



Impact of the U.S. Inflation Reduction Act for Clean Energy Investment in Canada

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January 24, 2023



Agenda

1. **Context: Competitiveness in a low-carbon world**
2. **The U.S. Inflation Reduction Act**
3. **Canada's response to the IRA**
4. **A 'made in Canada approach to clean growth**

Competitiveness in a low-carbon world



Competitiveness in “mid-transition”

2018

Politics

Liberals plan to soften carbon tax plan over competitiveness concerns



Tax on large polluters will now kick in at a higher level of emissions

CBC News · Posted: Aug 01, 2018 9:06 AM EDT | Last Updated: August 1, 2018

[Renewables](#) / [News](#) / [Energy](#) / [Economy](#) / [Commodities](#)

2022

Industry welcome tax credits, but say more needed to tackle Biden's IRA

'It's a great start, but the clock is ticking'

Naimul Karim

Published Nov 04, 2022 • 3 minute read

Competitiveness in a low-carbon world



Canada's goods exports are
sensitive to transition-related
market disruption



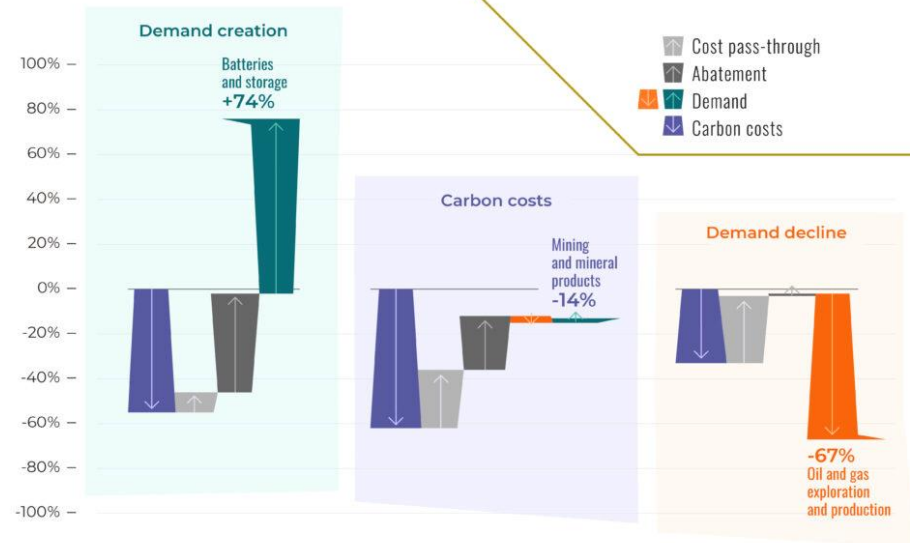
Competitiveness in a low-carbon world

Three dominant drivers of profit change across sectors



CANADIAN INSTITUTE FOR
CLIMATE CHOICES

Impact of transition
on profitability in 2050





The U.S. Inflation Reduction Act

“Biggest step forward on climate ever.”

U.S. President Joe Biden, August 2022, when signing the Inflation Reduction Act into law



Photo by [Chelsea](#) on [Unsplash](#)

What does the IRA mean for Canada?

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POTENTIAL OPPORTUNITIES

- Boosting demand for Canadian exports
- Leading to learning effects and cost reductions for critical technologies
- Establishing link between climate policy and economic policy
- Kick starting clean growth policies in Canada

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POTENTIAL THREATS

- Challenging Canada's competitiveness for global capital
- Increasing pressure on Canada to “match the IRA” distracting from strategic challenges

Canada's Response



Now what? Canada has 3 options

01

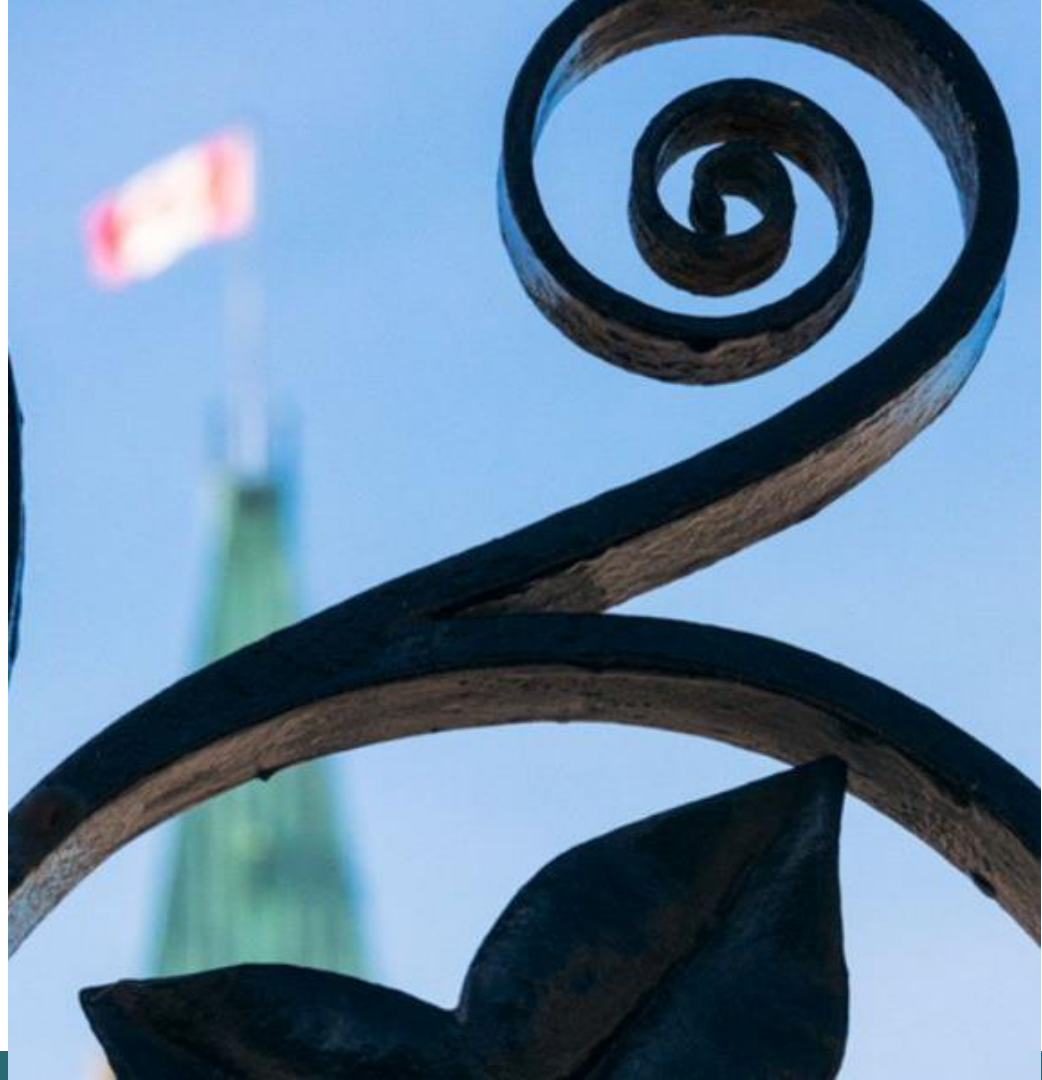
Strengthen existing policies and focus on carbon pricing

02

Go big and broad

03

Be selective



Option 3: Carbon pricing PLUS targeted subsidies

Carbon pricing remains Canada's most effective tool to drive investment.

- Strengthen with Carbon Contracts for Difference

But other market failures exist that lead to shortfall in private investment:

- Legacy from fossil fuel subsidies
- Positive externalities of low-carbon project investments
- Uneven international playing field for private investment

Fall Economic Statement 2022

- Clean Technologies Investment Tax Credit
- Canada Growth Fund
- More to come in Budget 2023

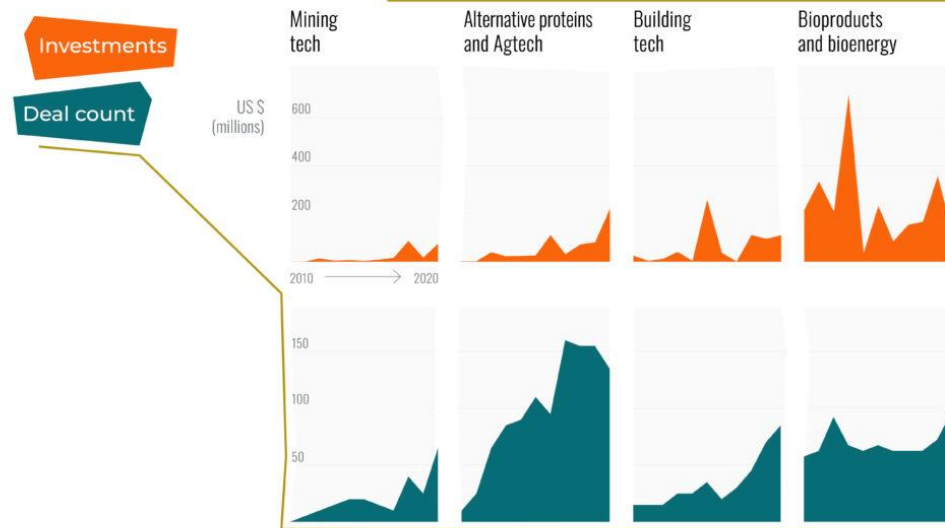




A 'made in Canada' approach to clean growth

Canada's 'sink or swim' moment is here

Investment in Canada's transition-opportunity sectors is trending upwards, but some companies and sectors still struggle to attract financing



Australia's Clean Energy Finance Corporation



Photo by [Photoholic](#) on [Unsplash](#)

Longship Carbon Capture and Storage in Norway's North Sea



The U.K.'s Contracts for Difference policy for renewable electricity generation



Photo by [Nicholas Doherty](#) on [Unsplash](#)

Considerations for mobilizing private capital

01

ENVIRONMENTAL IMPACTS

04

POLICY FIT

02

FINANCIAL IMPACTS

05

GOOD GOVERNANCE

03

SOCIAL IMPACTS

Designing policies for mobilizing private capital

Objectives		Design principles	Examples
Return on (public) investment	Environmental	Link level of support to decarbonization potential (e.g. carbon intensity compared to net zero benchmark)	U.S. IRA
	Financial	Target specific financing gaps Ensure additionality Plan phaseout of support Use market mechanisms	Australia's CEFC Norway's Longship CCS project UK CfD
	Social	Link support to employment/labor conditions, equity	U.S. IRA
Policy fit		manage interactions with existing policies (including carbon pricing), establish complementarity, avoid redundancies	Norway's Longship CCS project Canadian CCFD

From tactical actions to comprehensive strategy

Integration and coordination is key:

- Across public funding sources and instruments
- Across jurisdictions
- Enabling policies to green financial markets

A semi-truck is driving away from the viewer on a two-lane road covered in snow and ice. The road has yellow dashed lines. The surrounding landscape is a vast, open area with snow-covered ground and distant, snow-capped mountains under a clear blue sky with some light clouds. The text "ANY QUESTIONS ?" is overlaid in large white letters, with a vertical white line to its left.

**ANY
QUESTIONS ?**



THANK
YOU



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