

An aerial photograph of Central Park in New York City, showing a dense green forest in the foreground and the city skyline with various skyscrapers in the background under a blue sky with scattered white clouds. A white wind turbine is superimposed on the forest in the lower right quadrant.

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:

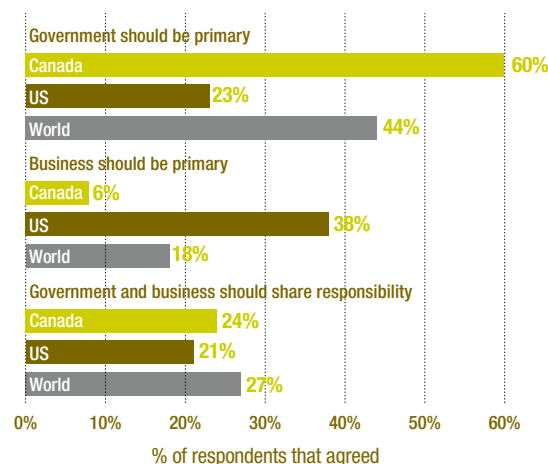
Table 1:
Top climate change related issues facing business

	Canada	US	World
Reduction of emissions	14%	16%	16%
Energy efficiency	12%	12%	8%
Climate change/global warming	12%	4%	10%
Regulation/increasing regulation	10%	13%	10%
Enhancing green credentials	10%	8%	3%
Recycling/reduction of waste	10%	7%	7%
Carbon capping/caps	10%	8%	3%

emissions, with 94% responding that those targets should be set at the national level.

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.

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



50% feel that the Government engages effectively with business

Canadian business attitudes towards government

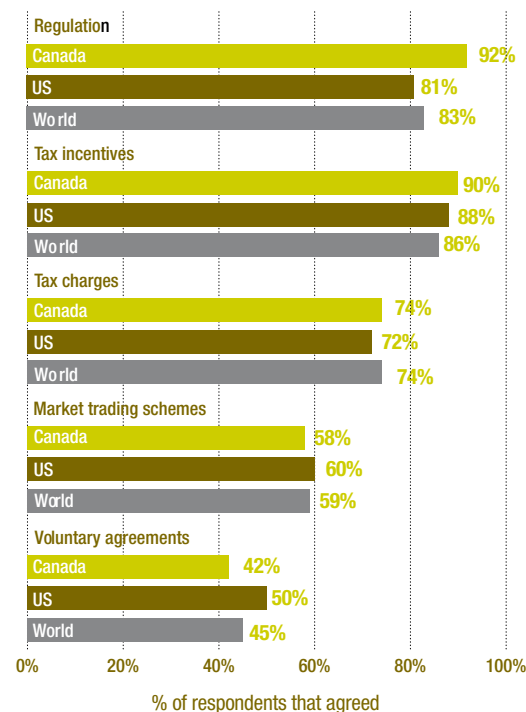
For Canadian respondents, the overwhelming majority (98%) see compliance as the biggest influencer over an organization's environmental behaviour. This was the highest proportion reported in any territory surveyed and aligns to the attitude of Canadian business about the role of government in leading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

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.

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



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.

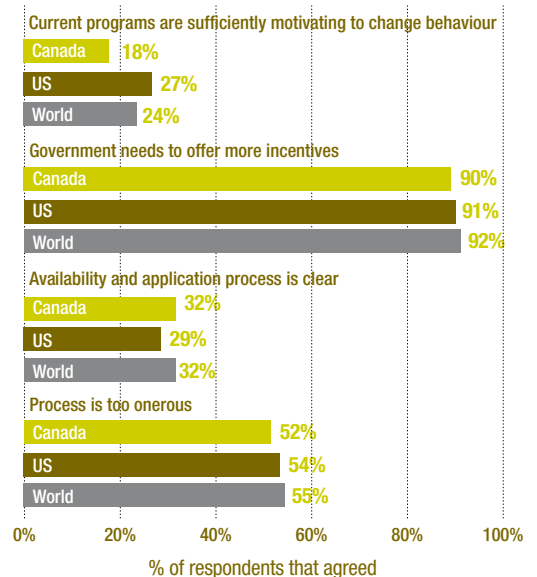
100% think government needs to send a clear and long-term message to business that invests in clean technology

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

Table 2: What are the key factors that determine an organization's behaviour and response to climate change?

	Canada	US	World
At the top...			
Compliance with legislation and regulation	98%	84%	85%
Potential for cost savings	80%	78%	73%
Managing corporate reputation	80%	79%	74%
Protect the economic sustainability of the business	70%	53%	56%
Middle of the pack...			
Potential for gaining competitive advantage with customers	64%	64%	67%
Need to keep up with competitors in this area	64%	57%	64%
Manage exposure to environmental taxes and levies	64%	62%	56%
Obtaining tax incentives	64%	50%	61%
At the bottom....			
The desire to lead the field in this area	54%	40%	56%
Investor/shareholder presence	52%	52%	53%
The desire to help achieve positive outcomes for climate change and the environment	46%	44%	52%
Potential to assist in new business ventures	42%	57%	52%
Attracting and retaining employees	42%	32%	39%

Figure 3: Attitudes about current tax incentive programs



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