



**Canadian
Manufacturers &
Exporters**

**Manufacturiers et
Exportateurs du
Canada**

CASF Conference 2017

Government Programs Designed to Aid Manufacturers with GHG Emissions Reductions

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Leadership makes the difference
Le leadership qui fait la différence



About Canadian Manufacturers & Exporters

- Canada's largest trade association
- Founded in 1871 by an act of Parliament
- CME's membership network accounts for an estimated 82 per cent of Canadian manufacturing production and 90 per cent of all goods and services exports. Represent 10000 companies across Canada.
- **Mission:** To help Canadian manufacturers and exporters compete and win in domestic and global markets





Manufacturing in Canada and Ontario

Canada:

- \$615 billion industry
- 11% of GDP (18% in 2004)
- 1.7 million direct employees (2.3 million in 2004)
- The largest payroll of any business sector
- Two-thirds of Canada's goods exports
- 42% of private sector R&D
- 85% of patents commercialized in Canada

Ontario:

- \$301 billion industry
- 12% of GDP (19% in 2004)
- 752,000 direct employees (1.1 million in 2004)

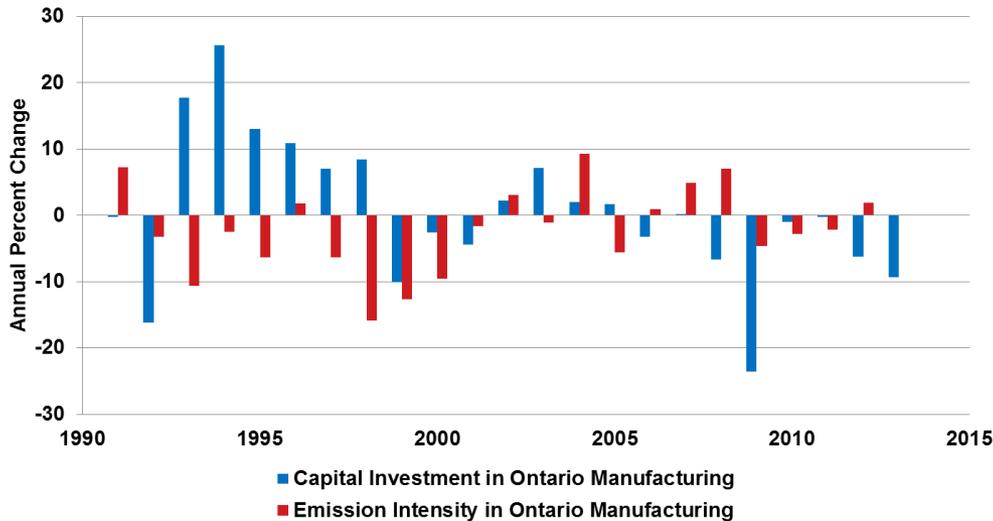




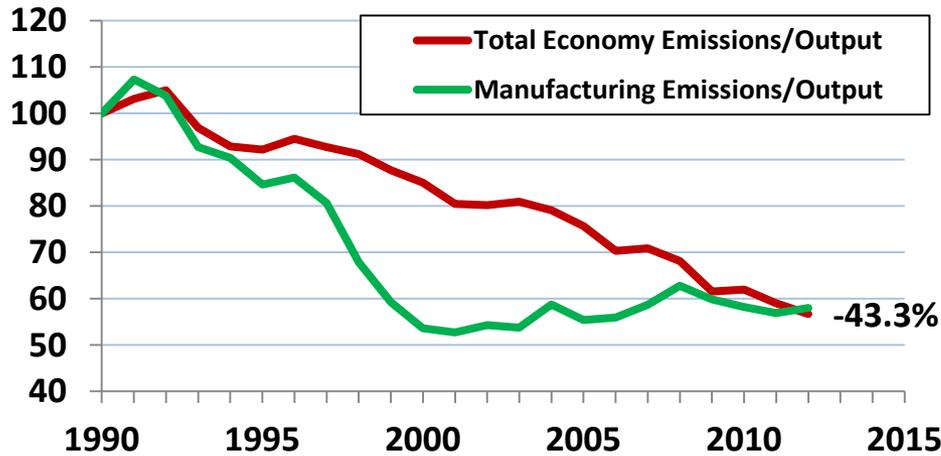
Manufacturing in Canada and Ontario

Impact of Manufacturing:	In Canada	In Ontario
Number of Establishments:	90,116	36,452
Total Sales:	\$615 billion	\$301 billion
Contribution to GDP:	11%	12%
Direct employment:	1.7 million	751,500
Wages and salaries:	\$118.1 billion	\$54.1 billion
Wage premium:	113.8% of average wage	115.0% of average wage
Share of exports:	69% (\$355 billion)	81% (\$201 billion)
Capital investment (2017 intentions)	\$15.2 billion	\$6.3 billion





- In Ontario's manufacturing sector, reductions in emission intensity – and in overall emissions – are directly related to rates of capital investment and capital turnover.



- Emission intensity fell rapidly over the 1990s, a period of strong investment activity.
- Lower rates of investment since 2000 have led to a slight rise in emission intensity and (since the recession) in emissions.





What Manufacturing Needs to Reduce GHGs and Compete

Investment Supports

- We need to support investment in advanced manufacturing to reduce emissions and improve global competitiveness
- This cost will go beyond the funds generated from the cap and trade program and governments must be willing to create additional investment supports to fund capital and technology investments, including:
 - Increase and replenish funding for programs and broaden scope to focus on energy efficiency (including GHG), productivity, training and other advanced technology deployment (i.e. automation, ERP systems, etc)
 - Establish a grant program for investments in sector-specific innovative (and higher-risk) technology investments
 - Provide direct incentive for audits and engineering studies to examine energy use and potential areas for savings including: funding for preliminary engineering studies (to identify opportunities for process improvements where the company is aware of the potential for savings but is unsure of the approach to achieve the energy savings) and, funding for detailed engineering studies (to determine energy savings from an opportunity that has already been identified with more in depth information including identifying capital incentives required).





What manufacturing needs to compete continued...

Tax Incentives

- tax incentives are a critical tool to shape behaviour. To achieve the stated objectives, it is critical that companies be provided both the capital and the incentive to be able to invest in their facilities. We must aim for a globally competitive corporate tax rate in light of the additional cost of cap and trade, as well as providing specific incentives to spur investment and technology adoption. These include:
 - Manufacturing Investment Tax Credit of at least 20% that would be refundable and aimed at encouraging investment in, or development of, green technologies, solutions, processes or training required to implement and manage technologies effectively;
 - Immediate and Full Capital Cost Allowance tax write-off of all new advanced green technologies; and
 - Corporate tax reductions equivalent to the increase cost associated with the cap and trade program.





What manufacturers need to compete continued...

Innovation and Technology

- Creating, developing, commercializing and implementing new technologies will be equally important to meet Ontario's objectives. Several recommendations aimed at this include:
 - Improve existing funding for research and development.
 - Strengthen linkages between industry and academia to foster new technology research and commercialization, including increased funding for industry directed research projects.

Skills Development

- While some training support currently exists, more is needed to support environmental and economic objectives. As such we recommend:
 - Support the expansion of "Lean Green" training programs into Ontario that are consistent with what CME has already established in Atlantic Canada;
 - Introduce a training tax credit of 20% on training aimed at environmental improvements.





Programs available in Ontario

<https://greenon.ca/> - enter your postal code, choose your company size

Example:

For small companies in Vaughn:

- Save on Energy programs
- Smart Green,
- Enbridge programs,
- Government of Ontario programs,

For large companies in Vaughn: all of the above and others including,





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TargetGHG program by Ontario Centres of Excellence

- provides Ontario's largest emitters with support to develop and adopt leading-edge technologies to reduce their Greenhouse gas (GHG) emissions. The program facilitates a collaboration between Ontario's innovators, entrepreneurs, industrial large emitters and their customers and supply chains to develop GHG reduction strategies, solutions and establish Ontario as a leader in GHG reduction.

IESO (Independent Electricity System Operator) Program

- If you can decrease or shift your energy use on short notice, you can generate a new revenue stream for your organization. The IESO Demand Response Auction takes offers from organizations to be available to reduce their energy use during summer and winter peaks based on signals from the IESO's grid control centre. Companies that are successful in the auction are paid based on how much electricity consumption they would be able to reduce if needed. Many businesses participate through aggregators who co-ordinate a group of participants to compete in the auction.





SMART Green Program - Overview

- CME partnered with MOECC and MEDG in July 2016, receiving \$25 million to deliver SMART Green Program to Ontario Manufacturers
- The program was launched in October 2016
- SMART Green provides grant funding contributions of up to \$500K per facility or \$1.5 million for maximum 5 facilities to implement capital projects that will reduce Greenhouse Gases
- The program is open to all Ontario manufacturers who are NOT participating in Cap & Trade program
- Since November 1, 2016, the program has received 81 applications; 58 projects approved and committed \$3.3 million in funding
- More auction funds are available and Ontario's GreenOn fund needs to use the funds and CME is looking to expand the Smart Green Program





Smart Green – eligibility

- All Ontario manufacturers with annual greenhouse gas emissions under 25,000 tonnes per year and/or have not opted in to Ontario's Cap & Trade program
- Must have a minimum 10 employees per applying facility
- Must have 3 years or more operating history
- Projects can not have started and would only move forward with the support of the funding





Smart Green - Funding Amounts

- Walk-through Assessments
 - 100% up to \$2,500
- Technical Assessments
 - 50% of eligible costs to maximum of \$15,000 or \$30,000 where gas metering is required
 - Supplementary payment upon project approval to 100% if maximum benefit is not awarded
- Project Funding
 - 50% of eligible costs to a maximum of \$500,000
 - Up to 5 facilities may apply for a total of \$1.5MM





Expanding Smart Green – CME Proposals

- **Project Funding Amounts** - 75% of capital costs up to \$5,000,000, Unlimited multi-facility projects
- **Small Emitters (under 25,000 and not registered in Cap & Trade program)**
- **Large Emitters (enrolled in Cap & Trade Program)** - Large emitters consideration should be given if the large emitters can demonstrate demonstrable GHG reductions that would not otherwise be realized through the existing cap & trade program.
- **Marketing** - Large scale marketing initiative to include TV commercial, print advertising, newspapers, social media coverage
- **Project Timing** – allow 36 months of signed agreement to complete the project
- **New types of eligible projects to be considered** - Carbon Utilization, Carbon Capture and Storage, Include transportation / Fleets





Thank you

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