LCBA LOW CARBON BUSINESS ACTION CANADA

This project is funded by the European Union

Canadian Clean Technology Market Assessment- Summary

Prepared for: The European Union

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March 17, 2025

Market Assessment Summary

Low Carbon Business Action (LCBA) Canada is a European Union funded program that connects EU technology developers and innovators with Canadian buyers. It facilitates matchmaking of EU solutions to solve pressing Canadian clean technology challenges. In its first phase, over 2,000 EU companies learned about more than 100 unique Canadian market opportunities from 400 potential Canadian buyers. This led to the signature of 53 Letters of Intent between EU suppliers and Canadian buyers. These partnerships received tailored technical assistance and commercialisation support to facilitate the signature of Legally Binding Contracts (LBCs). At the end of Phase I, a total of 11 LBCs had been signed, and the project continues to monitor and support the remaining partnerships to increase this number. To date there are 7 additional high-potential partnerships advancing quickly towards LBCs. **Phase II of the LCBA program is now underway, offering even greater opportunities for EU solution providers.**

The European Union (EU) and Canada have a strong trade relationship built on shared values. **The EU is Canada's second-largest trading partner** and the Canada-EU Comprehensive Economic and Trade Agreement (CETA) reduces trade barriers and tariffs across products and services. Since its signing in 2017, bilateral trade has increased 65%, enabling many EU businesses to grow and expand.[1] Canada-EU collaboration on global issues **presents new commercial opportunities for EU businesses.** In fact, the 2023 Canada-European Union Green Alliance highlights that trade in clean technology is essential to meeting sustainability and climate related goals.[2] The LCBA program exists to support EU businesses access the Canadian market to take advantage of the unique opportunities and demand that these challenges present.

In the current global landscape, **Canada provides a stable economic environment that is ideal for businesses seeking to expand into new markets.** The changing economic and geopolitical environment has significant implications for cleantech development and deployment. Factors such as increasing global competition for technology dominance, trade restrictions, and shifts in national policy have the potential to hinder global cooperation and slow technology adoption. The LCBA program helps EU and Canadian companies forge new connections and work together as strong partners in this environment. Even amidst political uncertainty, Canada has experienced a surge in climate and sustainability related commitments. The LCBA program will connect EU businesses to Canada's existing and emerging leaders in need of technology solutions. Canada is well set up to support interests in the Canadian market through its trade commissioner services. The LCBA program will provide technical assistance to support buyers with navigating technology or sector specific certifications or regulatory requirements. Considering these factors, **Canada is an attractive destination for EU companies with innovations that respond to sustainability and climate related challenges**.

To inform the LCBA program, a Canadian Clean Technology Needs Market Assessment was developed. The Assessment outlines the most pressing clean technology needs in Canada. It evaluates the regulatory, financial, and other market drivers, and identifies the specific clean technology needs of each of Canada's economic sectors. It also assesses the availability of EU

[1] Source: Government of Canada, Canada and the European Union (June 19, 2024)
[2] Source: ECCC, Canada – European Union Green Alliance (November 24, 2023)

expertise and solutions. **Market developments since the completion of Phase I present even greater opportunities for EU suppliers.**

Canada's policy frameworks are driving demand for clean technology. **Since LCBA Phase I, Canada has advanced several impactful policy frameworks and measures,** including:

Climate change mitigation:

- A strengthened emissions reduction target, committing to reducing GHG emissions by 45-50% below 2005 levels by 2035
- Setting Canda's commitment to net zero into law (The Net Zero Accountability Act)
- An updated climate plan establishing a detailed, sector-by-sector pathway to reaching Canada's 2030 target
- Strengthened and expanded economy-wide carbon pricing mechanisms
- Sector-specific policies such as a Clean Fuel Regulation (CFR), a draft oil and gas emission cap, a clean electricity standard, and a green building strategy
- Key clean technology development strategies (e.g., hydrogen, critical minerals)

Climate change adaptation:

- A National Adaptation Strategy
- New incentives for municipalities and sectors such as agriculture to adopt adaptation-related technology, including climate monitoring, early warning systems, disaster response, and resilient infrastructure

Nature and Biodiversity

- A National Biodiversity Action Plan in line with the Global Biodiversity Framework
- Amended federal legislation to establish a legal right to a healthy environment

Circularity

- New frameworks to combat plastic pollution and foster a sustainable, circular economy, including bans on certain single use plastics and creation of a Plastic Registry
- Advocating for strong global plastics treaty as a member of the High Ambition Coalition

These policy actions are incentivizing Canadian companies to seek new technologies and solutions. This presents a wealth of opportunities for EU businesses with innovative solutions in climate mitigation, adaptation, biodiversity, and circularity.

New financial mechanisms are supporting faster adoption of solutions across all sectors. Government grants, loans, and incentive tax credits are improving clean technology project economics for Canadian buyers. The Canadian government has started issuing Carbon Contracts for Difference to guarantee a predictable carbon price. This is de-risking major clean technology investments and mobilizing private capital for large projects. Additionally, a new suite of investment tax credits provides new incentives for **carbon capture, utilization, and storage (CCUS); hydrogen and alternative fuels; and long-duration energy storage (LDES).** These technologies are critical for decarbonizing hard-to-abate Canadian sectors such as oil and gas, heavy industry, agriculture and transportation. The Canadian government has allocated a total of $93 billion to support deployment of clean technology solutions through these tax credits. **These incentives make it**

more attractive for Canadian companies to adopt clean technology, creating favourable market conditions for EU businesses to sell their solutions.

An increase in corporate and investor expectations related to ESG performance, climate risk mitigation, and energy transition is driving clean technology demand. Canada has experienced a surge in climate and sustainability related commitments. Two-thirds of Canada's largest businesses have net-zero targets. In 2025 it is predicted that 92% of major buying organizations will require suppliers to share comprehensive ESG data. These pressures are driving action across Canada's supply chains. The number of Certified B Corps has almost doubled in the past two years. Over 1,000 businesses have committed to high standards for social and environmental performance, accountability, and transparency.[3] [4] Over 100 organizations are part of the Canada Plastics Pact (CPP), committing to eliminating plastic waste and transition to a circular economy[5]. **Canadian companies need new technology to meet these goals, providing a wealth of opportunity for EU businesses with innovative solutions.**

Indigenous communities are leading infrastructure and economic development projects that drive demand for clean technologies. **Indigenous communities will play a pivotal role in the adoption of cleantech, as these solutions can provide pathways to meet the pressing needs of many communities.** Dedicated funding streams support Indigenous-led action in areas such as agriculture, climate adaptation, natural climate solutions, and low-carbon fuel production. The recently launched $5-billion Indigenous Loan Guarantee Program supports Indigenous groups' access to capital needed to pursue ownership in natural resource and energy projects.

To focus the efforts of the LCBA Phase II Program, a 'heat-mapping' assessment was conducted to identify the highest potential market opportunities. This entailed an analysis of cleantech drivers within Canada's economic sectors and sub-sectors. It identified specific clean technology challenges of interest by sector and evaluated where EU expertise and solution availability matches to Canadian demand. **The following sectors represent the highest potential market segments for the LCBA Phase II Program:**

- **Buildings**
- **Electricity**
- **Heavy industry – chemicals**
- **Agriculture**
- **Oil and gas**
- **Transportation**
- **Forestry & forest products**

The seven sectors identified as high potential market segments are all critical to the Canadian economy. Based on the LCBA consortium's understanding of the European market and the global landscape, these sectors can be further prioritized based on what is strategically relevant for EU and Canada to collaborate on.

High priority:

- Buildings

[3] Source: B Corp Registry (Accessed December 17, 2024)
[4] Source: Decade (January 4, 2023)
[5] Source: https://plasticspact.ca/

- Electricity
- Agriculture

Medium priority:

- Heavy industry – chemicals
- Transportation
- Forestry & forest products

Low priority:

- Oil and gas

Across all sectors, there are opportunities for the EU and Canada to collaborate on artificial intelligence. Furthermore, collaboration on critical raw materials is essential to ward off competition from China and other international competitors.

Canada's policy drivers, along with rising buyer and investor expectations, have created new demand for climate and sustainability solutions. EU companies can capitalize on these trends and benefit from Canada's growing demand for solutions. EU companies have a unique opportunity to enter the Canadian market and supply Canadian buyers with technology solutions, supported by a favourable trade environment through CETA. These factors make it an opportune time to for the launch of Phase II of the LCBA Program, with ideal conditions for EU solutions providers to connect with Canadian buyers through the LCBA Program.

The LCBA Consortium has developed a targeted buyer list, and **outreach is underway to high potential Canadian buyers to determine specific cleantech needs and interests.**