



Responding to criticisms of the environmental and clean technologies sector

Industry is an economic and social asset to Canada that cannot be dismissed

We are living in an age where “facts”, regardless of whether they are accurate, rapidly become conventional wisdom unless they are challenged. This is particularly evident in the environment field – and a great example of this can be found in a recent opinion piece published in the Financial Post by former statistician and economist Phillip Cross. Referencing a recently released study from [Statistics Canada](#), he questions the value of the environmental and clean technologies sector, calling it “...marginal and largely meaningless.”

Mr. Cross is undoubtedly well-intentioned in offering his opinions. He also does make several valid observations about some trends in the sector – most notably the tendency of some to rely more upon hyperbole and less upon facts. Unfortunately, he misses the larger points that support the potential that the environmental and clean technologies sector has to benefit Canadians.

The clean economy is far more than alternative energy

The bulk of Mr. Cross’s criticisms are drawn from his selective attention to the alternative energy field. If this area has problems (the argument goes) then the whole environmental and clean technologies sector can be tarred with the same brush.

Few would question that ensuring that that our energy comes from more environmentally-friendly sources is an important part of reducing GHG emissions and fighting climate change. But the alternative energy sector is but one portion of an entire ecosystem in which tens of thousands of entrepreneurs, established businesses, finance bodies, government regulators and a host of supporting organizations interact to produce environmental outcomes. And this sector is probably far more economically and socially important than can be captured in a Statistics Canada report.

For example, one company I know well in Ontario illustrates the interconnectedness of the broader environment and clean technology sector. This Toronto-based firm produces water and air filtration technology that is sold across Canada and around the world, helping a range of clients meet their emissions standards in an affordable and effective way. Its core activities, employees and revenues are no doubt captured in the StatsCan research criticized by Mr. Cross.

That company, however, is supported by an ecosystem that includes fabricators, metal shops, outside design firms, environmental lawyers, customs brokers, insurers and various financial services companies. And as we extrapolate from this example, more than 3,000 similar companies across Ontario operate not just in the pollution abatement field, but in areas as diverse as waste and recycling, brownfields redevelopment, environmental engineering and

consulting, and – yes – alternative energy. These companies and the entrepreneurs, engineers and scientists who drive them are at the heart of the sector and it is disingenuous to take some selective observations from the alternative energy area and use them to characterize everyone.

Clean technology is NOT the main driver of higher electricity costs

The right and left in Canada have fallen into an inconvenient – and inaccurate – polarization about alternative modes of energy generation and the rising cost of electricity. Those on the right argue that “These windmills and solar cells are driving up hydro costs” while those on the left reply with “What! You don’t care about the environment!” Mr. Cross’s criticisms appear to fall into the first category.

Both sides of this argument are missing the point: While Hydro costs have increased dramatically in the last ten years, it is inaccurate to point to wind and solar energy as the main driver of this increase. Areas such as nuclear refurbishment, grid adaptation and modernization, and servicing stranded debt have made far more of a contribution to rising Hydro rates. The office of the Environmental Commissioner of Ontario tried to de-politicize this issue a few years ago, [pointing out](#) at the time that just \$0.04 of the cost of a kilowatt hour of electricity was attributable to alternative energy.

Does Ontario need better energy pricing and planning? Most definitely. But it is wrong to scapegoat one portion of the energy supply for problems that have been decades in the making and to take the observations from this area and use them to broad-brush an entire sector.

Employment and revenue numbers are impressive

Mr. Cross calls the economic contribution that the environmental and clean technology sector a “green fantasy.” This is puzzling, as the StatsCan study that is the basis of his criticism notes that more than 280,000 jobs are directly attributable to environment and clean technologies and that these jobs generally pay very well (with an average salary package of more than \$90k, fully \$30k more than the Canadian average). While he is justified to point out that this sector is not growing as rapidly as many of its extreme boosters would like to say it is, it is simply wrong, in a country that needs more well-paying jobs, to dismiss the potential of an industry that is proven to generate them.

If going back isn’t an option, how can we go forward?

Many of the critics of the environmental and clean technology sector and the policies that support it act as if returning to a previous “golden age” is somehow an option. Unfortunately for this argument, bringing back the coal-fired economies of the past is not in the cards, and neither is an abandonment of the environmental standards that Canadians now enjoy. As we move forward, we also have to act on the accepted and pressing scientific consensus around climate change and reduce our GHG footprint and seriously address infrastructure mitigation.

What is the best way to move forward? Quite simply, we need to mobilize an asset Canadians have already developed and fostered – a thriving environmental and clean technology sector. Let governments set the conditions that will then let the private sector deliver the outcomes

Canadians want, generating growth and well-paying jobs in the process and putting into action the values of a new generation of employees entering the workforce.

The future lies in smart regulation, not government meddling

Finally, Mr. Cross echoes a theme that many critics offer of environmental and clean technologies, namely that it is driven largely by lobbyists who sell governments on market-distorting regulations.

Nothing could be further from the truth. In [research we conducted](#) in Ontario a few years ago, environment and clean technology companies strongly favoured outcome-oriented regulation and urged governments to stop “picking winners and losers.” These companies simply want governments to send a clear and consistent signal that puts a “price” on environmental harms. They then want government to get out of the way and let the market solve the problem.

What does this look like, practically? Governments should produce practical legislation and regulations that recognize the need to mitigate environmental problems, setting and fairly enforcing clear sanctions against those who violate these standards. Smart regulations should minimize the natural inclination of governments to become too prescriptive in how problems should be solved or to play favourites with “protected” industries, those in key ridings, etc. That gives the market a clear signal and allows the private sector to do what it does best – innovate to deliver an effective solution.

In conclusion, the one thing that I believe Mr. Cross and companies in this sector can agree upon is his point that “...(t)he green economy will not flourish until it makes economic as well as environmental sense.” Where they would disagree is on the fact that these companies are already flourishing, making a significant economic contribution to Canada and using the powerful logic of the private sector to create environmental solutions in the process.

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