



Canadian Solar Industries Association  
L'Association des Industries Solaires du Canada

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December 18, 2008

The Honourable James M. Flaherty, P.C., M.P.  
Minister of Finance  
L'Esplanade Laurier  
170 O'Connor Street, 21st Floor  
Ottawa, Ontario  
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Dear Minister Flaherty:

The Canadian Solar Industries Association (CanSIA) would like to thank you for the opportunity to participate in the Government of Canada's national consultations regarding the 2009 Federal Budget. CanSIA is the national trade association representing more than 300 solar energy companies operating across Canada. Our mission is to develop a strong, efficient, ethical and professional Canadian solar industry that is able to provide innovative solar energy solutions and play a major role as the world transitions to a sustainable future.

CanSIA believes the best way for Canada to overcome its economic challenges is to build for a future that addresses the current financial crises and invests in long term sustainable growth. Canada has been able to build much of its success to date on the strength of its energy resources. Moving forward, Canada can once again turn to energy - in this case renewable energy.

Canada enjoys a close proximity to the U.S. marketplace which is expected to experience a "solar boom" beginning in 2009 due to the supportive policies and programs that are currently in place or being developed by the incoming White House Administration. Although there is significant global competition for "green economy" jobs, cooperation between the Canadian federal and provincial governments is essential to establish the renewable energy sector as a pillar of the nation's new economic stimulus strategy. Investment experts Merrill Lynch state that clean technologies such as solar energy will lead the next economic revolution. Other investment experts, including RBC Capital Markets, forecast that the global solar energy market will continue to grow at a rate of 40 percent annually for a number of years.

CanSIA believes that a more aggressive commitment to the deployment of renewable energy will ensure that your government is able to meet two of its key objectives:

- Stimulate economic activity; and,
- Ensuring that 90 percent of Canada's electricity is derived from non-emitting sources

Upon the launch of the Government of Canada's national consultations on budget actions to protect Canada's economy, the Ministry of Finance outlined a number of economic stimulus priorities, including:

- Supporting emerging industrial sectors,
- Building strong and sustainable labour markets,
- Expediting infrastructure spending, and;
- Improving access to credit

CanSIA has developed the following four proposals for consideration as part of a renewable energy and economic stimulus strategy in the upcoming 2009 Federal Budget that corresponds with the priority framework outlined by the Ministry of Finance.

### **1. Extend and Increase Funding for ecoENERGY Programs**

#### **a) ecoENERGY for Renewable Power Program**

CanSIA believes that solar energy can supply 10% of Canada's future incremental electricity requirements. We estimate this will require 22,000 MW of solar generation capacity by 2025, creating approximately 28,000 new jobs in communities across Canada.

To achieve these goals, we propose that the federal government increase the production incentive from its present rate of \$0.01 per kWh for 10 years to \$0.10 to \$0.20 per kWh for 10 years and extend its expiration date from March 31<sup>st</sup>, 2011 to March 31<sup>st</sup>, 2015.

#### **b) ecoENERGY for Renewable Heat Program**

The adoption of solar thermal technology (water and air heating) is an excellent way for all Canadians to contribute to lowering green house gas emissions. The merits of this program have been recognized by several provinces that have elected to match the federal government's incentives.

CanSIA proposes that the federal government double the funding for this program, remove the current ceiling of \$80,000 per project and extend its expiration date from March 31<sup>st</sup>, 2011 to March 31<sup>st</sup>, 2015. These measures will encourage continued deployment of the technology and the creation of additional jobs across the country.

## **2. Create an Electrical Grid Infrastructure Upgrade Program**

CanSIA proposes that the federal government establish a program to partner with provinces in funding upgrades to their electricity distribution and transmission infrastructure. Distribution system upgrades will help to create modern grid systems that maximize stability and reliability while offering greater flexibility in the use of smart meters, time of use pricing, distributed generation and renewable energy generation. Transmission system upgrades will improve the provinces ability to move electricity to demand centres, share resources across provincial borders and create opportunities to export surplus power to the United States.

## **3. Enable Access to Capital for Renewable Energy Projects**

The recent turmoil in the financial markets has made it increasingly difficult for renewable energy projects to achieve financing on terms that are attractive to investors. A tight credit market and the weakening of the Canadian dollar have combined to render some previously feasible projects either marginal or outright uneconomical.

CanSIA proposes the federal government take action to improve access to capital and reduce overall borrowing costs for renewable energy projects. We believe this can be achieved in a number of ways, including:

### a) Green Energy Loan Guarantees

By offering loan guarantees, the federal government will be lending its creditworthiness as a backstop to lenders financing renewable energy projects. This credit enhancement should serve to reduce interest rates, improve available terms and lighten required covenant packages. The additional security should also attract a broader audience of lenders, hopefully including the major Canadian banks, who have not embraced solar energy projects to date.

### b) Green Bonds

We understand that the concept of 'Green Bonds' has been proposed by a number of parties in recent months including various environmental and community organizations. While the specifics of the various programs may differ, the general concept usually involves the federal government issuing "green" savings bonds to investors and using the proceeds to offer low interest loans to eligible renewable energy projects.

While different in their approach, the goal of both of these programs is the same: to increase renewable energy deployment by improving access to credit.

#### **4. A Clear Renewable Energy Commitment by the Federal Government**

In the United States, the federal government and some state governments have used ‘Executive Orders’ to ensure that they are leaders in terms of adopting green energy practices for new and retrofit buildings. These executive orders have:

1. Established clear targets (i.e. 33 percent for the State of California); and,
2. Ensured that procurement practices would be adaptable to renewable energy.

CanSIA is proposing that the Government of Canada adopt these practices:

##### a) Establish Renewable Energy Targets

Leading industrial jurisdictions throughout the United States and the European Union have established renewable energy targets signalling to investors, manufacturers, and project developers their strong commitment to developing a new economy based on renewable energy technologies.

By adopting clear renewable energy targets itself, the Government of Canada can also be a leader in the development of these new economy jobs. The Government of Canada’s globally recognized “government on-line” policy has been key to both technological development and the emergence of Canadian owned and operated IT companies. This successful initiative has also attracted various multi-national companies to Canada.

##### b) Streamline Federal Procurement Processes

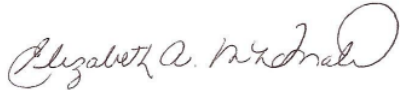
CanSIA proposes that the Government of Canada streamline its procurement processes to ensure that renewable energy companies can compete effectively and to assist the federal government in meeting newly established renewable energy targets.

The current federal procurement processes in place are not well suited for the adoption of renewable energy. Some programs have been put in place by Public Works and Government Services Canada (PWGSC) to support “green procurement” however widespread adoption is still pending largely due to procurement process barriers. It is important that the federal government demonstrates leadership by ensuring that all federal buildings are carbon neutral and that every effort is made to adopt green energy.

**In Closing**

The Board and members of CanSIA believe that our proposals will assist in meeting the government's own objectives in terms of stimulating economic activity and ensuring that 90 percent of Canada's electricity is derived from non-emitting sources. We would be very pleased to meet with you or your officials to elaborate on these recommendations and provide you with any further information or data that you may require.

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth A. McDonald". The signature is written in black ink and is positioned below the word "Sincerely,".

Elizabeth A. McDonald  
President