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Carol Salisbury
Senior Policy Advisor
Ontario Ministry of the Environment
135 St Clair Ave West, 6th Flr
Toronto ON
M4V1P5

RE: Additional feedback on Bill 72 (Water Opportunities Act)

Dear Ms. Salisbury,

On behalf of the Ontario Environment Industry Association (ONEIA), we are writing to offer additional comments on *Bill 72; Water Opportunities and Water Conservation Act (2010)*.

As you know, ONEIA is the member organization representing Ontario's more than 2,700 environmental technology, service and product firms. This sector is a significant economic force in our province, accounting for \$8-billion of Ontario's annual GDP and employing more than 65,000 people. With more than \$1-billion of exported goods and services, the environment industry is well positioned to grow quickly in coming years, taking advantage of a worldwide annual market of more than \$700 billion.

ONEIA is supportive of the proposed Act and would like to provide further comment designed to help make the legislation a success as it is considered by the Legislature. Accordingly, we are pleased to offer the following additional feedback on the Act:

General Feedback

Overall, ONEIA is generally supportive of measures that will encourage our environmental industry to develop a "critical mass" and help it take advantage of rapidly growing global markets. This is consistent with the landmark report released by ONEIA and Deloitte in 2009 called ***Ready to Grow: Making Ontario's Environment Industry a World Leader at Home and Abroad***. This report was collaboration between ONEIA and the Ministries of Environment, Economic Development, and Research and Innovation. Its recommendations about how Ontario can encourage growth and competitiveness in our sector were quickly endorsed by the province (a PDF copy of the report is available online at www.oneia.ca or by contacting the office at info@oneia.ca).

Some of the key findings from this report that are relevant to the proposed legislation include:

1. Set conditions, don't pick winners and losers

The most supportive role that government can play, according to the report, is not to pick "winners and losers" among companies or technologies but to set the right policy and regulatory conditions that

encourage the overall development of stronger domestic environmental firms. Consistent with this recommendation, the Water Technology Acceleration Project (Water TAP) can be an important catalyst for the water sector if it follows this broad approach.

2. Use government's existing purchasing power

The report found that governments in other jurisdictions have implemented aggressive "green purchasing" programs that have seen their considerable facility, supply and service budgets become an important instrument for encouraging the growth of environmental technology and service firms. The ONEIA-Deloitte report recommends specific green procurement targets for provincial purchasing, which would allow Ontario firms to implement their technologies on a large scale and demonstrate this application to prospective domestic and international clients. The new Water Opportunities Act is consistent with this objective.

3. Focus on regulatory outcomes

The ONEIA-Deloitte report notes that governments can put a powerful driver into the environmental market by setting clear and aggressive regulatory targets but give companies leeway as to what proven technology they adopt to meet those targets. This would spur innovation, as firms would seek to meet the necessary regulatory outcomes through adoption of new approaches and technologies that lower their costs and protect the environment.

4. Programs should recognize the reality of environment firms

The report found that many existing government programs are not well regarded by small- to medium-sized environment firms because the application process imposes prohibitive time and opportunity costs upon them, rendering the programs inaccessible. A companion finding saw that firms believed government should put as much emphasis on supporting innovation at existing companies as it does in academic institutions. Such an emphasis would encourage innovation within an existing (and sustainable) corporate shell, where it would stand a much better chance of delivering economic benefits.

Specific Feedback: Water Technology Acceleration Project (Water TAP)

The key to the success of the proposed legislation will be the Water Technology Acceleration Project. As it will be run separate from normal government activities, it is extremely important to get the framework and structure of this corporation correct at the beginning if it is to achieve its objectives. The proposed legislation is purposely vague in its details so we would offer the following recommendations to shape the implementation of the legislation as it moves forward:

Learning from other jurisdictions: The development of Water TAP is a world-leading idea that only a modest number of jurisdictions have adopted to date (e.g. the Netherlands, Germany, and possibly Singapore). It is important to say that a close critical examination of the success of these models is advisable to ensure Water TAP learns from any mistakes made by its comparator organizations. As the corporation's organization, structure, policies and programs will be unique, Water TAP must facilitate innovation, stimulate markets, as well as administer regulations. It is essential that the

design of the corporation be carefully thought through so that it benefits the industry and technologies it is meant to benefit.

Governance should reflect the practical knowledge of industry: Given the tremendous market opportunities available to Ontario in the water field, it is crucial to ensure the governance of Water TAP reflects a practical understanding of the realities of industry and not just the concerns and priorities of policy circles. Accordingly, we would strongly recommend that a significant number of positions on its advisory board – if not a majority of such positions – be allocated to representatives with firsthand knowledge of how the water industry works.

A direct connection to industry will better inform implementation: ONEIA is prepared to assist the government in this regard by serving as a connector between Water TAP and the environment sector. Our broadly based membership includes technology firms, professional services, instrumentation, environmental service firms, and software development companies that provide goods and services to municipalities as well as industry in Ontario. As an organization with good market intelligence, knowledge of the sector and a strong environmental policy background, ONEIA would like to offer our help in establishing the framework and implementation of Water TAP.

“One-window” consultation can reduce implementation times and improve effectiveness: As the province moves towards refining and implementing the provisions of the legislation, it will have to consult with stakeholders. In its enabling role, ONEIA can pull together multi-stakeholder groups, providing the government with the opportunity to deal with a ‘one window’ multi-stakeholder organization that will reduce its implementation times and improve the effectiveness of its consultation process. We feel it is important to allow for such input to ensure programs are developed in consultation with the sector and the public.

Specifically, the interface with the university research community will be an important element. ONEIA feels this can be achieved within the existing avenues ONEIA and the government (e.g. MaRs) has with this community. This will help ensure the programs will become effective stimulants for a green economy.

Ensuring that Water TAP stimulates innovation

Water TAP will be most successful if it provides a climate for innovation, using a number of economic and program instruments. The Corporation will have the legislative authority and/or power to create multi faceted programs that can encourage water efficiency and conservation, developing a market for goods and services from a number of directions. These programs can simultaneously simulate the market by developing programs directed at water consumers, provide facilitation, promotion, and recognition for Ontario based companies, encourage and/or incent research and innovation for the future. ONEIA encourages Water TAP to explore program instruments that are creative and are broadly focused on all the elements of water use and management.

With respect to innovation, we believe Water TAP’s implementation should be informed by the following:

a) Encourage innovation within existing companies: Over the past several years, Ontario has made considerable progress in encouraging university researchers to develop new environmental technologies. ONEIA believes that such an approach, however, is only part of the solution. Growing new companies from the ground up through university research, while valuable for our next generation of economic development, can take decades to come to fruition and may experience a high attrition rate between idea and commercialization. We would encourage government to place an equal emphasis upon encouraging research within existing companies so that such an investment can grow within a corporate shell with proven sustainability, existing customers and other support systems that can greatly increase the chance that such investment will quickly result in commercial outcomes, employment and growth.

b) Recognize the importance of the service sector: As Ontario moves into the 21st century, its economy will continue to shift from one based on manufacturing and products towards one based on services. Our policies on innovation, however, are still catching up to this reality. Approximately one-half of the value of Ontario's \$8-billion environment sector comes from services, and we would urge government to recognize this reality as it begins to utilize Water TAP to engage and promote the broader water sector.

c) Encourage pilot projects through existing spending: As outlined previously, governments can encourage innovation in the water sector through their existing spending. As we refurbish existing schools, hospitals and Ontario government facilities (and build new ones), such investments can serve as important pilot projects to showcase new environmental technologies and services developed by our companies. ONEIA would recommend that the government consider redoubling its efforts in this area as the provisions of the Act come into effect over the coming years.

In closing, we thank you for the opportunity to comment and welcome the opportunity to assist in the further definition and implementation of the Act and Water TAP. To continue this dialogue, please contact our Executive Director, Alex Gill (agill@oneia.ca), or the chair of our Water Subcommittee, Alex Keen (akeen@altech-technology.com).

We look forward to working with you on this initiative.

Yours truly,

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Alex Gill
Executive Director

ORIGINAL SIGNED BY

Alex Keen
*Chair, ONEIA Water Subcommittee and
CEO, Altech Group*