

To provide you with insider access to the “Innovation Budget”, CanadaCleantech secured a position in the budget lock-up. Here are the main measures in the 280-page budget that Minister Bill Morneau just announced. These measures are the ones we believe have greatest relevance to the cleantech sector and several of them respond to our recommendations that we submitted in June to the Working Group.

CanadaCleantech will be meeting with senior officials next week to make sure that the key measures are designed in such a way to have concrete short-term benefits for you. We will keep you posted.



Budget 2017 proposes to increase financing support for Canada’s clean technology sector by making available more equity finance, working capital and project finance to promising clean technology firms. Nearly \$1.4 billion in new financing, on a cash basis, will be made available to help Canada’s clean technology firms grow and expand.

Specifically, Budget 2017 proposes:

- **Equity investments** to increase capital in a firm without increasing that firm’s overall debt load. Budget 2017 proposes to provide additional capital to BDC for clean technology activities. This new capital, along with existing capital under management at BDC and EDC, will enable the organizations to offer a combined additional \$380 million, to be deployed over three years, in equity financing to support clean technology firms looking to scale.
- **Working capital** to support investments in assets, inventory, talent and market expansion. Established companies may need working capital to fulfill a domestic or international contract. Budget 2017 proposes to provide additional capital to BDC for clean technology activities. This new capital, along with existing capital under management at BDC and EDC, will enable the organizations to offer a combined additional \$570 million, to be deployed over three years, in working capital to support clean technology firms.
- **Project finance** to enable first-of-its-kind, high-capital-intensive, early commercial-scale clean technology deployment. To attract private sector capital for projects, Budget 2017 proposes to provide new capital to EDC to enable it to offer approximately \$450 million in additional project finance for high-capital-intensive clean technology firms.

Here are other measures announced today:

\$400 million over five years, starting in 2017–18, to recapitalize the SD Tech Fund of **Sustainable Development Technology Canada (SDTC)**

\$400 million over three years, starting in 2017–18 and through BDC, for a new **Venture Capital Catalyst Initiative** that will increase late-stage venture capital available to Canadian entrepreneurs (young, established businesses with sales and revenue, in order to help the businesses grow). With funds leveraged from the private sector, and depending on the proposals received, this investment could inject around \$1.5 billion into Canada’s innovation capital market.

\$229 million over four years, starting in 2018–19, to Natural Resources Canada and Transport Canada to continue R&D activities through their core **clean energy and clean transportation** innovation programming.

\$200 million over four years, starting in 2017–18, to Natural Resources Canada, Agriculture and Agri-Food Canada and Fisheries and Oceans Canada to support clean technology research, and the development, demonstration and adoption of clean technology in Canada’s **natural resources sectors**

\$15 million over four years, starting in 2017–18, for Global Affairs Canada to implement a strategy to support Canadian firms in becoming world leaders in clean technology and capitalize on **growing global market opportunities**

\$14.5 million over four years, starting in 2017–18, to Natural Resources Canada and Innovation, Science and Economic Development Canada for the creation of a **Clean Technology Data Strategy** to improve knowledge in the private sector and stakeholder communities, and help inform future government decision-making.

\$12 million over four years, starting in 2017–18, to Innovation, Science and Economic Development Canada and Natural Resources Canada to establish **single-window service** streamline client services to improve federal program coordination, enable tracking and reporting on clean technology results across government, and connect stakeholders to international markets.

\$950 million over five years, starting in 2017–18, to be provided on a competitive basis in support of a small number of business-led innovation “**superclusters**” that have the greatest potential to accelerate economic growth, including cleantech.

\$50 million, starting in 2017–18, to launch a **new procurement program**, Innovative Solutions Canada, modelled on the very successful U.S. Small Business Innovation Research program to test and validate Canadian technologies such as cleantech.

The 2017 Budget proposes also to:

Encourage greater use of **geothermal energy**: 1) Extend accelerated capital cost allowance to a broader range of geothermal projects and expenses; 2) Expand the range of geothermal energy project expenses that are eligible as Canadian renewable and conservation expenses, which can be fully deducted in the year incurred.

Establish Innovation Canada, a new platform led by Innovation, Science and Economic Development Canada that will **coordinate and simplify the support available** to Canada's innovators. Innovation Canada will develop six Economic Strategy Tables to identify innovation opportunities namely in cleantech.

Create a new initiative, the Impact Canada Fund, to focus its initial efforts in two problem-solving streams: 1) **A clean technology stream**, supported by up to \$75 million over two years, starting in 2017–18, to address challenges such as helping Canada's rural and remote communities reduce their reliance on diesel as a power source. 2) **A smart cities stream**, supported by \$300 million over 11 years, that will support the Smart Cities Challenge

Create a new \$1.26 billion five-year **Strategic Innovation Fund** to consolidate and simplify existing business innovation programming, adding cleantech.

Develop a new **intellectual property** strategy over the coming year. The strategy will help ensure that Canada's intellectual property regime is modern and robust and supports Canadian innovations

Provide to Futurpreneur Canada \$14 million over two years, starting in 2017–18, that helps **young entrepreneurs** by providing them with mentorship, learning resources and startup financing to help them bring their business ideas to life—and to market.

***Note that the budget refers to CanadaCleantech in highlighting a comment from our submission last June to the Federal-Provincial-Territorial Working Group on Cleantech.***

March 22, 2017

**CanadaCleantech Alliance on Clean Technology Financing Challenges:**

"Deployment of cleantech solutions is often capital-intensive, requiring large sums of project debt to achieve even a single deployment. Canadian commercial banks and other lenders are risk averse and unwilling to finance these industrial-scale projects because the technology has yet to be fully commercially proven (i.e., pre-profit stage). This inability to take on technology risk for major capital projects is a significant barrier to commercialization and a competitive disadvantage for Canadian cleantech companies."

—CanadaCleantech Alliance, representing hundreds of clean technology companies, in its submission to the Federal-Provincial-Territorial Working Group on Clean Technology, Innovation and Jobs