



Ontario Clean Technology
Industry Association

February 17th, 2025

To Whom It May Concern:

We are clearly living in interesting times, and while our relationship with the United States is incredibly dynamic at the moment, we don't want you to miss the underlying global opportunity that is clean technology, and how well positioned Ontario is to leverage this opportunity. **We hope you agree that an election is a time for new ideas and reflection.**

We are the Ontario Clean Technology Industry Association (OCTIA), Ontario's industry association for creators, manufacturers and adopters of all clean technology. And clean technology is a wide-ranging industry with significant value-add and a diversity of 89,000+ employed Ontarians. Ontario's cleantech companies are already producing valuable and innovative products, creating jobs, getting market share overseas with exports of \$5.8 billion of a Canadian total of \$9.4 billion, increasing productivity and returns for investors. **Ontario's clean technology isn't just about clean energy and climate change, it's about making all industries more efficient and competitive.**

This market opportunity is gigantic with [\\$2 trillion annually in global infrastructure investment required to get us to net zero, according to Goldman Sachs Research](#). Canada punches above its weight in cleantech as [we have ranged from 9 to 13 of the top 100 cleantech companies in the world, as ranked by the Cleantech Group](#). And within that figure, Ontario represents the greatest concentration of cleantech in Canada with 35% of the total number of 2,427 Canadian cleantech companies. Ontario in particular is uniquely positioned with our strong academic institutions generating world class innovations, one of the best educated workforces in the world, with great access to capital, and incredible competencies in a wide range of technologies; all poised to serve the global market. **Ontario cleantech represents what all Ontario will need to survive and prosper.**

We offer for your consideration the following five mutually supportive, tested, and widely supported keystone policies. They have already largely been enacted by a number of our global competitors (and some other provinces in Canada), and will be either costless or a net gain for Ontario's Treasury. **Together they comprise a ready-made, announceable program for Ontario's future success.**



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1. **Access to Capital for Ontario's Innovative SMEs:** Early stage investment tax credits

Our counterparts at Angel Investors Ontario have recently proposed the “Ontario Small Business and Innovation Equity Credit,” modeled after the successful “Small Business Venture Capital Tax Credit (SBVCTC)” offered by British Columbia since at least 2003. Their proposal drew inspiration from successful models in other provinces including Prince Edward Island and Nova Scotia. In the years 2003 to 2022, BC resident investors invested \$1.979 Billion into qualified small businesses, resulting in \$594 million of refundable tax credits for individuals and carried-forward tax credits for 4 years for corporate investors. The BC Government believes the net resulting increase in the tax base from those funded businesses more than offset the near tax credits provided. The sectors can be adjusted annually along with targeted investment goals/limits. Moreover, approximately 1,920 companies have received investments from 2016 onwards through the SBVCA.

We endorse this proposal and consider that it would benefit not only the innovative Ontario cleantech companies that we (OCTIA) represent, but innovative companies of all kinds that we must collectively grow into our provincial and national champions. Champions we will need in these challenging times. [It is worth noting that 31 American states have some form of early stage \(“Angel”\) investment tax credits.](#)

2. **Access to Sales for Ontario's Innovative SMEs:** Public procurement set-asides for SMEs.

In recent years, the Ontario Chamber of Commerce has published a report titled, “[Power of the Purchase Order: Modernizing Public Sector Procurement in Ontario](#)”. Among other recommendations, it advocates for special consideration to be given to SMEs and innovators by Supply Ontario's procurement processes. OCTIA endorses and would like to provide the context of what Canada and our global competitors are doing.

[Various OECD countries' governments provide specialised support for domestic Small and Medium Sized businesses \(SMEs - defined as fewer than 500 employees\) that want to sell goods and services to public bodies.](#) The Government of Canada, for instance, has [Procurement Assistance Canada \(PAC\) specifically assigned to this task.](#) They have gone further by planning to set aside [20% of procurement for SMEs, and 1% of procurement for innovation-offering SMEs.](#)

We simply propose that the Government of Ontario and its associated public bodies consider a similar policy of set-asides for SMEs.



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Again, it is worth noting that the United States Government has long had such programs, including [SBA \(the Small Business Administration\)](#) and [SBIR \(Small Business Innovation Research\)](#). Their outcomes have been significant: To date, the SBIR program has played a role in over 70,000 issued patents, supported the development of close to 700 publicly traded companies, and stimulated approximately \$41 billion dollars in venture capital investments.

The economic impacts of the DoD's contribution to the SBIR program alone during that period amounted to \$121 billion in total sales of new products and services, \$28 billion in sales of new products to the U.S. military, \$347 billion in total economic impact nationwide, and 1,508,295 jobs (65,578 per year) with an average annual salary of \$73,461. Overall, this represents a 22:1 return on the DoD's investment in its SBIR program.

3. **Access to Markets for Ontario's Innovative SMEs:** Achieving trade freedom across Canada's provinces.

Canada has arguably done a superior job in recent decades of getting free-trade deals around the world, to the extent that it is the only G7 country to have free-trade deals with every other G7 member. However, we have seen in recent weeks how quickly such trade freedoms can be revoked.

And at the same time, despite the Canada Free Trade Agreement (CFTA) agreed in 2017, the freedom to trade across Canada remains significantly impaired, with 245 exemptions registered against the CFTA as of 2023. Addressing this disparity would open up a market more populous than the state of California, a market that would be even closer and more familiar than the United States. Many civil society organisations have called for domestic free trade, including the Canadian Federation of Independent Business, and the Business Council of Alberta (which found that [interprovincial trade barriers are like a 6.9% tariff on goods across Canada—equivalent to more than doubling the current GST; and that without those barriers, average wages would rise by about \\$1,800 per person](#)).

We add our voice to this call, and specifically suggest that a good first step would be for Ontario to join the [New West Partnership Trade Agreement](#). Your leadership in making such a move could be the tipping point for true pan-Canadian free trade at last.

The smallest and most innovative Ontario companies, for which international expansion may be beyond their capacity, would directly benefit from Canadian free trade as a newly available first step. The talented professionals that innovative Ontario companies depend on would certainly benefit from universal recognition of their right to practice across provinces.



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4. **Access to Inputs for Ontario's Innovative SMEs:** More comprehensive support for critical minerals processing in Ontario

Critical minerals have already been identified by the Ontario government as a priority for development, for the obvious reasons that they:

1. Grow our bargaining power in global trade conflicts; and
2. Are vital inputs for advanced technologies manufactured in Ontario (including clean technologies).

It is important to note that the real need, in our current situation, is to bolster critical minerals processing, as much as mining. There are countless suppliers of raw elements worldwide, but what the People's Republic of China has cornered the market on is the finished mineral products. And raw ores will not supply our advanced technology industries nor gain us trade bargaining power if they must be shipped abroad first for processing.

Ontario is already well on its way to processing large quantities of lithium, for instance at multiple sites in the Thunder Bay area. But barriers still remain to Ontario truly gaining ascendancy in this area, as identified by OCTIA members and by C2M2A (the Canadian Critical Minerals and Mining Alliance):

1. A much larger inventory of ready industrial sites across Ontario for the perusal of site selectors at [Invest Ontario's single window for such sites](#);
2. A more rapid process for gaining long term assurance of ample electrical power supplies for industrial facilities in Ontario, [through the Independent Electricity System Operator](#), which currently states a three year minimum for new facilities;
3. Attention to trade barriers for recyclable materials from which supplies of critical minerals can be processed;
4. Attention to Ontario's and Canada's participation in international standards around critical minerals and their processing, again as per C2M2A.

Again, it is worth noting that the United States Department of Defence would be a powerful ally to Ontario's trade negotiation efforts if the Government of Ontario were to enact a more comprehensive sectoral strategy based on the above.

5. **Increasing the Ontario-Made Manufacturing Tax Credit for Ontario's Innovative SMEs:** Moving the needle on investment in manufacturing in Ontario

For a quick and precise way to address our current geopolitical situation, when reshoring has become the order of the day, we recommend increasing the existing [Ontario-Made Manufacturing Tax Credit](#) from 10% to 25%. Should the threat of being excluded from our



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largest export market by high tariffs come to pass, there will be an urgent need to rededicate existing production lines to domestic needs. Parts that once passed untrammelled back and forth across the Canada-US border will have to be made here for systems assembled here. And goods once available for import at market prices from the US may require substitution by Canadian manufacturers. These changes will require significant and urgent investment to avoid a major economic shortfall. Increasing this tax credit is the perfect solution.

It is worth noting that various manufacturing investment tax credits have been offered by the United States government in recent years, including a 30% credit for clean energy facilities by the Obama administration's [Recovery and Reinvestment Act of 2009](#), and a 25% credit for semiconductor manufacturing facilities by the [Biden administration's CHiPs Act](#). It is highly likely they will adopt similar measures in coming years with the current administration's focus on reshoring manufacturing.

As for results: By the count of policy researcher Jack Conness, the CHIPS Act led to 37 projects worth \$272 billion and a predicted 36,300 jobs as of November 14, 2024; when considered together with Inflation Reduction Act investments, the total comes out to 218 projects worth \$388 billion creating 135,800 jobs.

We strongly believe that the recommendations above would be mutually reinforcing, are widely supported by other industrial and commercial organizations, would either be minimal in cost or result in a net gain to Ontario's Treasury, and together constitute a saleable and viable strategy for Ontario's advanced industries, including clean technology, moving up the value chain and gaining market power and share in today's fraught global trading environment.

The Ontario Clean Technology Industry Association would welcome the opportunity to provide further details and engage in discussion about these policy proposals, and would be pleased to meet with representatives for further dialogue. If this is of interest, please let us know when it would be convenient to connect.

Regards,

Peter McArthur
Chair
Ontario Clean Technology Industry Association