Good morning

Thank you all for coming. Today I will present the findings and recommendations of Analytica Advisers’ 2016 Report into the Global and Canadian Clean Technology Industry. Our fifth such annual report.

The global market for clean technology goods has reached over $1.1 trillion in 2014. Up from $550 billion in 2005.

Canada is losing global market share. In that same period, Canada’s ranking as a clean technology goods exporter fell from 14th to 19th place in the table of top 25 global exporters.

During that period, our global market share fell by 41 percent, second to last on exporters’ ranking.

And for the first time in six years as analysts for this industry, we also must report a **decline** in overall industry revenues. Up until two years ago we reported **growth** of four times that of the overall Canadian economy, but that growth has now stopped.

Revenues are down from $11.7 billion in 2013 to $11.6 billion in 2014 at a time when the global market is expanding fast.

This report underlines the urgency of taking action to reverse this trajectory and get back to the growth of previous years.

Because, by many measures, clean technology continues to be a great Canadian success story. Especially when it comes to jobs.

The clean technology industry added another 5,000 jobs last year. It now directly employs over 55,000 people in almost 800 firms.

Many of these are young people, working at the start of their careers in positions that range from finance, to engineering, to manufacturing and global sales.

The people in this industry are working in companies that are creating and scaling-up technologies that protect our environment. And many that can help ensure that Canada meets its legally binding Paris Treaty commitments for a 30 percent reduction in GHG emission levels of 2005 by 2030.

But crucially, the industry can also, with the right engagement from the private sector, across all levels of governments and with an innovative approach to public and private finance, help Canada deliver on the other half of The Vancouver Declaration. That of Clean Growth. Several industry leaders are here with us today and can attest to this.

In this year’s Report, the industry demonstrated beyond a shadow of doubt, that it is globally competitive.

For the first time, export revenues for Canada’s clean technology firms surpassed half of the total revenues, reaching $6.6 billion with nearly a quarter of export sales coming from markets beyond the US.

87 percent of Canadian clean technology companies were exporters in 2014, and 91 percent anticipate exporting by 2016.

However, liquidity to finance these projects is one of the industry’s biggest challenges.

These companies are still investing heavily in innovation, spending over $1.2 billion in R&D in 2014 and $7.6 billion cumulatively over the past six years, of which a remarkable 71 percent was from firms with less than $50 million in revenue.

As you can tell from its heft, the *Report* series primarily provides information and analysis that managers, investors and policy makers need to make the decisions that make the difference between a company thriving or struggling.

But it also plays a role in the wider national conversation about the future of our economy. So it doesn’t just report on the data, it makes 7 recommendations.

The first priority is to stimulate deployment of clean technology innovation through combined private and public sector action.

1. This includes implementing a substantial and rising price on carbon that will send a signal to all economic actors to examine the risk associated with energy and fossil-fuel inputs.
2. But because the initial price on carbon may not stimulate the take up of all the innovations that are ready to deploy and are cost effective versus alternatives. Canada also needs to implement regulation in selective industries based on performance standards and concepts such as Best Available Technology.
3. Alongside this, Canada must implement policies that foster the procurement of scaled up innovation in high visibility projects including infrastructure for our communities. There is an acknowledgement of the role of cities in fighting climate change. As places for commerce and daily life, cities are also core to building new industries. 70% of the companies in Canada’s clean technology industry are located in cities. And it is empowering cities to invest in innovation within infrastructure and to make purchasing decisions that include innovation, that may have the most impact.

But infrastructure and procurement policies will not be effective unless we can finance the deployment of clean technology based on the following actions.

1. We need public actors to provide insurance as we did in the last century for mortgage-based consumer borrowing so that when cities buy from innovators, they can access affordable insurance for delivery and performance.

A national clean technology warrantee insurance program would allow companies to buy innovations while staying prudent.

A Canadian Low Carbon Economy Fund or Green Investment Bank could offer contract and long term warrantee insurance vehicles, like a Canadian Mortgage and Housing Corporation for clean growth economy. This would mean establishing clear innovation criteria for the fund.

1. Internationally in the G77, we also need financial innovation for climate finance. Canada should deploy climate finance-related overseas development assistance as a backstop to private capital not as a substitute for it, again as insurance not liquidity. And with full knowledge of Canadian clean technology solutions.
2. And we need to move quickly to level the playing field with fiscal policies that take full account of our G20 commitments.

And although we have focused on accelerating deployment of clean technology solutions today, we must not stop investing in innovating.

1. Canada needs to invest in the next generation of innovation by doubling current investments in order to maintain technological leadership where we have established it and to stake-out new areas of leadership.

Now allow me to wrap up. There are worrying signs that Canada is in real danger of repeating the mistakes of the past. This year’s report makes sobering reading regarding the opportunities that have been lost, and that could be lost in the future.

Canadians want this industry to succeed and it can. If we work together across the private and public sector, we will build an industry that serves society, the environment and the economy.

I will now yield the floor to the Minister of Environment and Climate change.

**Material to respond to Questions**

**The good news**

What does the 2016 report tell us that we didn’t already know?

There are some pieces of good news for Canada.

The Canadian clean technology industry now has over 775 technology companies, including many SMEs, operating in ten sectors and in every region of Canada. To put this in context Canada has 700 firms in the aerospace sector and 450 firms in the automotive sector.

The industry continues to gain traction as a significant contributor to the Canadian economy in terms of revenues, employment and exports.

In 2014, industry revenue was an estimated $11.63 billion and clean technology companies directly employed 55,600 people, compared to 49,900 in 2013.

For the first time, export revenues for the clean technology firms we research have surpassed half of total revenues in 2014 and were approximately $6.6 billion, with nearly a quarter of export sales coming from non-US markets.

87 percent of Canadian clean technology companies were exporters, and 91 percent anticipate exporting goods and services by 2016.

Importantly, companies are now accelerating the move away from business models of one time sales and are moving towards recurring revenue business models. In 2014, the percentage of sales coming from one time sales fell from 54 percent to 45 percent, while turnkey solutions rose from 37 percent to 44 percent. Financing for these contracts is one of the industry’s biggest challenges.

The same companies are still investing heavily in innovation, spending over $1.2 billion in R&D in 2014 and $7.6 billion cumulatively over the past six years, of which $5.5 billion was from firms with less than $50 million in revenue.

**Not so good news**

But there is also a lot of news that is not so good this year.

For the first time in this series of annual reports, the overall industry showed no growth in 2014, due to capital constraints and lack of domestic demand. Revenues decreased 3 percent. on a compound annual growth rate for 2012 to 2014

Growth in industry employment also slowed and grew 2 percent year on year from 2013 to 2014 and 3 percent CAGR from 2012 to 2014. If we don’t reverse the revenue trend, then the growth in jobs will surely slow further and tens of thousands of jobs will never be created.

80 percent of the industry’s companies are now at scale-up stage or later, when access to debt and project finance becomes absolutely critical to enabling sales of turnkey solution. Such finance is not available from Canadian sources today. The report shows that access to both debt and equity finance is still the biggest single barrier clean technology companies face in achieving their growth potential.

Canada’s market share of manufactured environmental goods declined by 41 percent from 2.2 percent to 1.3 percent. Among the top 24 exporters, our global ranking fell from 14th to 19th. We need to turn around the trend in our global ranking. We can choose both the environment and the economy.

And, because of increased global competition and the aforementioned difficulties in securing debt and equity financing, many companies are refocusing their efforts away from dominating global markets. They are now more focused on being globally competitive in niche markets. This lowering of ambition is a symptom of a deeper problem, which Canada must address by domestic demand stimulation. We need to ensure that Canadian companies go to the international markets with multiple fully scaled up and deployed solutions in Canada. A domestic showcase for export success.

And a word about that very strong commitment of the industry to R & D. Although good news in general, it is also a cause for concern.

Canada is good at innovation. Policies fostered by government have helped launch many successful companies, for which past governments deserve congratulation. But, we now need to do much more to integrate that innovation with commercialization.

It is definitely possible that we may effectively sell off yet another industry in which public and private funders have invested unstintingly in innovation. What do I mean by sell off?

We warned last year that it could be foreign companies and economies that reap the benefits of the innovations that Canadian taxpayers and investors have helped to finance. Some recent acquisitions bear evidence to this danger.

The answer must be a far greater focus on finance for commercialisation and for deployment, built on domestic demand generation. Or others will acquire the innovative technologies that Canada has invested in and the jobs and growth that flow from it.

**Comments on what we said in 2015**

In last year’s report we called for several things.

We asked that we end the sterile, pointless jobs vs. the environment debate. I think we are making progress here. Clean technology does not mean sacrificing economic growth to preserve the environment. It means generating economic growth through export-led products and services.

We also asked that Government and financial institutions need to rethink their role. Access to both debt and equity finance remains the biggest single barrier that clean technology companies face in achieving their growth potential. A new approach is still urgently needed.

We asked that Canada give more support to domestic demand generation and learn from other countries that have grown industries as part of the social economy, infrastructure and defense investments. Little has changed, but there are now signs that the problem has at least been acknowledged

We said that the industry itself needed to speak with a clearer and stronger voice. There is a lot more scope for industry organizations to participate in our national conversation. But progress has clearly been made

We said our international knowledge must also evolve. Canada is now starting to take its responsibilities seriously and looking outward, investing in research to determine how we will succeed in the global industry.

And we said we should make the aid budget work harder for Canada. We still need to connect the industry to our investment in development.

I also said that Canadian clean technology required stronger political recognition and leadership. Here are least it is obvious that clean technology has shot right to the top of the political agenda. The federal government is now most definitely ‘on it’ and committed to backing this industry.

**Additional comments – to conclude session after questions?**

Last year, I reminded those attending this event that over the last 20 years, we have had held and then lost leads in biotechnology, cable and satellite technology, and others as well. Canada has a small domestic market and a historic reluctance to implement industrial strategies that build scale among industries that have grown out of its innovation policies.

There are now worrying signs that Canada is in real danger of repeating the mistakes of the past. This year’s report makes sobering reading regarding the opportunities that are being lost, and that could be lost in the future. We have suffered a setback and growth is stalling.

However, Canada’s clean technology industry can overcome its challenges and avoid being left behind in a global race. But there is a now a new urgency to act and it should be said that there is also now a much stronger desire by governments and policy makers to engage with the industry and address the issues.

The recently created Canadian Clean Technology Partnership provides a forum to engage with stakeholders in the industry, to generate policy recommendations and to spread global best practice.

And there is also a new determination to embrace the needs of SMEs to influence policy and not only to listen to the opinions of a small number of US and Canadian corporate giants.

In the broader context there is also a determination to ‘rebuild Canada’s Brand’ within organisation such as the OECD, putting us once again in the vanguard of tackling the greatest challenge humanity has ever faced.

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