

Show us the money: Net zero financing for Canadian businesses (Energy Disruptors Day 3)

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While this article is about overcoming challenges that Canadian organizations have with raising capital, finding investors and transitioning their business models, first we'd like to say it was pretty innovative to see Erin Brockovich as a hologram. The technology used for the environmentalist icon's motivational talk at Energy Disruptors was glitch-free, and she was as vivid and engaging as any other speaker at the conference. We almost forgot that wasn't actually her on stage.

Now back to the theme of Day 3—the money problems that are making Canada's journey to net zero a rocky one, and the solutions that could help smooth the transition.

Problem: Raising capital for net zero projects **Solution: Crowdlending**

Raising capital from traditional sources is difficult for small and medium-sized enterprises with big energy transition goals. Enter crowdlending, a financing model where debt funding is obtained from a large and diverse group of individuals.

Crowdlending helps to “democratize finance,” speaker Blake Bunting explained. That's because \$5.9 trillion of a total of \$8.2 trillion in private wealth in Canada is held by non-accredited Canadians. Crowdlending provides this segment with greater access to capital markets. Since 71 per cent of Canadians aged 18 to 34 say ESG plays a role in their investment decisions, this demographic may prioritize investing in future-focused energy projects.

Blake recommends using crowdlending to finance an organization's net zero goals project by project, instead of going to the market with a big ask. He gave the example of a sustainable fish processing plant in Portugal that needed around \$650,000 for solar panels. Traditional lenders weren't interested in supporting the project, but they raised the money from approximately 750 people.

Raising equity investments via crowdfunding isn't new to Canada – securities regulators have allowed it since 2015. BLG has article on [using crowdfunding for start-up capital](#) that could help your organization get started.

Problem: Attracting investors to Canada 's renewable and low-carbon fuel sector

Solution: Incentivize innovation

Renewable and low-carbon fuel development requires huge injections of capital, but investors need certain conditions and protections in place before they'll put their money down.

Thanks to the U.S. Inflation Reduction Act of 2022, which incentivizes future fuel development through tax credits, investors are finding these conditions south of the border. In Canada, however, the cost to produce renewable fuels makes them an uneconomic endeavour, which makes investors hesitant.

The solution, according to the panelists in the Future Fuels session at Energy Disruptors, is for the Canadian government to follow the U.S. lead and incentivize innovation through tax credits. (Creating more regulatory certainty wouldn't hurt, either, they say.) Not only will tax credits encourage investment at home, but they will help break the long-standing Canadian tradition of shipping raw materials elsewhere to be made into a final product, only to be shipped back to Canadian consumers – a practice that increases greenhouse gas emissions.

Problem: Convincing consumers that EV charging is okay

Solution: Build what consumers want

In the words of Bob Espey, president and CEO of gas station retailer Parkland, no one wakes up in the morning saying they can't wait to go to the gas station. Given the long distances Canadians travel, the limitations in EV battery capacity and the time it takes to charge to 80 per cent, they're even less likely to look forward to charging their cars on-the-go.

Parkland's vision is to complement its conventional gas stations by building the electric charging destinations of the future. This will require reimagining the customer experience. But instead of building something and crossing their fingers that it would meet consumer needs, they started with research.

Bob and his team made the trek from Vancouver to Calgary in a Tesla to experience an EV road trip firsthand. Along the way, they spoke to EV owners about their pain points. They also analyzed the EV experience in Europe, where the infrastructure is currently more advanced than in Canada.

They learned that consumers are looking for charging stations that allow them to check off other items on their to-do lists, such as grocery shopping, visiting a pharmacy and checking in on work, as well as places to recharge their own batteries, such as cafés.

These are the experiences Parkland plans to build – and, as a result, help consumers feel more comfortable making the eventual transition from the internal combustion engine.

The big take-away

It all comes down to money.

Canadian businesses involved in the energy transition, be that future fuel development, getting a specific energy project off the ground or modifying their business model to adapt to new technologies, need to attract capital (if they're just starting out) and keep their shareholders happy (if they're publicly traded). Crowdfunding, government support for innovation, and focusing on delivering an exceptional consumer experience are three solutions to these problems that will allow Canadian businesses to make a profit with a social conscience.

Associates Jared Armstrong and Aleem Merali, both from BLG's Calgary office, were part of the firm's Energy Disruptors: Unite 2022 correspondent team, asked to share the sights and sounds from Day 3 of the fastest growing future energy event in the world. [Day 1's recap](#) from Tim Hoggstrom focused on what's needed to get to net zero. [Day 2](#) taught Nanditha Iyer how to be a change-maker.

By

[Jared Armstrong](#)

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BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

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