Senate Committee on Energy, the Environment and Natural Resources

Study on the effects of transitioning to a low carbon economy

Leadership makes the difference
Le leadership qui fait la différence
Do you support carbon pricing as a means to reduce emissions?

- Yes, it strikes a balance between the need to act on GHG emissions while minimizing economic disruption: 22%
- No, a carbon pricing policy would not go far enough to mitigate climate change: 11%
- No, carbon pricing policy will erode business competitiveness and hurt the economy: 35%
- It depends on the details of the carbon pricing plan: 32%
How would your company adapt to a price on carbon?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>54%</td>
<td>Pass along increased costs to consumers</td>
</tr>
<tr>
<td>43%</td>
<td>Look for ways to produce more efficiently</td>
</tr>
<tr>
<td>33%</td>
<td>Absorb costs as part of the operating budget</td>
</tr>
<tr>
<td>20%</td>
<td>Increase investments in energy-efficient facility retrofits</td>
</tr>
<tr>
<td>19%</td>
<td>Increase investments in new technologies, machinery and equipment</td>
</tr>
<tr>
<td>16%</td>
<td>Move production to another jurisdiction</td>
</tr>
<tr>
<td>13%</td>
<td>Invest more in our operations outside Canada</td>
</tr>
<tr>
<td>13%</td>
<td>Reduce output levels</td>
</tr>
</tbody>
</table>
After-Tax Cash Flow drives Business Investment

- Blue line: Annual After-Tax Return on Invested Capital (Percent of Capital Stock)
- Red line: Year-over-Year Percent Change in Capital Assets
How can governments help business adjust?

- **50%**
  - Provide tax incentives for businesses to invest in facility retrofits

- **50%**
  - Reduce other business taxes by an equivalent amount

- **40%**
  - Provide tax incentives to reduce the cost of investing in new technologies and equipment

- **20%**
  - Invest carbon pricing revenues in primary research on environmental technologies

- **20%**
  - Invest in alternative energy programs or “green” industries

- **19%**
  - Help to offset the cost of commercializing new products and technologies

- **11%**
  - Increase spending on economic infrastructure

- **7%**
  - Other

- **6%**
  - Invest in public transit and consumer rebates

*Leadership makes the difference*