

Cleantech

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Federal Government Emphasizes Private Sector Opportunities in Long-Term Low-Carbon Development Strategy

On November 17, 2016, in connection with the 22nd Conference of the Parties (“**COP 22**”) in Marrakech, Morocco, Canada submitted its long-term climate action strategy to the *United Nations Framework Convention on Climate Change* (UNFCCC).¹

Canada’s Mid-Century Long-Term Low-Greenhouse Gas Development Strategy² (the “**Strategy**”), is an 87-page plan which provides a high-level overview of Canada’s approach to achieve dramatic cuts in its greenhouse gas (GHG) emissions. Canada’s goals under the Strategy are aligned with those set out in the United States Mid-Century Strategy For Deep Decarbonization (submitted to the UNFCCC on November 16, 2016), namely a reduction of 80% in net emissions by 2050, relative to 2005 emissions levels.

The Strategy is described as a living document to be updated and adjusted as the federal and provincial

governments implement specific climate action initiatives. Recent announcements (including for investments in clean electricity to accelerate the transition from traditional coal power across Canada on November 21,³ the federal carbon pricing announcement on October 3,⁴ and the Climate Action Plan announced by Ontario on June 8),⁵ and the upcoming reports of the federal / provincial / territorial climate change working groups convened under the Vancouver Declaration,⁶ have or will provide greater detail about the steps to be taken to achieve the goals set out in the Strategy.

Highlights of the Strategy

The Strategy describes the decarbonisation of the Canadian economy as a tremendous opportunity for the Canadian clean technology (“**Cleantech**”) sector, and provides the following recommendations, observations and strategies to help accelerate the sector’s development:

- Canada has confirmed its commitment to clean energy innovation by joining the “Mission Innovation” international commitment, which aims to accelerate innovation by doubling investments in Cleantech research, development, and deployment around the world.⁷
- Further investments in innovation, research and development, and deployment of Cleantech,

¹ On November 16 and 17, 2016, the United States, Canada, Germany and Mexico filed the first long-term strategies to be submitted to the UNFCCC under paragraph 19 of Article 4 of the Paris Climate Change Agreement (“Paris Agreement”). See: *First Long-Term Climate Strategies Submitted to UN Under Paris Agreement*

² Posted at: *Canada’s Mid-Century Long-Term Low-Greenhouse Gas Development Strategy*

³ See: *The Government of Canada accelerates investments in clean electricity*

⁴ See: *Government of Canada Announces Pan-Canadian Pricing on Carbon Pollution* discussed in *Pricing Carbon to Support the Clean Energy Transition*

⁵ See: *Climate Change Action Plan* discussed in *The New Ontario Climate Change Action Plan Paves the Way for the Future of Cleantech in the Province*

⁶ Discussed in: *Paris to Vancouver and Washington DC: Sunny Days Ahead for Cleantech in Canada!*

⁷ “Mission Innovation” is an initiative where Canada, along with 22 other governments, including the European Union, have agreed to double their respective investments in transformative, clean energy research and development over five years, encourage private sector investment in clean energy technology, and increase collaboration among the participating countries. See: <http://mission-innovation.net/>

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combined with market pull mechanisms such as carbon pricing, will support Canada's competitiveness, creating high paying jobs and increasing exports.

- Providing clear and predictable signals relating to policies and carbon pricing will allow markets to better forecast the transition to a low-carbon future and facilitate long-term Cleantech investments.
- Utilities, equipment suppliers, and policymakers should work together to identify strategies for reducing barriers to adoption and the deployment costs of Cleantech in Canada.

The Strategy recognizes that Cleantech innovation often faces the so-called "valley of death," which is typically encountered at the pre-commercialization stage, where the conversion of a proven concept into a compelling product will determine whether a company or product will survive. The "Mission Innovation" commitments aim to bridge that gap by encouraging government funding to enable more basic research and patient private capital, allowing good concepts the time required to make it to market commercialization. This unprecedented level of Canadian investment in Cleantech suggests the quality and quantity of business, commercial, and investment opportunities will increase.

The Strategy also identifies several "building blocks" that will underlie Canada's transition to a low-GHG economy, and which signal opportunities for Cleantech investments. These building blocks include the following:

- The electrification of end-use applications that are currently using fossil fuels is fundamental; for example, using electricity to power certain cars, trucks, building appliances and heating systems, and to satisfy many industrial energy requirements for various industries.
- The significant increase in electricity demand resulting from electrification policies (doubling or more by 2050), and electricity exports, should be satisfied through low-carbon sources.
- Canada's, and North America's, electricity future will be shaped by interprovincial and intercontinental cooperation. Enhanced interjurisdictional electricity transmission interties could allow areas with hydropower, or other forms of non-emitting generation, to sell electricity to other provinces or U.S. states that rely on fossil fuels.
- Some sectors, such as heavy industries, marine transportation, heavy freight transportation, and aviation could move to low-carbon fuels such as second generation biofuels or hydrogen.

Most importantly, the Strategy identifies that private sector innovation will be crucial to the decarbonisation of the world economies. The Strategy signals the government's recognition that a sustainable energy transition is possible with currently deployed or near-commercial technologies. However, the long-term transition can be eased with the accelerated deployment of clean energy options and the development of more innovative technologies. The private sector has an important role to play in acceleration, particularly by spurring investment and innovation towards low GHG alternatives.

Finally, it is noteworthy that the Strategy includes chapters on electrification, forestry, agriculture, municipal waste, clean technology, and infrastructure, but does not provide significant discussion on the oil and gas sector.

For further information, please contact any member of our Cleantech Group.