Appetite for change
Canadian business perspectives on tax and regulation for a low carbon economy

This PricewaterhouseCoopers report presents the findings from a survey of the international business community about attitudes towards environmental regulation, legislation, and taxes. The results show some very strong opinions on the part of Canadian business with 94% of respondents saying that climate change is already an issue. Fifty eight per cent of businesses have already taken steps (or are currently looking into ways) to become carbon neutral.
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How does Canada compare?
The top climate change related issues that Canadian companies anticipate will have the greatest impact on the way they do business in the next 2-5 years are as follows:

Table 1: Top climate change related issues facing business

<table>
<thead>
<tr>
<th>Issue</th>
<th>Canada</th>
<th>US</th>
<th>World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of emissions</td>
<td>14%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>12%</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>Climate change/global warming</td>
<td>12%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>Regulation/increasing regulation</td>
<td>10%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Enhancing green credentials</td>
<td>10%</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>Recycling/reduction of waste</td>
<td>10%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Carbon capping/caps</td>
<td>10%</td>
<td>8%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Despite the fact that Canadian business is very supportive of government taking the lead on climate change, nevertheless, a very high proportion (72%) of Canadian companies feel that current policy is not effective in providing signals to business on the need to assess its environmental impact and energy use. In addition, 70% of Canadian business’ surveyed do not feel that current policy is effective in encouraging business to significantly change its environmental behaviour. Both of these results were significantly higher than the global average.

Canadian business attitudes towards government
For Canadian respondents, the overwhelming majority (98%) see compliance as the biggest influencer over an organization's environmental behaviour. This was the highest proportion reported in any territory surveyed and aligns to the attitude of Canadian business about the role of government in leading change.

An overwhelming majority (98%) of Canadian companies that responded to the survey think tax and regulation will play a role in achieving targets on greenhouse gas emissions, with 94% responding that those targets should be set at the national level.

Carrot vs stick approach: what is the preference?
Canadian respondents expressed varying degrees of support for various policy instruments and the potential impacts to their business. For example, Canadian companies are less concerned about the negative impact of environmental regulation with 28% responding they do not see regulation threatening their competitiveness. However, close to half (48%) see environmental taxes as potentially damaging to their competitiveness. This result is significantly higher than the global average.

50% feel that the Government engages effectively with business

Figure 1: Should business or government have primary responsibility to drive change?

<table>
<thead>
<tr>
<th></th>
<th>Canada</th>
<th>US</th>
<th>World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government should be primary</td>
<td>44%</td>
<td>60%</td>
<td>44%</td>
</tr>
<tr>
<td>Business should be primary</td>
<td>18%</td>
<td>23%</td>
<td>18%</td>
</tr>
<tr>
<td>Government and business should share responsibility</td>
<td>38%</td>
<td>30%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Figure 2: What is the most effective tool for creating change?

<table>
<thead>
<tr>
<th>Tool</th>
<th>Canada</th>
<th>US</th>
<th>World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulation</td>
<td>92%</td>
<td>91%</td>
<td>83%</td>
</tr>
<tr>
<td>Tax incentives</td>
<td>86%</td>
<td>88%</td>
<td>86%</td>
</tr>
<tr>
<td>Tax charges</td>
<td>74%</td>
<td>72%</td>
<td>74%</td>
</tr>
<tr>
<td>Market trading schemes</td>
<td>58%</td>
<td>60%</td>
<td>59%</td>
</tr>
<tr>
<td>Voluntary agreements</td>
<td>42%</td>
<td>50%</td>
<td>45%</td>
</tr>
</tbody>
</table>
Overall, only 34% of companies feel confident in making long-term investment and business decisions based on current government tax policy and even fewer respondents (20%) feel the Government has a clear policy in this regard.

Canadian business also expressed strong opinions related to current tax incentive programs for those investing in new technologies.

**If not tax, then what?**

Although Canadian companies feel that regulation, tax incentives and tax charges are the most effective tools for encouraging business to reduce its environmental impact, they also noted additional key influencers over behaviour related to climate change.

**Methodology**

The global survey results are from more than 700 interviews conducted in 15 countries with executives from across industry. In Canada, a total of 53 interviews were completed.

**66%** of Canadian companies publish some aspect of their environmental performance.
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