

**Government Response to the Third Report of the Standing Committee on International Trade:
Canada's Environmental and Clean Technology Goods and Services: Selected International
Trade Considerations**

Recommendation 1: That the Government of Canada take actions designed to increase market access for Canadian exports of environmental and clean technology goods and services. In this context, the Government should conclude additional trade agreements that contain provisions designed to eliminate or reduce tariffs and non-tariff barriers to such exports.

The Government supports this recommendation. The Government of Canada is firmly committed to the principle that trade liberalization and environmental protection can be mutually supportive, including through commitments that help facilitate trade in environmental and clean technology (ECT) goods and services and commitments that support the international competitiveness of Canadian businesses in this sector.

The Government of Canada is pursuing an active free trade agreement (FTA) agenda to diversify into new markets and secure preferential access for Canadian businesses, including those operating in the ECT goods and services sector. Canada has ongoing trade negotiations with the Association of Southeast Asian Nations (ASEAN), India, Indonesia, Mercosur, and the UK, which represent some of the largest and fastest-growing markets in the world. Canada recently launched exploratory discussions to assess the potential of an FTA with Ecuador, and is in the process of modernizing the Canada-Ukraine FTA. The Government of Canada is also working with other Parties to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to expand its membership; Parties are currently in the process of negotiating the UK's accession. In the course of ongoing FTA negotiations, as well as in future ones, the Government of Canada will continue to prioritize sectors of key export interest to Canada, including the ECT sector. This work also serves to support Canada's new Indo-Pacific Strategy (IPS), which identifies expanding trade, investment, and supply-chain resilience, as well as building a sustainable and green future, as two of the five main objectives.

In its more recent trade agreements, Canada's Environment chapters recognize the importance of facilitating trade and investment in environmental goods and services, including by addressing potential non-tariff barriers to trade. Commitments that further liberalize trade in ECT goods and services, including rules and conditions that enable Canadian exporters to fully benefit from preferential market access outcomes and be treated on an equal footing to the respective domestic competitors of other FTA Parties can also be found in other chapters. With regard to trade in ECT goods, Canada will build upon its recent FTAs and continue to seek to eliminate tariffs on these products and enhance the competitiveness of Canadian exports to foreign markets. The Government of Canada will also seek to include provisions in all of Canada's FTAs that reduce trade costs, enhance transparency and predictability for Canadian exporters, and promote trade in ECT goods. In terms of trade in ECT services, Canada's approach in its FTAs is to create certainty and predictability for exporters through obligations that prohibit certain discriminatory barriers to services trade (e.g. quotas, citizenship requirements) in its Cross-Border Trade in Services chapters, while also seeking preferential and facilitated access for key skilled professionals, such as engineers, scientists, and architects, in its Temporary Entry for Business Persons chapters. These provisions help to level the playing field, as the majority of Canadian cleantech companies, more than 90 percent, are small and medium-sized enterprises (SMEs).

The Government of Canada also supports ongoing discussions on environmental goods and services at the World Trade Organization (WTO), including as part of the Trade and Environmental Sustainability Structured Discussions (TESSD), recognizing that it plays an increasingly critical role in protecting the environment and addressing climate change, while generating economic opportunities around the globe. Furthermore, the Government of Canada supports ongoing work at the Asia-Pacific Economic Cooperation (APEC) to examine facilitating trade in environmental goods and services. In November 2021, the APEC Ministers Responsible for Trade committed to develop recommendations for potentially producing a voluntary, non-binding reference list of new and emerging environmental goods, and Canada is participating in the discussions relating to this initiative. In 2021, the APEC Group on Services endorsed a non-binding and non-exhaustive reference list of environmental and environmentally-related services. This list was subsequently endorsed by Ministers in November 2021.

Recommendation 2: That, on an urgent basis, the Government of Canada support global diversification efforts through strengthening the supply chains needed to transport and export environmental and clean technology goods and services. In taking actions relating to these supply chains, the Government should maximize export opportunities to existing and new markets in Europe, the Asia-Pacific region, the Caribbean, Latin America and Africa.

The Government supports this recommendation. Enhancing supply chains in order to maximize export opportunities for Canadian ECT enterprises is a multi-faceted endeavour. For example, Canada's transportation and infrastructure capacity is key to maintaining and expanding strong trade partnerships and securing supply chains. The Government has a significant track record of strategically investing in trade gateways and corridors, in order to deepen Canada's integration into global supply chains and enabling trade, travel, and tourism. However, shocks to Canada's transportation and logistics infrastructure over the last few years have nonetheless disrupted the flow of goods and challenged the resiliency of Canadian supply chains.

The Government continues to work closely with industry and other supply chain partners to find solutions and ease congestion. Following a National Supply Chain Summit held in January 2022, which was hosted by the Minister of Transport and attended by five other Ministers, the Government created a National Supply Chain Task Force, which released its final report in October 2022 with 21 recommendations. On November 3, 2022, the Government released the *2022 Fall Economic Statement*, which highlighted that it would be taking immediate actions that align with the Task Force's findings, including: moving forward with Budget 2022 commitments to invest in critical transportation infrastructure, support industry-driven digitization of supply chains, and make supply chains more competitive by continuing to cut unnecessary red tape; launching a Supply Chains Regulatory Review to consider further regulatory changes that could improve the efficiency and resiliency of Canada's supply chains; modernizing cargo and clearance inspection practices; streamlining operating policies and regulatory practices that impact the flow of goods through our international gateways; exploring ways to bolster protection and remedies for shippers and service providers due to service disruptions; and improving data reporting and monitoring. The Statement also highlighted the Government's commitment to a National Supply Chain Strategy, with details to be announced in Budget 2023.

Transport Canada also has initiatives being advanced that support Canada's IPS, including investments being made towards domestic transportation infrastructure projects through the National Trade Corridors Fund (NTCF). Established in 2017, the \$4.6 billion NTCF has committed funding to projects across the country, including at the ports of Vancouver and Prince Rupert on Canada's west coast. Addressing congestion and border fluidity at Canada's busiest trade corridor, the Pacific Gateway, will help support

and enhance trade opportunities for Canadian businesses to get their products to global markets, such as the Indo-Pacific region.

The U.S. remains the destination of choice for new Canadian exporters, and is of vital importance to Canadian ECT firms seeking to scale-up sufficiently to further internationalize in overseas markets. Strengthening the integration of Canada-U.S. supply chains is a priority objective of the Roadmap for a Renewed U.S.-Canada Partnership, announced jointly by Prime Minister Trudeau and President Biden in February 2021. More targeted bilateral discussions at the officials' level involving a number of departments and agencies continue to take place through the Canada-U.S. Supply Chains Working Group, established in December 2021. This Working Group published a progress report in June 2022 covering nine thematic areas, including but not limited to transportation and logistics, critical minerals, electrical vehicles and batteries, solar, defense, and information and communications technology. Engagement will continue on the next phases, with the next in-person meeting planned for early 2023 in Ottawa.

Canada is also engaged with a number of international partners on supply chain initiatives focusing on critical minerals, due to their importance to the transition to a green and digital economy based on advanced manufacturing and clean technology. For example, Canada and the U.S. are in the process of updating their Joint Action Plan on Critical Minerals Collaboration, originally established in January 2020, with the aim of advancing shared interests in securing supply chains for critical minerals. Canada also extended its partnership with the EU in a related manner under the Canada-EU Strategic Partnership on Raw Materials in July 2021.

While the U.S. is the key market for Canadian exporters in the sector, efforts are underway to encourage and support diversification into markets in Europe, the Asia-Pacific region, the Caribbean, Latin America and Africa. These efforts, such as additional resources at Canada's missions abroad, are outlined in the responses to recommendations 3 and 5 in particular.

Recommendation 3: That the Government of Canada ensure that Global Affairs Canada's Trade Commissioner Service has the resources needed to support Canada's current and future exporters of environmental and clean technology goods and services.

The Government supports this recommendation. To date, additional resources provided to Global Affairs Canada's (GAC) Trade Commissioner Service (TCS) have led to increased support for Canadian exporters, including exporters of ECT goods and services. Of more than 1,000 trade commissioners in more than 160 cities around the world, with more than 100 of them directly supporting domestic ECT businesses to enter, or scale up in, international markets. This support facilitates international sales, commercial partnerships, and increased foreign direct investment in Canada.

The International Business Development Strategy for Clean Technology, launched in 2017 and renewed in 2021, has doubled the annual funding provided to the TCS to support the expansion of Canadian cleantech firms internationally. The Strategy receives \$4.3 million in annual funding (ongoing), and funds 15 positions dedicated to supporting ECT exporters. This has enabled the TCS to staff eight regional cleantech and climate finance trade commissioner positions in Europe, the Asia-Pacific region, the Caribbean, Latin America, and Africa. The TCS has also deployed a team of five climate finance trade commissioners at GAC that coordinates the global climate finance work and support Canadian ECT companies to identify and access climate action funding sources to undertake climate adaptation and

mitigation projects in developing countries.

Since the launch of the Strategy and the addition of dedicated resources, the TCS has increased the number of services provided to cleantech firms by 22 percent, generating almost 500 cleantech commercial deals and supporting the negotiation of another 1,300 commercial deals with a total estimated value of \$1.28 billion. While the Strategy has successfully helped exporters diversify markets by generating commercial outcomes in an additional 56 countries, compared with FY2017-18, the U.S. continues to remain Canada's top export market with the greatest number of recorded successes. Canada's ECT export-ready firms are receiving an enhanced level of service. To date, the TCS has served over 1000 cleantech export-ready firms. About 95 percent of those firms served are SMEs, including women-owned, youth-owned and Indigenous-owned companies. Looking ahead, the TCS is committed to increasing the number and quality of services provided to Canadian cleantech firms owned or run by persons belonging to under-represented groups, helping them export their ECT goods and services, diversify markets and access growing pools of global climate finance.

Canadian ECT exporters are increasingly leveraging the programs, funding, and mentoring that support international trade diversification. Examples include support provided under both the Canadian Technology Accelerator (CTA) program and CanExport programs. Since 2013, the CTA has supported more than 200 Canadian cleantech firms and helped accelerate their growth in international markets. In 2022-23, several CTA initiatives focused on cleantech. These include: a multi-city program and a women-led business program, both in the U.S.; and separate programs in India, the UK, and the ASEAN region. Since 2016, CanExport SMEs has approved over \$11 million worth of support for more than 360 cleantech projects in foreign markets; CanExport Innovation has approved approximately \$1.3 million for 95 cleantech projects to establish foreign R&D partnerships; CanExport Associations has provided \$3.5 million for 10 Canadian cleantech national trade associations to undertake international business development (IBD) activities in 26 foreign markets; and under the Canadian International Innovation Program (CIIP), 18 Canadian SMEs received \$4.5 million worth of assistance for cleantech projects.

These programs and funding sources have helped to ensure that the Government of Canada, through the TCS, can support Canadian ECT exporters as they seek to build their presence in existing markets, or enter new ones. Thus, the Government's implementation of this recommendation is well-underway.

Recommendation 4: That the Government of Canada take efforts to enhance awareness, among Canada's current and future exporters of environmental and clean technology goods and services, of federal financing and other support programs designed to help firms scale up and compete in international markets. In doing so, the Government should work with Export Development Canada, the Business Development Bank of Canada, Sustainable Development Technology Canada and Global Affairs Canada's Trade Commissioner Service. Finally, the Government should ensure that information about federal support programs is readily available and easily accessible, and that eligibility requirements for various measures are clearly specified.

The Government supports this recommendation. Recognizing the potential of ECT goods and services for advancing Canada's environmental and economic goals, the Government of Canada has made significant investments in clean technology and clean growth, creating a robust ecosystem of programs and services that support Canadian clean technology entrepreneurs and adopters, including measures to help Canadian businesses be more competitive internationally. This includes providing funding and

other support along the innovation continuum, through programs and initiatives that encourage investment in clean innovation, and targeted investments in research institutions, innovation centres and R&D networks. In addition to core federal departments and agencies, federal crown corporations, including EDC and BDC, provide financial support to the ECT sector, most notably through Budget 2017 announcements of \$1.4 billion in funding. The Government of Canada is committed to ensuring that information about these important programs is readily available and easily accessible.

Clean Growth Hub

The Clean Growth Hub (CGH) is an important Government of Canada mechanism to provide information and raise awareness about the evolving suite of federal support programs for clean technology innovators, adopters and exporters. While the CGH itself does not provide funding, it is a whole-of-government focal point for clean technology that acts as a “one-stop shop” for information about funding and services for cleantech initiatives. In doing so, the CGH contributes to enhance awareness, among Canada’s clean technology innovators and exporters, of federal financing and other support programs designed to help firms scale up and compete in international markets. In doing so, the CGH contributes to enhanced awareness among Canada’s clean technology innovators and exporters regarding federal financing and other support programs designed to help firms scale up and compete in international markets.

The CGH was established through Budget 2017, as part of the Government’s historic investment of \$2.3 billion towards advancing research, development, demonstration and adoption of cleantech. Budget 2021 renewed funding for three years. Co-led by ISED and NRCan, the CGH is mandated to help clean technology innovators and adopters navigate federal programs, enhance program coordination, and track outcomes of federal cleantech investments.

The CGH collaborates with its 17 member departments and agencies to enhance program coordination, helping to ensure that Canada’s most promising cleantech innovators and adopters receive the support they need to grow and reach new markets, including abroad. In doing so, the CGH works closely with Export Development Canada (EDC), the Business Development Bank of Canada (BDC), Sustainable Development Technology Canada (SDTC), and GAC, including the TCS. To date, the CGH has helped more than 2,500 clients. The CGH, TCS, and other Government departments and agencies supporting Canadian ECT companies will continue to engage with them in order to ensure that funding and programming is aligned with their needs, and to ensure that they receive timely information that allows them to continue to grow domestically and globally.

Federal Financing and Programs for ECT Producers and Exporters

SDTC is an arm’s length foundation created by the Government of Canada to fund new clean technologies, and it supports Canadian companies in becoming world leaders in their efforts to develop and demonstrate new ECT technologies. Since its inception in 2001, over \$2.1 billion has been made available to SDTC for project disbursements under the Sustainable Development Technology Fund. In 2020, the Government of Canada also announced \$750 million to recapitalize SDTC, enabling more cleantech companies to grow and scale to meet domestic and global demand for solutions in the Net Zero era.

Another major program that supports the development of the Canadian ECT sector is the Strategic Innovation Fund (SIF), an \$8 billion initiative, which supports large-scale, transformative and

collaborative projects to improve Canada's innovation performance, while providing economic, innovation and public benefits to Canadians. Under SIF, the Net Zero Accelerator (NZA) program is a key tool to help support both Canada's economy-wide GHG emissions reduction targets as well as sector-specific targets.

EDC is one of the largest providers of financial solutions to Canadian cleantech companies, and provides them with financial solutions at different stages of their commercialization. These financial solutions include working capital support through guarantee programs, direct lending solutions as well as credit insurance to mitigate payment risk. EDC also invests in venture capital and private equity funds and directly in Canadian companies. In 2021 alone, EDC served a record 324 cleantech customers and supported a record \$6.3 billion in business to the Canadian ECT sector, a 39 percent year-over-year increase from 2020. Support for clean technology companies is an important piece of EDC's 2030 corporate strategy and to that end, EDC is targeting \$10 billion worth of business facilitated, on an annual basis, by 2025.

Funded through Budget 2017, BDC's Cleantech Practice offers financial solutions to support growth capital of Canadian cleantech firms. Cleantech Practice has deployed all of its original \$600 million in funding to support approximately 50 Canadian businesses in the form of subordinated debt and corporate equity. BDC collaborates closely with the investment community to leverage further funding for supported businesses.

As outlined in the response to recommendation 3, the TCS, through its CanExport programs, also contributes significant funding to support Canadian ECT exporters. In addition to financing, the work of the TCS at missions around the world and domestically includes direct engagement with Canadian ECT companies, including important information-sharing and guidance.

Recently, Budget 2022 proposed significant new initiatives directed at green economic growth including measures that will boost innovation and make it easier and more affordable for Canadians and Canadian businesses to adopt clean technologies. Specific measures included a \$15 billion Canada Growth Fund, which will accelerate the investment of private capital into decarbonization and cleantech projects, help promote the diversification of Canada's economy, help meet Canada's climate targets, and strengthen Canada's economic resilience and capacity.

Recommendation 5: That the Government of Canada support Canada's current and future exporters of environmental and clean technology goods and services by increasing the level of its engagement with relevant stakeholders in the country is environmental and clean technology sector. Through discussions and consultations, the Government should ensure that shared objectives are met in two areas: maximizing the value and volume of exports of Canadian environmental and clean technology goods and services; and enhancing awareness among federal officials about the challenges and opportunities that Canada's current exporters of environmental and clean technology goods and services experience in international markets.

The Government supports this recommendation, and is actively engaged with Canadian ECT companies through a variety of channels and activities, including in the context of FTA negotiations and trade promotion. The Government recognizes that the Canadian cleantech sector is well positioned to take advantage of opportunities created by industrial decarbonization efforts, both at home and abroad. This push is driven by Canadian strength in areas such as: clean energy; energy efficiency technologies;

hydrogen and low emission transportation; batteries, smart grids and storage; carbon capture, utilization and storage; water and waste water treatment; and agri-tech. The majority of Canadian cleantech companies are clustered in four key regions – Ontario, British Columbia, Quebec, and Alberta – and over 90 percent are SMEs. In 2022, Canada ranked second on the Global Cleantech 100 list, with 13 listed companies, all of which have received Government funding in various forms, including grants and contributions.

Trade Commissioner Service

The TCS continuously supports Canada's current and future exporters of clean technologies and has been regularly engaging with stakeholders in its dynamic clean technology sector. The TCS provides Canadian firms with practical advice on foreign markets and on-the-ground intelligence to help them make better, timelier, and cost-effective decisions in order to achieve their goals abroad. During FY2020-21, the TCS helped more than 1,380 clients and partners to receive over 5,300 services, access over 1,025 business opportunities, and provided funding for 56 cleantech projects. Over 220 Canadian companies reported success in 68 countries, and four provinces secured seven FDI successes as a result of the TCS support in that fiscal year.

The TCS proactively engages with Canadian clean technology exporters in many different, but complementary ways. At both domestic and international industry events, the TCS leverages knowledge of in-market opportunities and buyer needs to provide tailored support services to Canadian exporters, help forge partnerships with local buyers or technology developers, and also attract investment into Canadian clean technology projects. The TCS closely collaborates with the CGH, the National Research Council's Industrial Research Assistance Program, BDC, SDTC, and EDC, along with other Government departments that participate in various international sector events and initiatives, where they co-assist Canadian companies with their international business development needs and identification of suitable programs and services available to exporters. For instance, in 2022, the TCS partnered with ECCC to deliver the Canada-EU CETA Cleantech Summit Virtual Business Workshop, where actionable intelligence on opportunities in the EU and Canadian markets was shared with more than 200 Canadian and EU firms. The TCS also strategically supports clients attending key sector events.

The TCS has regional stakeholder engagement models, such as for the delivery of annual water and energy roadshows (California, Nevada, Arizona), now expanded to markets with strains on the local power grid, energy use, and conservation, which are increasingly top priorities for local governments. The TCS also organizes ministerial trade missions, often featuring clean technology components (e.g. Minister Ng's Trade Mission to Chile in April 2023).

In addition, the TCS engages with Canadian ECT firms through a variety of online platforms. On-line tools and resources include the TCS website, hosting key information on funding, support services and key contacts; the TCS Enquiries Services, providing market and sector-specific information for small and medium-sized enterprises; CanadExport TCS magazine featuring articles on trade and investments; and MyTCS, an online registration platform that enables Canadian businesses to access export information and tools. The official TCS corporate social media channels promote initiatives having a national or international scope to a diverse business audience, including announcements of new services, new web content, trade shows and events, business opportunities, and other relevant information.

The TCS has increasingly focused efforts on identifying and assisting the international business development needs of Indigenous-, Women-, and Youth-owned clients, to ensure the success of these SMEs in expanding their business internationally.

Clean Growth Hub

As outlined in the response to recommendation 4, the CGH is a key Government of Canada initiative that supports the cleantech sector. The CGH supports Canada's current and future exporters of clean technologies and has been regularly engaging with stakeholders.

The CGH proactively engages with specific Canadian clean technology stakeholders at events, focusing on increasing knowledge on opportunities, support services, and export activities. For instance, in 2022, CGH representatives participated in a number of events such as: Maximizing Cleantech Funding Potential, organized by Emissions Reduction Alberta and Alberta Innovates; MaRS Climate Impact; and EDC's Cleantech Export Week, among others. Some events are more focused on engaging with organizations interested in exporting their cleantech solutions. The TCS and CGH collaborated in their participation to these events, which provided an opportunity to raise the awareness of Canadian cleantech innovators and exporters about federal support programs, including TCS and EDC programs dedicated to helping companies interested in competing internationally.

The CGH engages with cleantech innovators and exporters to advance their projects through outreach activities and engagements in cleantech events and through specialized resources including: an online inventory of cleantech-focused funding programs, services and opportunities; resources and tools to help plan and access support for cleantech projects; and no-cost advisory services to help connect cleantech initiatives with appropriate federal supports, which includes one-on-one meetings with program-ready clean technology companies to identify their needs and redirect them to the right programs and services. The CGH also regularly publishes a newsletter, addressed to the clean technology community and providing updates on federal policies, program and support measures related to clean technology to more than 1,900 subscribers.

To meet the goals of supporting diversity and inclusiveness in Canada's cleantech sector, the CGH is also seeking to better serve underrepresented groups in clean tech. The CGH has implemented a Reconciliation, Equity, Diversity and Inclusion (REDI) Strategy and Action Plan to improve data gathering on client diversity and to enhance internal capacity to provide tailored advice to organizations owned or led by women, Indigenous Peoples and racialized people. The CGH has engaged with equity seeking organizations in order to raise awareness of federal cleantech programs and services available to underrepresented groups, including Indigenous clients. Through collaboration with NRCan's Nòkwewashk team, the CGH has participated in information sharing sessions with National Indigenous Organizations to highlight the CGH's services and how it can help Indigenous cleantech stakeholders access federal programs.

Recommendation 6: That, when completed, the Government of Canada publish the results of its assessment of border carbon adjustments. Furthermore, if any related measure is adopted, the Government should ensure that it is consistent with Canada's international trade obligations and supports the competitiveness of the country's environmental and clean technology firms.

The Government supports this recommendation. The Government of Canada is committed to ensuring that Canada's transition to a low-carbon economy is achieved in a way that is fair and predictable for our businesses, and that does not simply transfer emissions to other jurisdictions with either less stringent or no carbon pricing measures, but rather encourages our partners to raise their ambition as well.

Under Canada's approach to carbon pricing, carbon leakage and adverse competitiveness risks to emissions-intensive and trade-exposed (EITE) sectors are mitigated through the design of domestic carbon pricing systems, including for example through output-based pricing systems for EITE sectors. Border carbon adjustments (BCAs) are another tool to mitigate carbon leakage risks for EITE sectors, such as steel, aluminum, and cement.

Since the 2020 Fall Economic Statement, where the Government first announced its intention to explore the potential of BCAs, the Government has been assessing BCAs as a tool to help Canada meet its climate targets and ensure a fair environment for businesses. On August 5, 2021, the Government of Canada launched a consultation process in support of this objective, where the Government released an assessment of BCAs, outlining the nature of BCAs and their objectives, the international context, and considerations in assessing the potential role of a BCA for Canada. The Minister of Finance's mandate letter of December 2021 directed the Minister to continue to consult with Canadians to inform the development of an approach to BCAs, in particular for emissions-intensive imports, such as steel, cement and aluminum. In that regard in early 2022, the Government also conducted discussions with the provinces and territories and stakeholders in key sectors.

The Government of Canada is actively engaged with its trading partners, notably the U.S. and the EU, as well as in the G7, the OECD, and the WTO, to discuss BCAs and other tools to mitigate carbon leakage risks while minimizing international trade law risks, and to promote the uptake of carbon pricing globally. In the context of the TESSD at the WTO, Canada is actively participating in discussions on trade-related climate measures, including BCAs. In 2022, G7 Leaders endorsed the launch of the Climate Club to further help encourage greater international efforts to decarbonize economies, expand climate change mitigation efforts and support a dialogue to ensure that carbon leakage risks are minimized among its members. The OECD's International Framework for Carbon Mitigation Action was also launched in 2022 and will conduct technical work to support these efforts. Moreover, at the United Nations Climate Change Conference in Glasgow, the Prime Minister launched the Global Carbon Pricing Challenge, calling on all countries to expand the coverage of carbon pricing from 20 percent to 60 percent of global GHG emissions by 2030.

At this time, the Government of Canada is continuing its assessment of BCAs against this backdrop of growing international efforts to cooperate on mitigating carbon leakage risks, while continuing to implement important domestic policy measures to maintain a strong carbon price signal and drive industrial decarbonization. A determination of the potential role of BCAs for Canada will take into account both the international and domestic policy context to ensure that BCAs would support Canada's ambitious climate action, by effectively mitigating current and future carbon leakage and competitive risks, while ensuring consistency with international trade rules. Further information on these efforts will be provided in due course.

Recommendation 7: That the Government of Canada limit the volume of goods imported from jurisdictions that emit high levels of greenhouse gases by exploring the development and implementation of a national "low-carbon footprint" policy at Canada's borders.

The Government acknowledges this recommendation. The Government of Canada is committed to ensuring that Canada's transition to a low-carbon economy is achieved in a way that is fair and predictable for our businesses, and does not simply transfer emissions to other jurisdictions with either less stringent or no carbon pricing measures. Rather, we want to encourage our partners to raise their ambition as well.

As noted in the response to recommendation 6, at this time, the Government of Canada is continuing its assessment of BCAs against this backdrop of growing international efforts to address carbon leakage risks, while also rolling out important domestic policy measures to ensure a strong carbon price signal and support the decarbonization of industrial emitters. A final assessment of BCAs will be based on both the domestic and international policy context, to ensure BCAs can help respond to current and future carbon leakage risks for Canada, and to ensure it can deliver an effective response that supports domestic competitiveness and ensures consistency with international trade rules.

Recommendation 8: That the Government of Canada develop and implement rebates for Canadian firms that produce environmental and clean technology goods and services using low-carbon energy sources. Such rebates should be designed to support and enhance these firms' international competitiveness.

The Government acknowledges this recommendation, and the need to support ECT companies as they seek to enhance their competitiveness as Canada transitions to a low-carbon economy. It is also important to ensure consistency with Canada's international trade obligations.

Support to ECT companies can take a number of forms, including many of the programs and financing sources outlined in this Government Response. For instance, the CGH provides important resources and support to Canadian ECT companies as they navigate potential export opportunities. Meanwhile, the Government of Canada is actively providing financial support and advice to ECT companies through crown corporations such as EDC and BDC, as well as through funds such as the SIF.

Additionally, through negotiations of FTAs with strong environment provisions, Canada supports a "level playing field" for Canadian ECT companies, and promotes cooperation with trading partners on trade and investment in the sector. In these agreements, Canada has underscored its resolve to facilitate and promote trade and investment in environmental goods and services, including through addressing the reduction of related non-tariff barriers, as well as facilitating the removal of obstacles to trade or investment in goods and services of particular relevance for climate change mitigation and in particular trade or investment in renewable energy goods and related services.

Recommendation 9: That the Government of Canada work with Canada's trading partners, particularly the United States and Mexico, to harmonize codes, standards and regulations relating to environmental and clean technology goods and services. On a priority basis, the harmonization efforts should focus on electric vehicle charging stations and the components in electric vehicles that connect with these charging stations.

The Government supports this recommendation. Canada has established mechanisms to avoid trade barriers and ensure regulatory alignment with its trading partners. It also participates in the development of international and regional standards, and often adopts them in its regulations to minimize regulatory divergence with other jurisdictions.

Canada is a party to a number of FTAs that include provisions to minimize barriers to trade. Some provisions ensure a certain level of transparency in the development and adoption of technical regulations and conformity assessment procedures, including those targeting ECT goods. These transparency provisions commit the Parties to undertake consultations at an early stage in the regulatory development process, allowing stakeholder to provide comments. These FTAs also promote the alignment of technical regulations with international standards, which in turn help minimize regulatory divergence between jurisdictions.

Canada also has two formal international fora in which it can engage with stakeholders in the U.S. and the EU on regulatory issues: the Canada–U.S. Regulatory Cooperation Council (RCC) and the Canada-EU Regulatory Cooperation Forum (RCF). Both provide a forum for stakeholders and regulators to share information and discuss regulatory barriers to trade and investment and identify opportunities for alignment and cooperation on topics of mutual interest.

Canada can leverage these fora to facilitate connections between multiple regulators and to identify emergent areas of interest for future cooperation, with the potential to cover ECT goods. For example, in 2022, the Standards Council of Canada (SCC), the European Committee for Standardization (CEN), and the European Committee for Electrotechnical Standardization (CENELEC) discussed the potential for cooperation on hydrogen standards under the RCF. International regulatory cooperation and the RCC are part of the Canada-U.S. Working Group on Supply Chains that is looking at addressing supply chain issues in EVs. Therefore, the RCC could theoretically support further harmonization on EV and EV chargers in the future, depending on the objectives and outcomes of the working group.

In many areas related to ECT goods, Canada already aligns its regulations on international standards and/or standards covering North America, when possible. It also participates in the development of these standards.

For example on EVs, the Canadian Motor Vehicle Safety Standard (CMVSS) 305 on Electrolyte Spillage and Electrical Shock Protection has been harmonized with the equivalent standard in the U.S. (FMVSS 305) since initial publication in 2001. CMVSS 305 also partially aligns with the Global Technical Regulation for Electric Vehicle Safety (UNECE GTR 20) developed under the United Nations World Forum for the Harmonization of Vehicle Regulations. Transport Canada is also actively participating in the development of UNECE GTR 20 and works closely with international partners, including China, the EU, Japan, Korea and the U.S., on research and development of safety requirements for the GTR to ensure alignment of the CMVSS with international standards, where appropriate. Furthermore, ECCC plays a secretariat role and is an active participant in UNECE's Informal Working Group on Electric Vehicles and Environment, which focus on the exchange of information on current and future regulatory requirements for EVs in different markets; minimizing the differences between regulatory requirements; and developing common requirements in the form of one or more UN global technical regulations. The Government of Canada also monitors and supports national and global standardization of EV charging connectors. NRCan is also developing and aligning codes and standards for the production, distribution, and electrification of transportation.

The Government also works toward minimizing regulatory requirement differences between Canada and the U.S. related to the efficiency of energy-using products. For example, the new amendment of the Energy Efficiency Regulation, which prescribes energy efficiency standards for some of these products, incorporates tests methods from U.S. regulations for measuring the energy consumption of central air

conditioners and heat pumps, reducing trade barriers as a result. The Government of Canada also cooperates with the U.S. on advancing harmonized codes and standards for low carbon fuel technologies and infrastructure. In 2015, NRCan and the U.S. Department of Energy adopted a regulatory partnership statement. This cooperation now includes low carbon transportation solutions, like EVs and hydrogen fuel cell vehicle technology and infrastructure as well as propane vehicle technologies and components.

The Government supports codes and standards initiatives by standards development organizations accredited in both Canada and the U.S., with a particular focus on hydrogen. The Government has made financial contributions to CSA Group for updates to the Canadian Electrical Code, and to update binational standards for EVs and infrastructure. It has also established consultation mechanisms through the CSA's Electric Vehicle Advisory Group, regarding the development and prioritization of codes, standards, guidelines, and recommended practices for EVs and related charging equipment, systems, and processes. The Government is currently considering further contributions to CSA Group to develop harmonized codes and standards for innovative technologies, such as advanced EV charging, energy storage and energy management systems and additional modes of transportation, like medium and heavy duty vehicles, marine/airport/mining ecosystem and rail electrification.

Recommendation 10: That the Government of Canada continue with and enhance its advocacy efforts in the United States and Mexico concerning policies and measures that could affect—or are affecting—exports of Canadian environmental and clean technology goods and services. The Government's efforts should occur alongside, and be informed by, similar efforts by other governments in Canada, as well as by such stakeholders as Canadian firms and employees, and—respectively—their trade associations and organized labour groups.

The Government supports this recommendation. Advocacy and engagement are important elements of Canada's approach to addressing trade challenges with the U.S. and Mexico. The Government of Canada has a proven track record in leading and supporting advocacy efforts when challenges arise. This includes the recent Team Canada advocacy campaign concerning U.S. federal tax credits for purchases of clean vehicles, including electric vehicles, which originally envisioned "Buy America"-style U.S. domestic content requirements. The significant Team Canada advocacy campaign included engagement at all levels and helped ensure that Canadian vehicles, batteries and critical minerals are eligible under the U.S. Clean Vehicle Credit, which is a major component of the recently passed *Inflation Reduction Act*.

The Government of Canada, including its diplomatic network, will continue to monitor potential measures in the U.S. and Mexico that could negatively affect Canadian market access, including access for ECT goods and services. In working to address future market access challenges in the U.S. and Mexico, Canada will continue to emphasize: the deep integration of North American supply chains and their importance for the region's economic resilience; the value of open government procurement markets; and Canada's climate ambitions and its low-carbon exports of important inputs for the North American economy. With respect to the United States, Canada will also emphasize our common security interest and shared values with respect to labour and the environment. The Government of Canada will not hesitate to stand up for Canadian interests, including taking strong actions in support of Canadian industry and workers. In advancing Canada's interests, the Government will continue to take a Team Canada approach that includes working alongside relevant stakeholders such as representatives from provinces and territories, municipalities, businesses, industry associations, labour groups and others.

Recommendation 11 : That the Government of Canada collaborate with other governments in Canada, as well as with other relevant stakeholders, in ensuring that Canada has the infrastructure that is needed as the country seeks to increase exports of environmental and clean technology goods and services.

The Government supports this recommendation, and consistently engages with other governments in Canada and relevant stakeholders to ensure that Canada's trade infrastructure can support the growth of exports of ECT goods and services to new and established markets. For instance, Transport Canada's NTCF is a competitive, merit-based program which funds transportation infrastructure projects that support supply chains, and strengthens the efficiency and resilience of transportation assets critical to Canada's success in both domestic and international trade. As of December 2022, approximately \$2.8 billion in funding has been committed to 138 strategic projects across Canada, which have directly leveraged more than \$5.9 billion in total investments from all project partners across every province and territory.

The NTCF is delivering key investments to enhance the capacity, efficiency, and fluidity of our trade enabling transportation system ensuring goods, including environmental and clean technology goods such as forestry and mining products, move efficiently to global markets. For example, the NTCF is investing more than \$46 million in the Port of Nanaimo's Duke Point Terminal Phase 2/3 Expansion project to undertake several upgrades to the Port Authority's deep-sea marine terminal, including the construction of a new covered warehouse for pulp and other forestry products. This expansion will allow for a greater connection between Vancouver Island and the Lower Mainland, as well as international markets, by reducing congestion at the wharf and providing capacity for direct calls by international carriers. Another example includes the \$30 million in NTCF funding committed to the Government of the Northwest Territories' Slave Geological Province Access Corridor project to undertake environmental assessments and planning studies to make this project shovel-ready, which would ultimately result in reliable, year-round road access into a mineral-rich region, including critical minerals, that is host to much of the existing mining industry.

Recommendation 12: That, with a view to enhancing Canadian exports, the Government of Canada consider the creation of a framework that would lead to greater global demand for carbon capture technologies developed in Canada. If such a framework is created, the Government should consider export opportunities to jurisdictions in the Indo-Pacific region.

The Government supports this recommendation, and recognizes the importance of a consolidated, coordinated approach in order to develop demand for carbon capture, utilization and storage (CCUS) technologies in international markets. Canadian CCUS innovation is routinely recognized as world-leading on the annual Global Cleantech 100 list. In fact, in 2022, the list featured carbon capture technology developers Carbon Engineering and Svante, as well as carbon utilization developers CarbonCure and CarbiCrete. These companies compete favourably for deployment and sales opportunities in international markets on the merits of their technology performance and cost. For example, both Svante and Carbon Engineering have planned projects in the U.S. and/or UK markets.

The Government has a track record of providing support for CCUS, contributing to the strength of Canada's technology and export readiness. NRCan is leading the development of a *Carbon Management Strategy for Canada*, which will provide support for the development and deployment of CCUS technologies, building on the previously announced CCUS Investment Tax Credit led by Finance

Canada and the Budget 2021 investment of \$319 million for research, development and demonstration (RD&D) efforts to advance CCUS technologies. In 2021, NRCan also launched a call for proposals under its Energy Innovation Program for RD&D projects related to industrial fuel switching and the production of clean fuels for use in hard-to-abate sectors (\$50 million), as well as in R&D to support hydrogen codes and standards (\$3 million), for which several CCUS project proposals were received.

The SIF, as described in the response to recommendation 4, supports large-scale, transformative and collaborative projects. The SIF, including through its NZA program, promotes the long-term competitiveness of Canadian industries, clean growth, and the advancement of Canada's strategic technological advantage. The NZA supports Canada's net zero goals to help transform the economy for clean and long-term growth. This initiative is supporting large-scale investments to ensure that Canada remains competitive in a net-zero economy and reduces greenhouse gas (GHG) emissions. Investments in CCUS align with all three NZA investment pillars: decarbonization of large emitters, industrial transformation, and clean technology/battery ecosystem development. In 2022, NZA launched a Call to Action for high emitting sectors and recently announced the selection of 10 projects to move forward to phase two of the evaluation process. Additionally, SDTC continues to provide support to Canadian cleantech companies for R&D and technology demonstration. SDTC has supported Canadian CCUS technology companies – including CarbonCure, CO2 Solutions, Hyperion, Carbon Corp and others – for over 20 years.

The Industrial Decarbonization Team at ISED helps to facilitate inter-departmental collaboration and coordination in policy development, investment consideration, and project pipeline tracking in areas of industrial transformation, including CCUS. The Government of Canada continues to strengthen existing inter-agency and inter-departmental initiatives to contribute to a strong export development framework that incorporates ongoing support for the global leadership and international attractiveness of Canadian technologies and intellectual property.

Additionally, the recently released IPS will provide increased opportunities for the Government of Canada to support Canadian companies in the emerging CCUS technologies space. ISED will leverage the program under the IPS, known colloquially as the Cleantech Demonstrations, to develop, fund, and work with industry representatives in a variety of cleantech subsectors, including CCUS technologies, to pilot demonstrations in developing markets. These will be designed specifically to increase export opportunities in the Indo-Pacific region and will improve investment flows, amplify Canada's growing CCUS technologies sector, and stimulate foreign demand for Canadian technologies in target markets.

Canada also participates in a variety of international initiatives including Indo-Pacific partners aimed at advancing the decarbonization of heavy industry which showcase the value of CCUS technologies developed in Canada. The Clean Energy Ministerial (CEM) *Industrial Deep Decarbonisation Initiative* (IDDI), co-led by the governments of the United Kingdom and India, works to enable industrial decarbonization by creating a thriving market for low carbon industrial products, including steel and cement. Canada is a supporting member with active representation on three technical working groups. Similarly, the Initiative's objective is to accelerate CCUS as a viable CO₂ mitigation option, facilitate diffusion of knowledge on technologies, regulations and policies, and lead to strategic partnerships to accelerate both near and longer-term investment in CCUS.