

WHITE PAPER FOR A GREEN ECONOMY

EDITION 2018

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Québec

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PREFACE

In 2014, Écotech Québec, Québec’s cleantech cluster, published its first White Paper for a Green Economy, in which it demonstrated Québec’s potential for becoming a breeding ground for developing the cleantech sector and driving the expansion of Québec companies to the global markets. At the time, we found that Québec’s business environment was not yet sufficiently favourable to the creation of truly world-class companies.

The context has changed significantly since then. We must take stock of the situation and of the measures to put forward to make the cleantech sector a pillar of Québec’s economy. For some years now, we’ve been witnessing a growing interest in these technologies, both internationally and in Canada and Québec. Terms such as “green economy” and “clean growth” have entered everyday vocabulary. However, companies in the sector in Québec continue to face significant challenges, and several barriers still curb their ability to grow.

In light of this, the 2018 edition of our White Paper for a Green Economy aims to address current issues affecting the cleantech sector and make recommendations to help it achieve its ambitions while taking advantage of the many opportunities generated by this global enthusiasm.

This document first provides an overview of the context in which clean technologies are evolving at the international, Canadian and Québec levels.

It then presents new recommendations to accelerate the transition to a green economy, thus promoting the growth of Québec’s cleantech sector.

Our recommendations, bolstered by the work of our five task forces, are meant not only for the different levels of government, but also for the entire ecosystem—entrepreneurs, users, investors, influencers, etc. We are confident that our combined efforts will make Québec a breeding ground for developing the cleantech sector.



Denis Leclerc
President and CEO

Martin Imbleau
Chairman of the Board

Écotech Québec in a nutshell

Écotech Québec, the first organization of its kind in Canada, has been the province's cleantech cluster since 2009. It supports local stakeholders—companies, researchers, investors and groups—to accelerate the development, funding and commercialization of clean technologies.⁵

Écotech Québec's mission is two-fold:

- To influence public and private decision makers to create the most favourable conditions possible in Québec to develop new technologies, to fund cleantech projects and companies, and to bring innovations to markets, here and abroad
- To propel technology companies to their full potential by helping them develop technological, business and financial partnerships

écotech
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As a non-profit organization, Écotech Québec relies on the financial support of several private-sector players as well as the Communauté métropolitaine de Montréal and the provincial and federal governments. Écotech Québec is a founding partner of the CanadaCleantech Alliance, a member of the International Cleantech Network and a founding member of the Solar Impulse Foundation's World Alliance for Efficient Solutions.



A major player



A player with a
real impact on
the sector



An organization
recognized here
and abroad



A recognized
representative



The Quebec
reference in
clean technology



A facilitator
of business
meetings



A partner of
sector-based
associations



A catalyst

INTRODUCTION

The concept of a green economy

According to the United Nations Environment Programme, the green economy is one that leads to improved human well-being and social equity, all while significantly reducing environmental risks and resource scarcity.¹

The green economy is characterized by low carbon emissions, the rational and sustainable use of scarce resources, and social inclusion. It involves decoupling the creation of wealth from environmental impacts. It is a vision that applies to all sectors of the economy.²

Of course, no single green economy model can apply uniformly to all countries. Green economy approaches vary from one country to another and must be tailored to the local context, national priorities and available resources.³ The concept of a green economy underpins the idea of an economy that is fair and equitable between generations and countries.

Clean technologies in Québec

Clean technologies—also known as cleantech, green technologies, greentech, eco-innovations, ecotechnologies and ecotech—include products, services, processes and systems that give users added value while reducing adverse environmental impacts, either directly or through other value chains. They represent a broad range of sub-sectors whose importance is now widely recognized. Companies from this sector are at the heart of the transition to a green economy.

Despite the ubiquity of clean technologies in Québec, the sector is still difficult to define. According to an EY survey released in January 2018,⁴ Québec cleantech companies that focus on the development and commercialization of their innovations generate annual revenues of more than \$1 billion and research and development investments to the tune of \$300 million. They account for nearly 9,000 jobs in Québec among some 350 companies.

Whether the innovations concern food production processes, the sustainable management of natural resources, the improvement of energy efficiency in the manufacturing sector, wastewater management or the reduction of greenhouse gases in transportation, all sectors of activity in Québec stand to gain from the benefits of clean technologies.

CONTEXT

INTERNATIONAL

The adoption of the Paris Agreement in December 2015, at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21), sparked unprecedented mobilization for the promotion and development of clean and innovative technologies. The UN climate conference concluded with the adoption of a historic agreement to fight climate change and promote measures and investments for a resilient, sustainable and low-carbon future. The Paris Agreement, the first legally binding global climate agreement, was ratified by 195 countries.

Moreover, the United Nations Environment Programme (UNEP) anticipates that the global cleantech market will be valued at \$2.2 trillion by 2020.⁶ This growth manifests itself in a number of ways—in the energy sector, for example. According to another study conducted by UNEP, in collaboration with Bloomberg New Energy Finance, installed renewable energy capacity increased by almost 9% in a single year, reaching a record high of 138.5 GW.⁷

Similarly, 389 institutional investors from around the world representing more than US\$22 trillion in assets recently reminded G7 and G20 leaders of the importance of standing by their commitment to the Paris Agreement.⁸ As long-term institutional investors, they emphasized that the mitigation of climate change is essential for the safeguarding of their investments.

CANADA

Driven by their international climate commitments, a large number of governments are working to forge an environment that is conducive to the emergence of innovative climate solutions. Canada is no exception—December 2016 saw the unveiling of the Pan-Canadian Framework on Clean Growth and Climate Change. This strategy, based on the principle of close collaboration between the federal government and provincial/territorial governments, aims to regulate climate action across the country and explicitly encourage the development of renewable energies and clean technologies. Clean technologies, innovation and jobs are therefore one of the four pillars of the Pan-Canadian Framework, through which the government commits to bolstering early innovation, accelerating the commercialization and growth of these technologies, and promoting their adoption by public and private entities. One of the flagship measures of the Pan-Canadian Framework is the implementation of carbon pricing models in all provinces and territories starting in 2018.

This willingness to create favourable conditions for sectoral development was clearly reflected in the federal government's 2017 budget, which included the announcement of \$1.4 billion in new funds allocated to support the growth of cleantech companies in Canada.⁹

In 2016, in line with the federal government's vision, Écotech Québec founded CanadaCleantech¹⁰—an alliance of clean technology organizations from British Columbia, Ontario, Alberta and Québec. Today, it boasts partners in all provinces and territories. CanadaCleantech's mission is to catalyze the development of the sector while helping to build a strong low-carbon economy. To this end, it promotes the scaling up and deployment of Canadian clean technologies in all economic sectors, thereby stimulating growth, job creation and the use of regional expertise.¹¹

QUÉBEC

In Québec, several laws, strategies and action plans adopted in recent years have created a more fertile environment for cleantech development. Écotech Québec and a multitude of industry stakeholders participated in numerous consultations and produced several publications that fostered this environment. Some of the most defining government initiatives to support the growth of the clean technology sector include:

- **2013–2020 Climate Change Action Plan¹²**

This plan is Québec's main tool in the fight against climate change. It is built around 30 priorities, divided into over 150 actions carried out by 14 Québec ministries and government agencies. One of the Plan's key measures is to implement a cap and trade system for greenhouse gas (GHG) emission allowances in the North American carbon market. This system creates a price signal associated with carbon in the economy, encouraging major emitters to reduce their GHG emissions, promote energy efficiency and invest in the development of clean innovations.

- **Government Sustainable Development Strategy 2015-2020¹³**

The Strategy supports the development of green industries and eco-friendly goods and services produced in Québec by promoting the adoption of measures to support research and innovation and the commercialization of Québec's clean technologies. It also stresses the role of public sectors in achieving these objectives and showcasing clean technologies.

- **Environmental Quality Act (EQA)¹⁴**

Analyzing authorization requests involves lengthy delays and numerous exchanges with government officials. In March 2017, the EQA was redesigned to, among other things, streamline the process for obtaining authorization for research and experimental pilot projects aiming to evaluate the environmental performance of a new technology or practice.

The ministry also wanted to provide project initiators with better support and clearer guidance on its requirements. Some draft regulations related to EQA amendments will be subject to consultations before the law's entry into force (or 2018).

- **The 2030 Energy Policy¹⁵**

Launched in April 2016, this policy led to, among other things, the creation of Transition énergétique Québec (TEQ), an organization with a mission to coordinate the implementation of all energy efficiency, substitution and innovation programs, and to finance green technology initiatives. The policy aims to improve energy efficiency by 15% and to increase the proportion of renewable energies by 25%.

- **Québec Research and Innovation Strategy 2016-2020¹⁶**

One of the goals of this strategy is to implement measures to revamp the entire innovation chain, from research and development to commercialization. The document puts forward support for clean technology or innovation commercialization projects. One of its areas of intervention is the creation of a marketplace for public purchasers and technology suppliers, based on the INNO+¹⁷ model, along with the design of a support tool to educate public administrations on eco-friendly purchasing and clean technology development.

- **2016–2020 Québec Export Strategy¹⁹**

The Strategy aims to facilitate the creation of technological showcases and the use of innovations to promote the commercialization of technology on global markets. It also aims to help cleantech companies find key partners through trade delegates and to foster business ties between Québec-based and foreign companies through targeted trade missions, which would magnify the industry's influence on the international stage. The Strategy also supports small and medium-sized clean technology companies in obtaining the key certifications they need to break through to international markets.

- **Quebec's International Policy**¹⁹

This policy is testament to Québec's will to take on a leadership role in the fight against climate change around the world, particularly through greater involvement in international climate cooperation. The Policy sends positive signals to local companies and opens up exciting technology transfer opportunities. Promoting Québec's clean technology offer and know-how is one of the priorities expressed by the government in its International Policy.

- **Envoy for Climate Change and Northern and Arctic Affairs**²⁰

In line with the priorities set out in Québec's International Policy, the government appointed biologist and science communicator Jean Lemire as the Envoy for Climate Change and Northern and Arctic Affairs. His overall role is to deepen Québec's international involvement in these areas and to implement international climate cooperation in a bid to support the most vulnerable Francophone countries.

- **International Climate Cooperation Program (ICCP)**²¹

The chief objective of this program is to assist the most vulnerable Francophone countries in their efforts to reduce GHG emissions and to adapt to the impacts of climate change, mainly by supporting cleantech transfer projects. The ICCP also promotes the emergence in those countries of business ecosystems in which such technologies can be successfully deployed.

- **Strategic Vision for Mining Development in Québec**²²

At the sectoral level, this initiative encourages the use of clean technologies in the mining sector with the aim of stimulating new business opportunities in Québec and internationally.

- **Transportation Electrification Action Plan 2015–2020**²³

This action plan aims to develop the electric vehicle industry and create an environment that is conducive to the EV transition. It aims to reach 100,000 electric and plug-in hybrid vehicles registered in Québec by 2020.

- **Green Fund**²⁴

The Green Fund was created in 2006. With its more than \$3 billion in capitalization, it is a powerful financial lever for projects aimed at reducing GHG emissions in Québec, including those in the clean technology sector. The Fund has, however, attracted harsh criticism for the meager results observed so far. In response, a management board (the Conseil de gestion du Fonds vert) was set up with a clearer governance structure and a more appropriate management framework.

- **Plan d'action sur la croissance et les technologies propres**²⁵

Under the coordination of the Ministère de l'Économie, de la Science et de l'Innovation, this action plan, which is currently in development, will aim to enhance the competitiveness of Québec's cleantech industry and to remind companies in every industry of the importance of shifting towards a more sustainable economy.

RECOMMENDATIONS

In this ever-changing context, Écotech Québec is proposing a set of recommendations to help the cleantech sector make the most out of the current momentum around the world and establish itself as a flourishing, growth-oriented sector for Québec.

Simplification and consistency

The newness and technological innovation that are inherent to the cleantech sector can sometimes hinder the understanding of its technical and scientific implications. Progress often gets ahead of existing administrative or regulatory frameworks, hampering the expansion of Québec innovations.

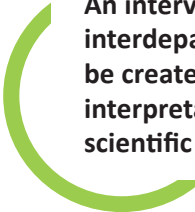
Intervention unit

Many clean technology companies are boxed in by a regulatory framework that hampers their expansion, with definitions that fail to take technological advances into account and focus on regulating the processes rather than the resulting emissions or the end result. Consequently, the authorization processes place undue constraints on the development of technologies, despite this procedural aspect being slated for modernization.

Other jurisdictions around the world are attempting to address these challenges by creating structures for reviewing regulatory standards more swiftly or applying them more flexibly. France Expérimentation, launched in 2016, is a one-stop shop for companies to express their needs for accommodations in terms of regulatory standards and administrative procedures to a single entity.^{26,27} Closer to home, the Government of Canada has just established a Clean Growth Hub as part of Innovation Canada's single-window service. The Hub is specifically responsible for (1) streamlining client services, (2) improving the coordination of federal programs, (3) enabling the tracking and reporting of cleantech-specific results to the federal government and (4) pairing actors with international markets.²⁸

In Québec, intervention teams made up of scientists and representatives of the ministries concerned should be created to find quick solutions to regulatory interpretation and technological/technical/scientific comprehension issues. These teams would help stimulate innovation in the province by helping clean technology companies overcome regulatory obstacles and speed up the evaluation of their requests by certain government departments.

RECOMMENDATION N°1 INTERVENTION UNIT



An intervention unit made up of interdepartmental teams and scientists should be created to find quick solutions to regulatory interpretation and technological/technical/scientific comprehension issues.

Green NEXUS

The Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC) rightly requires evidence that the implementation of each industrial project or new technology will comply with applicable regulations before it awards authorization certificates. While still supporting cautious management, MDDELCC could grant expedited processing to companies that have repeatedly demonstrated that their technologies meet established criteria, rather than constantly requiring them to go through this slow, costly process. The same goes for eligibility for certain government programs.

The Canada Border Services Agency runs a program known as NEXUS, which is designed to speed up border crossings for low-risk, pre-approved travellers into Canada and the United States²⁹ with a dedicated lane to spare them from long lines. Drawing inspiration from that program, some kind of “Green NEXUS” could be created to speed up and streamline government approvals or eligibility for assistance programs for projects that fall under the government’s green economy and climate transition priorities and are being undertaken by companies that have demonstrated exemplary compliance. To be up for evaluation, the company could present concrete results of its technological development combined with the pilot projects it has already carried out.

RECOMMENDATION N°2 GREEN NEXUS

A process inspired by the Canada Border Services Agency’s NEXUS program should be implemented and benefit model companies with a proven business track record. Being certified under such a program could, for example, enable companies to receive certain government authorizations or types of government support more swiftly.

to the fact that offset credit protocols were developed later in Québec than in California. Yet the sale of offset credits on carbon markets is known to stimulate technological innovation and the rise of innovative companies.

In addition, to help grow its clean technology sector, California allows companies from the state to sell on its carbon market carbon offset credits they have generated outside of the state. The Québec government could take a page from the American state’s book and recognize as offset credits the reductions generated by Québec companies outside of the province, notably through the new international flexibility mechanisms to be implemented under the Paris Agreement, inspired by the Kyoto Protocol’s Clean Development Mechanism (CDM).

RECOMMENDATION N°3 THE CARBON MARKET

The development of new offset credit protocols in Québec should be sped up, and the recognition of GHG reductions generated outside of Québec by Québec companies should be considered in order to promote the development and commercialization of innovative grown-in-Québec GHG-reducing technologies.

The carbon market

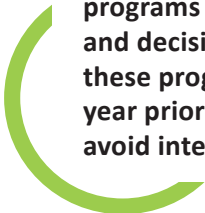
The carbon market could also represent a development opportunity for clean technologies. Québec has set itself apart, both nationally and internationally, for being one of the first jurisdictions in North America to be part of a carbon market. However, less than 1% of offset credits are generated by Québec companies—a mere 630,000 credits compared to some 68 million recorded by American companies.^{30,31} This is due in part

Program predictability

Clean technology SMEs rely on government programs, at least in the early stages of development, to design and market their products. Some of these programs are a great help in achieving these goals. Nevertheless, the fact that it is hard to predict whether programs will be renewed, even after they have proven effective, can leave these SMEs in precarious situations.

Case in point: the Écocamionnage program, which encourages the use of equipment and technologies that improve energy efficiency while reducing greenhouse-gas emissions in the transportation of goods. While the Québec government's March 2017 budget announced that the green trucking program was to be enhanced and extended, this enhancement ended up creating application processing delays that lasted until November 2017.³² This period, during which the program was no longer available, was highly challenging for many cleantech manufacturers, distributors and users.

RECOMMENDATION N°4 PROGRAM PREDICTABILITY



The renewal of clean technology support programs should be predictable and efficient, and decisions on whether or not to prolong these programs should be made at least one year prior to their scheduled end date, so as to avoid interruptions.

Demonstration and adoption

Clean technologies can make a big difference in terms of resource use and cost reduction, but access to markets is often a challenge to many of them, especially when their technologies or processes have not yet been tested under real use conditions.

Demonstration showcases

Québec has many government agencies³³ that can directly contribute to the emergence of clean technologies in Québec by serving as test benches or technological showcases for the innovations developed here. Organizations such as the Société d'habitation du Québec, the Québec City Convention Centre, the Société des établissements de plein air du Québec, the Ministère des Transports, the SAQ, the Institut de tourisme et d'hôtellerie du Québec, not to mention municipalities, schools and hospitals, would be good places to set up demonstration projects. In fact, the Government Sustainable Development Strategy 2015–2020³⁴ encourages these organizations to showcase clean technologies from Québec.

Québec government contracts, representing an annual purchasing power of several tens of billions of dollars in goods and services,³⁵ could thus contribute to boosting the credibility of Québec companies in the sector by offering them opportunities to prove the benefits of their innovations.

In addition, by serving as a showcase, public administrations could help these technologies gather the test data needed for certification under the new international standard ISO 14034, which recognizes performance in real use situations. This standard could lead to increased trust from both users and investors, thereby amplifying the international reach of locally developed innovations.³⁶

As a result, government contracts being used as demonstration opportunities could achieve three objectives: develop Québec's cleantech sector, reduce the environmental footprint of public administrations and see cleantech companies certified under the new international standard ISO 14034.

RECOMMENDATION N°5 DEMONSTRATION SHOWCASES

Public administrations should serve as test benches and technological showcases for at least one clean technology from Québec by the end of 2020, which is the end of the period covered by the current Government Sustainable Development Strategy.

"More" responsible financing

Responsible financing means factoring in the principles of sustainable development and adding corresponding requirements to financing policies and programs. This exercise can take place when developing or revising parameters, objectives and eligibility criteria, or when evaluating applications or assessment tools.³⁷

The Québec government supports the growth and consolidation of many industrial companies through funds and programs specific to their projects, such as the Fonds d'initiatives du Plan Nord or Québec's Maritime Strategy. Companies receiving government assistance should in turn play a role in further spurring the growth of Québec's cleantech SMEs.

Thus, companies that receive financial assistance from a Québec government department or agency should be required to demonstrate that they are taking steps to adopt clean technologies from Québec. This requirement would help to reduce their environmental footprint and increase their competitiveness. Meanwhile, environmental performance and efficient energy and resource use are key considerations for a green economy. Current programs should be reviewed to concretely encourage companies receiving financial assistance from the government to engage in this type of action.

RECOMMENDATION N°6 "MORE" RESPONSIBLE FINANCING

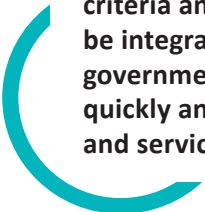
Industrial companies receiving government contributions should be required to demonstrate that they are taking steps to identify and adopt clean technologies from Québec to reduce their environmental footprint.

Sustainable tenders

In the same vein, public entities could encourage more responsible consumption of goods and services while significantly boosting demand for clean technologies by modifying tendering forms to better integrate environmental and social performance criteria, in addition to the total cost of ownership (TCO). TCO is an assessment that takes into account the total economic costs of a project's life cycle, including operation, maintenance, follow-up and disposal.

Québec's Government Sustainable Development Strategy 2015–2020 also highlights the gradual integration of TCO into the tendering processes of government departments and agencies for certain categories of goods and services by 2020.³⁸ As the fight against climate change becomes an increasingly urgent concern, Québec public entities could set an example by more quickly extending this integration to all categories of goods and services.

RECOMMENDATION N°7 SUSTAINABLE TENDERS



Environmental and social performance criteria and total cost of ownership should be integrated in the tendering processes of government departments and agencies more quickly and apply to all categories of goods and services by 2022.

Innovative financial support

According to the *Cleantech in Québec report*⁴, cleantech companies see access to funding as one of their main obstacles between them and their ambitions, as the investments needed to support growth could reach \$2 billion in the coming years.

A competitively sized private fund


Venture capital is one of the instruments technology startups can turn to for financing and growth opportunities. Specialized private managers play a central role, as they bring what many call “smart capital”—financial resources, expertise and networks—to the entrepreneurs they support. The challenge in Québec is to have them play a greater role in scale-up rounds of funding to, among other things, protect Québec property at this stage of development.

The presence of foreign private funds in the Québec cleantech ecosystem can be explained by the power of attraction of its innovative companies and the relatively limited equity financing conditions. This situation forces clean technology companies to turn to foreign sources to finance their expansion and consolidation phases, which require greater capital. As a result, the ownership of these companies passes largely into foreign hands, marginalizing Québec investors.

So, the current challenge is to ensure that Québec private managers play a greater role in financing the expansion phase of Québec-based clean technology companies in order to keep a greater share of their ownership and preserve specialized investment expertise in this sector.

Québec could draw inspiration from the United States to mobilize public capital in synergy with private capital and establish a private clean technology fund of sufficient size to compete with foreign funds. This would make it possible to mobilize the capital necessary to expand the clean technology sector, attract foreign investors and ensure Québec retains ownership of its flagship creations, which in turn would help to create and safeguard local jobs.

RECOMMENDATION N°8 A COMPETITIVELY SIZED PRIVATE FUND



The government should support Québec's financial ecosystem and invest through a significantly capitalized private fund to support the growth of expanding Québec companies and catalyze private investments while preserving local ownership and jobs.

Public-private matching process


To support the growth of companies with technologies that reduce greenhouse gas (GHG) emissions, a process should be developed to systematically match the capital invested by non-governmental private managers with capital from the Green Fund. Such a tool would serve to complement financing rounds for Québec clean technology companies whose private investors have been previously accredited by the Québec government, such as Fondation, Fonds de solidarité FTQ, Capital Desjardins, Cycle Capital Management, Ecofuel and C3E.

The government's investment could represent 20% of the total amount of the company's financing round in the form of share capital or debt, under the same conditions (*pari passu*) as the leading investor. To get to this stage, the projects would have

been previously assessed to meet the Québec government's GHG reduction criteria.

This process, which already exists in other jurisdictions, including Ontario (through the Ontario Emerging Technologies Fund),⁴⁶ enables public capital to attract and leverage private capital—taking advantage of the resources and mobilizing forces of private investors—while meeting the market's requirements.

RECOMMENDATION N°9 PUBLIC-PRIVATE MATCHING PROCESS



To provide further support to GHG emission-reducing technologies in the form of share capital or debt, the Québec government should develop a process to match the capital invested by private managers with capital from the Green Fund in order to attract and leverage private capital.

Stimulate the participation of private capital

The development of the cleantech sector cannot depend solely on government support. The private sector is also expected to play an important role in financing business activities. However, the novelty of the sector means that private investors are not always familiar enough with the risks involved to fund it with confidence.

Some countries, including France, Norway, Brazil and China, have set up mixed financing mechanisms where the government covers a portion of the risk that the private sector cannot take, encouraging the latter to participate in financial arrangements more enthusiastically and with better conditions.

It is important to note that the financial contribution of philanthropic foundations is increasingly being added to this equation, especially when it comes to solving major environmental issues.

Thus, adequate returns for private investors can be ensured by a mixed fund of public and philanthropic partners, which require lower returns for perceived risk, in tandem with private partners, which need to provide their shareholders with competitive returns.

Québec could draw from these initiatives and encourage the creation of joint project financing funds in order to promote the adoption of clean technologies to mobilize the private capital needed to expand the cleantech sector.

RECOMMENDATION N°10 STIMULATE THE PARTICIPATION OF PRIVATE CAPITAL

The Québec government should contribute to the creation of joint project financing funds to encourage private capital to complement the financing of clean technology adoption projects, thereby accelerating companies' growth.

Accelerated depreciation

The government offers accelerated depreciation arrangements to encourage certain investments, providing user companies with a substantial tax deduction within a very short period of time following their purchase.

Accelerated depreciation generates significant cash flow for companies investing in new technologies. It allows companies

that acquire clean technologies to fully depreciate their investments over a shorter period, thus providing them with a better return on investment.

These investments in new manufacturing and processing technologies are an important driver of innovation, environmental-footprint reduction and productivity, allowing industrial companies to stay competitive in global markets.

In line with the accelerated depreciation instruments already on offer for certain innovations (data network infrastructure equipment, operating software, information processing equipment, electric vehicle charging stations, etc.), cleantech investments should be eligible for accelerated depreciation rates commensurate with their contribution to governments' sustainable development goals.

RECOMMENDATION N°11 ACCELERATED DEPRECIATION

Tax deductions for accelerated depreciation should be offered to user companies to spur investment in clean technologies.

Transitioning from R&D to commercialization

Tax incentives, including tax credits, to support research and development (R&D) in the cleantech sector are now common practice in Québec and elsewhere in the world.⁴¹

However, the Québec and Canadian governments have drastically cut R&D tax credits since 2014, while insisting on the importance of innovation in creating the economy of the future. Capital credits have been cancelled at the federal level. The rate of credits applicable to salaries and consumables dropped from

37.5% to 30% at the provincial level and from 37.5% to 35% at the federal level, while Québec no longer grants tax credits for the first \$50,000 of R&D expenditures.

The findings of the Commission d'examen sur la fiscalité québécoise⁴² (aka Godbout Commission) also recalled concerns previously raised in the 2014 edition of the White Paper for a Green Economy, namely that:

- Québec companies find it very hard to market their research and development results.
- Research and development efforts do not translate into intellectual property returns.
- When the government tightened its tax credit in the December 2014 edition of the Point sur la situation économique et financière du Québec with a minimum expenditure threshold of \$50,000 imposed on companies with assets less than or equal to \$50 million, the benefits granted to SMEs (as compared to large companies) were severely reduced.

Given the heavy administrative burden required to obtain a tax credit on this first amount of R&D expenditures, Écotech Québec recommends that the Québec government set up a program for SMEs to offset this shortfall so that they can continue their R&D work.

RECOMMENDATION N°12 RECOGNIZE ALL R&D EXPENSES

In order to foster innovation, a program should be set up to support SMEs in their research and development investments of less than \$50,000.

Similarly, although much research is being done on clean technologies in Canada⁴³, the commercial value demonstration and commercialization phases of the technologies developed remain much more costly than their research and development stage. As a result, SMEs' dearth of financial resources is often one of the main hindrances to their growth.

Based on the R&D tax credit program, tax incentives should simply be extended to allow certain commercialization expenditures specifically for SMEs, and should be applicable for several markets at the same time.

This would help to provide innovative companies with the means to deploy their technologies on a larger scale and thus create jobs, increase Québec exports and extend the reach of their expertise in Québec, Canada and abroad.

RECOMMENDATION N°13 COMMERCIALIZATION TAX CREDIT

The research and development tax credit for small and medium-sized businesses should be extended to include certain cleantech commercialization expenditures.

Skills and knowledge

Protect our knowledge

The rise of clean technologies in Québec also depends on close collaboration between researchers and entrepreneurs. According to a recent study conducted for Cycle Capital Management and Sustainable Development Technology Canada, in collaboration with Écotech Québec, a great deal of cleantech research was conducted in Canada between 2000 and 2016, with Canadian scientific publications amounting to 15% of all US publications—one and a half times its relative weight. However, the same study shows that the number of academic patents per 1000 publications is, on average, 2.3 times smaller in Canada than in the US. As a result, the number of academic patents in Canada is only 7% of what it is in the US.⁴³

While many stakeholders are expressing a desire to make the clean technology sector a flagship of the Québec economy, local innovation must be protected in order to prevent its loss outside of Québec. In order for Québec-based research to benefit local businesses, research grants provided to post-secondary institutions by the Québec government should come with a clause requiring institutions to take a more systematic approach to protecting intellectual property, which could include a patentability study, before the results of their research are published. Produced at lower costs than patent applications, patentability studies would make it possible to focus on the patents most likely to benefit Québec. As a result, marketable post-secondary research could be identified more quickly and valued more appropriately.

RECOMMENDATION N°14 PROTECT OUR KNOWLEDGE

To ensure that Québec innovation is protected and benefits the province, post-secondary institutions should be encouraged to take a more systematic approach to protecting intellectual property, which could include a patentability study, before the results of their research are published.


From aid to mutual aid

A report published in September 2017 by an expert panel chaired by Monique Leroux recommended the creation of a high-level network of exchanges inspired by the QG100 initiative. The network would bring together companies to, among other things, share experiences and mutual advice or personalized contacts.⁴⁴

Clean technology companies could benefit from such a network of cooperation with Québec's entire business ecosystem. They could help each other break into new markets, both in Québec and abroad. Companies facing difficulties, for example in accessing government contracts or growing internationally, would be able to count on support or advice from those who have been through such situations before.

Developing a culture of mutual aid is crucial to the growth of a new sector. Third parties could be placed in charge of facilitating the creation of these networks or strengthening existing links by acting as intermediaries between companies seeking advice and those able to support them. Currently, this role is played, at least in part, by some organizations such as Écotech Québec and CanadaCleantech who could ramp up their follow-up, but a more organic relationship or greater support for this coordination role should be considered in order to strengthen the links between the various companies and improve efficiency across the entire ecosystem.

RECOMMENDATION N°15 FROM AID TO MUTUAL AID



Networking between clean technology companies and the Québec business ecosystem should be set up to facilitate the sharing of experience and expertise in order to accelerate the sector's growth in Québec and internationally.

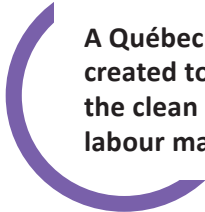
A Green Jobs Observatory

Developing a dynamic cleantech ecosystem that occupies a central place in Québec's economy requires a regular monitoring of its evolution in the labour market. In France, a national observatory for jobs and trades in the green economy was set up for this purpose. This observatory makes it possible to identify and regularly analyze economic activities and jobs related to the green economy, to carry out statistical monitoring of jobs in the sector compared to equivalent work done at the international level, and to identify the skills and training required to meet companies' needs and support the people affected by the shift to a green economy.⁴⁵

In order to rigorously monitor the impact of the clean technology sector on the province's labour market, a Québec Green Jobs Observatory should be created based on the French model. Québec already has the expertise to fulfill this mandate, with no need to create any new bodies.

The observatory would gather knowledge and information from all cleantech ecosystem stakeholders in order to develop a statistical directory of jobs connected to the sector in Québec. With this information in hand, stakeholders would be able to make more sensible decisions that better meet the actual needs of the community.

RECOMMENDATION N°16 A GREEN JOBS OBSERVATORY



A Québec Green Jobs Observatory should be created to monitor and analyze the impact of the clean technology sector on the province's labour market.

Strategy and coordination

Transitioning to a green economy calls for significant transformations in a great number of areas and stimulates the adoption of new methods in companies and governments, which requires the participation of a large number of stakeholders, including several departments and government agencies.

A secretariat for the green economy

Many entrepreneurs have voiced their appreciation for the support services provided by government stakeholders, including the Ministère de l'Économie, de la Science et de l'Innovation. However, some form of high-level coordination is needed to ensure better consistency between the actions of all governmental actors and to make full use of each of their contributions. While significant efforts have been made to address some of the issues, there are still many barriers keeping local companies from innovating and contributing to the emergence of a cleaner economy.

A secretariat reporting directly to the Québec government's Ministère du Conseil exécutif should be created to coordinate the various ministries and agencies responsible for stimulating innovation and the adoption of clean technologies in Québec. This highly strategic secretariat would be responsible for developing a provincial 2020–2030 Green Economy Strategy and consequently ensuring that the government is exemplary in all programs aimed at transitioning to a green economy.

As in the case of other secretariats dealing with strategic priorities and projects—e.g., the Secrétariat aux affaires maritimes—the creation of a Secretariat for the Green Economy would send a strong and clear political signal to the entire government apparatus.

RECOMMANDATION N°17 A SECRETARIAT FOR THE GREEN ECONOMY

A secretariat reporting directly to the Québec government's Ministère du Conseil exécutif should be created in order to develop a provincial 2020–2030 Green Economy Strategy and to coordinate and accelerate the province wide effort that the various departments and agencies involved need to deploy in the shift to a green economy.

CONCLUSION

Since Écotech Québec's last White Paper for a Green Economy was published in 2014, Québec's cleantech ecosystem has come a long way, and an environment that is favourable for its growth has gradually taken root in Québec, across Canada and abroad.

The global enthusiasm for clean technologies sparked by the Paris Agreement, the implementation of the Pan-Canadian Framework on Clean Growth and Climate Change, the creation of organizations for the large-scale deployment of clean technologies like CanadaCleantech, and the many policies and strategies put in place by the Québec government are all part of a concerted effort to transition to a green economy.⁴⁶

However, this encouraging portrait should not overshadow certain challenges that, once resolved, would grant Québec's cleantech sector an even more prestigious position at home and around the world. Consistency and coordination issues, stemming from the large number of departments and agencies involved in Québec's transition efforts, sometimes hamper the effectiveness of government support programs.

Québec companies also still face many obstacles to commercializing their innovations, because of the challenges that represent the search for initial buyers and the creation of strategic partnerships, among other reasons. Finally, several companies still run into difficulties obtaining the financing they need to support their growth.

In response to each of these major issues, the recommendations made in this White Paper for a Green Economy are addressed to all stakeholders in the cleantech ecosystem. Their implementation could turn the sector into a flagship of the province's economy, creating sustainable jobs and becoming a source of pride on the international stage.

Québec must seize the opportunities presented by the current favourable context if it is to transition to a greener economy that creates jobs and sustainable prosperity, fights climate change and helps protect the environment—essentially, an economy that improves everyone's quality of life.



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RECOMMENDATIONS 2018 SUMMARY

Simplification and consistency

INTERVENTION UNIT	An intervention unit made up of interdepartmental teams and scientists should be created to find quick solutions to regulatory interpretation and technological/technical/scientific comprehension issues.
GREEN NEXUS	A process inspired by the Canada Border Services Agency's NEXUS program should be implemented and benefit model companies with a proven business track record. Being certified under such a program could, for example, enable companies to receive certain government authorizations or types of government support more swiftly.
THE CARBON MARKET	The development of new offset credit protocols in Québec should be sped up, and the recognition of GHG reductions generated outside of Québec by Québec companies should be considered in order to promote the development and commercialization of innovative grown-in-Québec GHG-reducing technologies.
PROGRAM PREDICTABILITY	The renewal of clean technology support programs should be predictable and efficient, and decisions on whether or not to prolong these programs should be made at least one year prior to their scheduled end date, so as to avoid interruptions.

Demonstration and adoption

DEMONSTRATION SHOWCASES	Public administrations should serve as test benches and technological showcases for at least one clean technology from Québec by the end of 2020, which is the end of the period covered by the current Government Sustainable Development Strategy.
"MORE" RESPONSIBLE FINANCING	Industrial companies receiving government contributions should be required to demonstrate that they are taking steps to identify and adopt clean technologies from Québec to reduce their environmental footprint.
SUSTAINABLE TENDERS	Environmental and social performance criteria and total cost of ownership should be integrated in the tendering processes of government departments and agencies more quickly and apply to all categories of goods and services by 2022.

Innovative financial support

A COMPETITIVELY SIZED PRIVATE FUND	The government should support Québec's financial ecosystem and invest through a significantly capitalized private fund to support the growth of expanding Québec companies and catalyze private investments while preserving local ownership and jobs.
PUBLIC-PRIVATE MATCHING PROCESS	To provide further support to GHG emission-reducing technologies in the form of share capital or debt, the Québec government should develop a process to match the capital invested by private managers with capital from the Green Fund in order to attract and leverage private capital.
STIMULATE THE PARTICIPATION OF PRIVATE CAPITAL	The Québec government should contribute to the creation of joint project financing funds to encourage private capital to complement the financing of clean technology adoption projects, thereby accelerating companies' growth.
ACCELERATED DEPRECIATION	Tax deductions for accelerated depreciation should be offered to user companies to spur investment in clean technologies.
RECOGNIZE ALL R&D EXPENSES	In order to foster innovation, a program should be set up to support SMEs in their research and development investments of less than \$50,000.
COMMERCIALIZATION TAX CREDIT	The research and development tax credit for small and medium-sized businesses should be extended to include certain cleantech commercialization expenditures.

Skills and knowledge




PROTECT OUR KNOWLEDGE	To ensure that Québec innovation is protected and benefits the province, post-secondary institutions should be encouraged to take a more systematic approach to protecting intellectual property, which could include a patentability study, before the results of their research are published.
FROM AID TO MUTUAL AID	Networking between clean technology companies and the Québec business ecosystem should be set up to facilitate the sharing of experience and expertise in order to accelerate the sector's growth in Québec and internationally.
A GREEN JOBS OBSERVATORY	A Québec Green Jobs Observatory should be created to monitor and analyze the impact of the clean technology sector on the province's labour market.

Strategy and coordination

A SECRETARIAT FOR THE GREEN ECONOMY	A secretariat reporting directly to the Québec government's Ministère du Conseil exécutif should be created in order to develop a provincial 2020–2030 Green Economy Strategy and to coordinate and accelerate the province wide effort that the various departments and agencies involved need to deploy in the shift to a green economy.
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APPENDIX

SUMMARY OF 2014 RECOMMENDATIONS

UNDERWAY 
 IN PROGRESS 
 NO CHANGE 

Encourage public organizations to serve as testing grounds and technology showcases for made-in-Québec green innovations, which will then provide strong support for the large-scale commercialization of many of these technologies	
Draft a policy to promote clean technologies to increase investment from public and para-public organizations	
Encourage ministries and organizations to use performance-based calls for tender that include specific criteria like the total cost of ownership, thereby focussing on the end rather than the means	
Ensure that calls for tender issued by public and para-public organizations employ green procurement practices by offering an additional bonus during the bid analysis and giving the preferential margin to bidders who factor in the three pillars of sustainable development	
Organize networking workshops with public and para-public organizations to acquaint them with the wide range of Québec-made cleantech solutions	
Roll back the R&D tax credit (salary of research staff) to its pre-2014–2015 budget rate for SMEs whose projects are associated with GHG reduction	
Extend the R&D tax credit (salary portion) for SMEs so it includes initiatives to commercialize clean technologies	
Encourage various industrial sectors to adopt more green innovations to reduce GHG as part of the cap and trade system and extend its legal framework beyond the year 2020 to facilitate the financing of current GHG reduction projects	
Accelerate the development of new offset credit protocols so more emission rights may be purchased in Québec	
Leverage the Green Fund to better support government programs designed to support the development of clean technologies associated with climate change	
Accelerate and simplify the issuance of government authorizations, particularly authorization certificates for projects that incorporate new technologies with a positive environmental impact	
Set up a response team for the Ministerial Committee on the Economy, Job Creation and Sustainable Development dedicated to removing barriers and quickly settling any disagreements associated with the demonstration and use of clean technologies	
Support the rollout of an accelerator to facilitate financing opportunities and provide mentoring to cleantech entrepreneurs	
Strengthen the expertise of entrepreneurs by facilitating the creation of specific workshops or adapting existing workshops associated with the realities of the cleantech sector	
Help export companies work more closely with cleantech companies to facilitate connections between world-class “star players” and entrepreneurs with strong potential	
Ensure a diverse funding chain, notably for more capital-intensive projects that could require special financing	
Help generate interest from foreign investment funds likely to invest in Québec cleantech companies	

