

Helping More Small Businesses Improve Their Energy Productivity and Efficiency

Enhancing our private sector energy productivity and efficiency can improve Canada's economic competitiveness while also addressing greenhouse gas emissions and other environmental and climate concerns. Encouraging investments in energy efficiency benefit the Canadian economy and business community in many ways, including through job creation¹, reinvestment², and business resiliency,³ making this an area of valid business concern.

However, there is a fundamental barrier impeding further improvements to Canada's private sector energy productivity which the federal government could help address: the barriers to small businesses acting in this area. Engaging the over one million Canadian small businesses to improve their environmental efficiency should be a part of any government sustainability efforts. However, to do this the government needs to address the issues of scale, complexity, and up-front funding in their incentive and funding programs to allow more small businesses to avail themselves of these initiatives.

First, given that the efficiency projects undertaken by small businesses would tend to be on a smaller scale than is typically supported by government, funding initiatives would need to allow for more minor projects. For example, one of the federal government's recent keystone environmental initiatives was the *Low Carbon Economy Fund* which pledged \$2 billion in funding for projects that will, among other things, help businesses find innovations to increase their energy efficiency and productivity. However, only a small portion of the fund is accessible to the private sector, and that is limited to projects of \$4 million or more---with the government funding only 25%---cutting out a significant portion of the business community which would not have need or capacity for projects of that scale.

Second, as small business owners do not often have personal expertise in this area or dedicated staff available to assign to this, government programs should be easy to find, navigate, and apply for. Currently, funding and incentive programs stretch across various departments, agencies, and crown corporations, not to mention whole levels of government themselves. Once a program is found, the application and reporting process can be lengthy and cumbersome. Albeit warranted for large-scale investments, if the scale of these programs is to be smaller, the application and reporting process should be simpler as well.

Finally, government programs and incentives need to offer more up-front funding to allow small businesses without significant reserve capital or cash flow to participate. The costs borne by small businesses of improving energy efficiency can be substantial and can prevent businesses from taking such actions in the first place. Many small businesses do not have the fiscal capacity to finance up-front energy efficiency upgrades themselves, and thus many do not. Many other businesses may be reluctant to take on debt from financing or loans specifically for energy efficiency projects and therefore again opt-out.

¹ *Job Creation* – According to the “*Less is More*” report by Efficiency Canada and Clean Energy Canada released in May 2018, efficiency measures in the Pan-Canadian Framework on Clean Growth and Climate Change will create an average of 118,000 jobs annually in Canada between 2017 and 2030.

² *Spurring Reinvestment* – Reducing energy use can act like a tax cut, releasing funds for reinvestment into a business or allowing households to spend more in other areas. This reinvestment or redirection of funds can ultimately result in job growth and improved overall economic performance. An estimate from the “*Less is More*” report by Efficiency Canada and Clean Energy Canada pegs the economic boost of energy efficiency to Canada's GDP at \$356 billion between 2017 and 2030, largely due to the savings from lower energy bills being reinvested and spent in the economy.

³ *Business Resiliency* – Increasing energy efficiency can help support the resiliency of Canadian business as we enter an era of potential energy and resource scarcity. Should climate change trends continue, there may be significant pressures, cost and otherwise, on raw resources, energy and other business inputs. In this scenario, those companies which have already maximized efficiencies in their processes and supply chains will be at an advantage while their competitors scramble to adjust to such changes.

While the federal government has made significant investments in environmental sustainability and energy efficiency as part of its overall environment and climate change agenda, more can be done to engage and support small businesses specifically. And while not exclusively a federal concern, ensuring more federal environmental programs and incentives meet the needs and capacities of small businesses would be a useful way for this level of government to better support the improvement of energy productivity and efficiency of Canada's small businesses.

Recommendations

That the federal government:

1. Help small businesses overcome the barriers of increasing energy efficiency by ensuring that future federal sustainability programs and incentives better allow for small business participation, and encourage small business uptake by addressing the issues of scale, complexity and up-front funding.