a decade of experience working with businesses of all sectors and sizes and their employees on sustainability and emissions reductions, Green Economy Hubs are a proven model for engaging businesses to reduce their environmental impacts while increasing their profitability and growing the low carbon economy.





Accelerating the Small Business Transition to Achieve 2030 Targets

The Pan-Canadian Framework on Climate Change and Clean Growth lays out a pathway to reduce Canada's GHG emissions by 30% from 2005 levels by 2030 through a variety of regulation and government action. While the framework lays out an ambitious plan for change at the large industry level, and adjustments to major sources of GHG emissions including energy generation, the transition of Canada's sprawling SME sector is not well addressed.

SMEs will be significantly impacted by policies and practices related to building efficiency, low-carbon transportation, adoption of clean technology, and carbon pricing. As the engine of Canada's economy, it is critically important that we invest in initiatives geared at providing long-term support to engage and build capacity within SMEs to both adapt and contribute to the low-carbon transition. Without this, Canada's ambitious GHG reduction goals will not be met. However, there is little policy targeted at SMEs beyond piecemeal project incentive programs, and a general commitment in the Pan Canadian Framework to "strengthen skills development and business-leadership capacity in support of the transition to a low-carbon economy."

Green Economy Canada has a successful, efficient, and business-led approach to engaging SMEs in taking voluntary action to reduce their emissions and embrace the low carbon economy. By engaging, supporting, and celebrating SMEs as they set and achieve GHG reduction targets, Hubs help businesses overcome many of the barriers to taking decisive action on climate change.

Recommendation #1: Invest \$10M over the next five years to support the launch and/or growth of 20 Green Economy Hubs across Canada. This investment will enable Hubs to engage 2000 businesses in setting and achieving emissions reduction targets, with a projected 1MT of GHGs reduced by 2030.

A \$10M investment by the Federal government represents a 30% share of the total project cost, and will inspire a national movement of SMEs reducing their emissions and demonstrating a more sustainable economy is possible.

Funding would enable us to launch 11 new Hubs across Canada, and further build the capacity of existing Hubs to support SMEs in their community to reach thousands more businesses. This investment by the Federal government will fill a key gap in current climate policies focused on SMEs, and help Canada's SME sector keep pace with the needed transition to avoid getting left behind. Through target setting, action planning, and successfully changing their operations to incorporate sustainability practices, businesses supported by Green Economy Hubs achieve not only direct and sustained GHG reductions, but also inspire other businesses and their broader community to follow suit.



Environmental Innovation Through the Climate Action Fund

In 2018 and 2019, Environment and Climate Change Canada accepted proposals for a \$3M fund to drive social innovations which result in GHG reductions and climate change mitigation. In both intakes, the fund was dramatically oversubscribed. Estimates from 2019 were that over 300 projects were pitched totalling over \$65M. For every successful project, twenty or more went unfunded.

The depth of the funding gap is exacerbated by limited funds at the provincial level, particularly in the Federal backstop provinces where carbon fee revenue is returned to the consumer. Environmental initiatives are competing fiercely for limited funding, and projects which could contribute to our transition to the low-carbon economy are left untested.

The recent experience with the Climate Action Fund is one indicator that the role of civil society groups and intermediaries are not adequately considered in the Government of Canada's planning for how to transition to a low-carbon future. The transition faced by businesses and residents alike is much more a culture change than it is an exercise in technical efficiency, requiring engagement, community development, and direct support to achieve results.

Recommendation #2: The 2020 federal budget should increase funding to the Federal Climate Action Fund to \$30M per year, with larger project thresholds and longer project time-frames to support more innovative and transformative initiatives.

Reliable, Accessible Small-Business Focused Incentives

Incentive programs play a significant role in encouraging SMEs to take on GHG reduction projects. We have seen in Ontario with the cancellation of cap and trade that when incentive programs disappear, so too does progress on moving emissions reductions projects forward. The initial intake for project incentives through the Climate Action Incentive Fund for SMEs, available to businesses in the four federal backstop provinces, proved that the demand for these incentives is high. Over 850 projects were applied for, totalling \$80M. With only a decade remaining to achieve the 2030 target, we need to continue investing to accelerate the implementation of projects.

While the Federal government has made available annual funding streams through the Low Carbon Economy Fund available, these projects have started at \$4M total project expense, which is out of reach for all but a few SME actors.



In budget 2020, the Federal government should extend and expand opportunities provided in the Low Carbon Economy Fund to include reliable, pan-Canadian incentive programs which can meet the needs of the average SME.

Recommendation #3: Expand the Low Carbon Economy Fund to include a \$100M program with smaller project thresholds. A project threshold of \$100K, applied to a broad range of potential GHG reduction projects, will ensure that more SMEs take action and aren't left behind in efforts to achieve Canada's net-zero targets.

Extend Project Funding To Include Intermediaries

Since 2015 the Federal government has invested heavily in selected GHG reduction projects. The primary metric to assess these projects is the return on GHG reductions per dollar spent. Eligible expenses in these projects have been highly limited to the specific capital investments, and have not covered the work and time these SMEs are investing in scoping the best possible projects.

Often, SMEs need expert support to make informed choices between multiple approaches to GHG reductions. NGOs are uniquely equipped to take on this role, acting as trusted messengers and connectors, and helping to bridge the gap between policy and action. Yet the funding structures do not adequately resource or acknowledge the importance of NGOs and capacity-building initiatives to raise awareness or facilitate emissions reductions. Intermediaries like Green Economy Hubs help to increase the uptake of those funding programs by educating businesses about their availability, coordinating projects, and supporting SMEs - who are often time and resource constrained - to submit the application.

NGOs like ours also share good news stories of businesses taking action with the community, building public will for the low carbon transition. If we are serious about achieving Canada's 2030 and net zero targets, NGOs and intermediaries need well resourced, stable funding structures that allow us to build support for the green economy, and bridge the gap between policy and action

Recommendation #4: Include funding for intermediaries in designing emissions reductions programs broadly, to accelerate the adoption and socialization of federal investments.

Closing and Next Steps

Green Economy Canada is committed to supporting Canadian SMEs as the nation moves to a 30% reduction target by 2030, and beyond to a net-zero future. While the current Pan-Canadian Framework on Climate Change and Clean Growth is lacking a strategy for engaging this



sprawling sector, Green Economy Hubs are making it easier for SMEs to reduce their carbon impact and make changes to their operations so they can do their part to help Canada succeed.

By investing \$10M into our network, the Federal Government can help establish 11 new Green Economy Hubs in communities across Canada, and accelerate action in existing Hubs to engage 2000 businesses in setting and achieving emissions reductions targets. This will result in a projected 1MT of GHG emissions reductions by 2030 across our network of 20 Hubs. Expanding the growth and impact of the Hub model across Canada would have significant benefits in meeting the Government's objectives by driving direct emissions reductions, building the capacity of businesses to sustain action, and building momentum among the broader business community and general public for the low carbon transition.

We also recommend that the Federal Government expand the available funding, eligible project size and project time-frame in the Climate Action Fund to enable more transformative environmental initiatives led by the NGO sector to move forward. By expanding the Low Carbon Economy Fund and reducing the project thresholds to meet the realities of more SMEs, more businesses can take on emissions reductions projects. Lastly, we recommend that the role of intermediaries to socialize and build capacity for the low carbon transition be more seriously considered in designing emissions reductions programs on a go-forward basis.

For more information, please contact:

Priyanka Lloyd, Executive Director

Green Economy Canada

519-603-8996

priyanka@greeneconomy.ca