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Cleantech and the Green Energy Economy

David W. Pamenter

Cleantech is not dead, notwithstanding the recessionary global economy and constricted sources of funds.

The term "cleantech" refers to products or services that improve performance, productivity or efficiency while reducing costs, consumption of energy and resources, and waste and pollutants. Related to cleantech is the concept of "renewable" energy, that is, energy produced by the use of resources that are not thereby depleted.

Globally, three main drivers promise to make cleantech a major force in 2009. First, climate change is widely accepted as fact; it is no longer the sole preoccupation of environmentalists. Second, world populations continue to increase, driving up the consumption of natural resources and, at an equal or greater rate, carbon emissions. Third, ongoing access to oil and gas is unstable and unpredictable, and the resources are finite thus spurring initiatives to enhance the development of alternatives to fossil fuels.

The uniquely Canadian determinant, surprisingly, is U.S. President Barack Obama. The Canadian cleantech industry and government policy will be greatly influenced by the policies of the United States. A key campaign promise made by Barack Obama is a pledge to embrace a green energy economy. He proposes federal carbon mitigation legislation to cut greenhouse emissions to 1990 levels by 2020, and to

80 per cent of the 1990 levels by 2050. Part of the solution is a cap-and-trade system structured to generate US\$15 billion annually for investment in renewable energy.

The US\$700 billion *Economic Stability Act* recently passed in the United States contains tax breaks and incentives for renewable energy and cleantech. The Act will boost the cleantech industry and create new "green-collar" jobs, a key component of the Democrats' plan to re-energize the U.S. economy.



There is no doubt that if the United States restricts carbon emissions from its own manufacturers, it will not permit the migration of U.S. jobs to countries with less stringent controls. Can Canada avoid being drawn into the vortex? Our border is not impermeable to the flow of ideas or money — or carbon dioxide, for that matter. It was no surprise that within a very short time of Obama's victory speech, our federal government initiated discussions on carbon cap-and-trade agreements with the United States.



Our country must develop a green strategy quickly, one that includes more effective ways to encourage the development and exploitation of new technologies, or we will hamper our ability to negotiate with the United States and lose many more of our cleantech innovators to Waltham.

Similar to a global economy in crisis, the price of oil can be an obstacle to the funding of cleantech users,

developers and suppliers. At US\$50 plus a barrel (at the time of writing), the price of oil presents an opportunity to move forward with cleantech initiatives, and in all probability, this is what the United States will do. President Obama's chief of staff, Rahm Emanuel said, "Never let a serious crisis go to waste." Putting a price on carbon may be the first and most important step toward encouraging investment and efficiencies that will lead to carbon emission reductions across the board.

Carbon emission restrictions will result in new challenges to global trade. For instance, the World Trade Organization has found that certain restrictions on process and production methods are permissible. Will carbon tariffs relating to processes and production methods be considered as violations of trade agreements, or will exceptions for conservation and greenhouse gas restrictions apply? There is little doubt that the U.S. will entertain tariffs on goods produced using carbon emitting processes. This may well mean some resurgence of manufacturing jobs in North America as the cost of carbon emissions get factored into the cost of goods. Also, will emissions of greenhouse gases that are unregulated by existing environmental legislation open a door to the liability of carbon dioxide emitters?

Despite the questions, complications and current economic malaise, we can expect significant progress in the cleantech industry in the very near future, and its effects are sure to be far-reaching. We can also anticipate an increased drive toward more eco-friendly processes in all businesses. This will be caused in part by the need to reduce costs as energy prices rise and costs are attached to carbon emissions. Other drivers of significance will include the rising chorus of voices encouraging social responsibility in cleantech matters and the fact that younger employees are more interested in such issues than their present managers. We can also expect to see more "green activists" in the media, in all of our markets and at shareholder meetings. Stay tuned — cleantech is becoming more muscular!