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Strategic partnerships hold the key to Canada's energy transition

In brief

- Partnering strategically across different sectors can help Canadian organizations drive decarbonization and the energy transition forward.
- By strategically addressing infrastructure, talent, regulatory and other key factors, these partnerships can ultimately unlock the investment necessary to spur results.
- Energy and resources organizations working together can now propel Canada into a global leadership position.

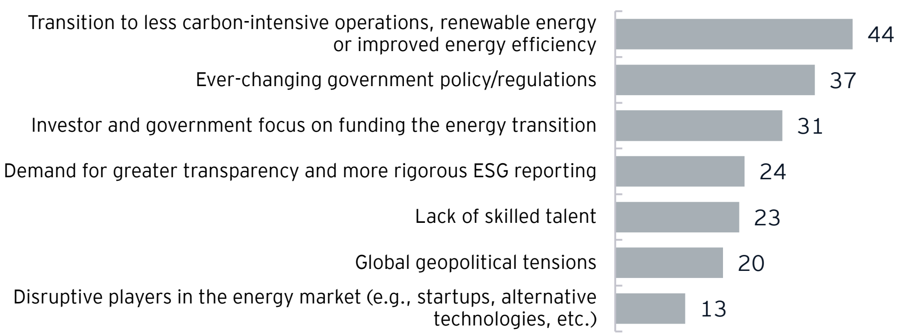
A meaningful appetite for strategic partnerships is emerging across Canada's energy and resources sector, creating significant opportunities to move the energy transition forward. Now's the time to jump on that momentum and propel lasting change together.

1. Canada's energy transition is business critical and evolving in real time.

Decarbonization, policy change and funding transitions are top of mind for organizations across sectors. Regardless of industry or focus area, these business issues affect everyone, with essential connections to investment drivers.

In EY's recent survey of Energy Disruptors Unite (EDU) Summit attendees, we polled leaders from more than 60 large and small organizations spanning mining and metals, power and utilities and oil and gas. The transition to less carbon-intensive operations, renewable energy or improved energy efficiency emerged as the most critical concern, one that's expected to have the most significant impact on their business.

Which of the topics, trends or disruptions do you feel will have the greatest impact on your business?



That said, ever-changing government policies and regulations weren't far behind in terms of importance among survey respondents. Across industries, energy sector players are in many ways building the airplane mid-flight, rolling out massive change as the policies and regulations they'll be required to meet evolve simultaneously in real time.

Meanwhile, clear targets represent ambitious goals across the board. At the federal level, the Government of Canada has set specific goals in four areas pertinent to the energy transition. Each of those pillars — outlined in **Canada's Energy Transition Report** — reflects significant work to be done. What does that include?

1. Wasting less energy to achieve economy-wide, year-over-year energy efficiency improvements of 3% by 2030.
2. Switching to clean power and producing 90% of electricity from non-emitting sources by 2030.
3. Using more renewable fuels to reduce greenhouse gas (GHG) emissions by 30 million tonnes by 2030, positioning Canada as one of the global leaders in the bio-economy.
4. Producing cleaner oil and gas by reducing emissions per unit of fossil fuel produced, diversifying product mix, enhancing market access and developing an effective regulatory system with a lifecycle approach to emissions.

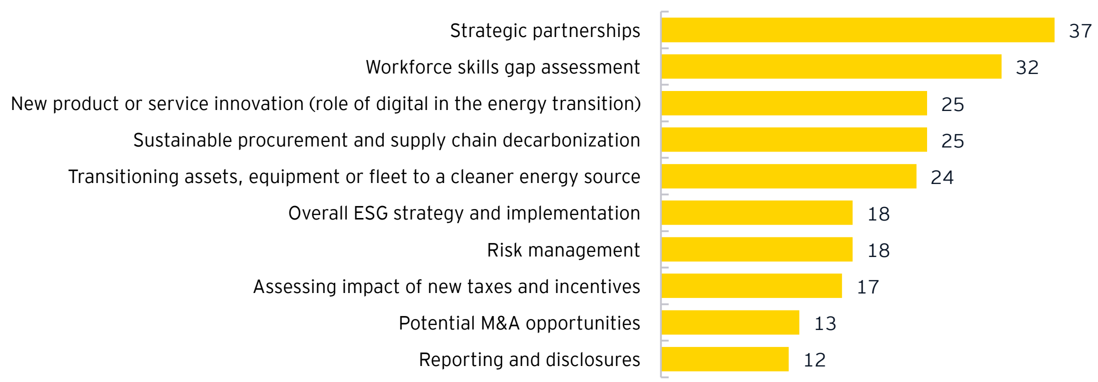
Taken together, these common priorities are powerful. They hold the potential to unify organizations around a shared cause, particularly poignant here in Canada, where the cleantech industry is innovative but small, especially in comparison to other markets, including the US. While Canada ranked second on the **Global Cleantech Innovation Index** and the sector contributed billions to Canada's GDP in 2021, it remains a relatively nimble space. That creates lots of room to pool resources, share ideas and drive progress collectively.

2. Prioritizing strategic partnerships can fuel progress at scale.

Across our EY EDU survey respondents, industry insiders sent a clear message: strategic partnerships require the most support, or greatest attention, of any business priority if decarbonization is to succeed.

One participant said, "*With deep collaboration, co-investment and competitiveness protection, we can decarbonize our base business.*" That's telling. It speaks to the need for collaboration in driving the energy transition — which respondents pegged as the topic, trend or disruption they felt would have the most significant impact on their business from here on out.

What parts of your business do you feel need support or greater attention in light of the topics above?



From coast to coast, stakeholders recognize that achieving an actual emission drop across Canada's real economy is a burning platform, one that requires simultaneous action across numerous fronts. Put simply: these industry stakeholders know what's on the line and they're ready to think outside the traditional lines of transformation to ensure the energy transition success. And they're not wrong.

At the same time, policies and pricing must evolve to better support emissions management, and the country's largest emitters must execute effective reduction plans. New sources of financing will be a critical factor in all of this.

Respondents are wise to prioritize strategic partnerships against this complex and multifaceted backdrop. The cost of transitioning Canada's economy to net-zero emissions is pegged at **$2 trillion over the next 30 years**.

Still, funds are available to finance the transition according to the country's largest financial institutions. Prioritizing strategic partnerships can help the industry make the most of what's available and drive progress faster. Success, though, will ultimately lie in connecting strategic partnerships. Organizations should also think broadly and explore potential opportunities to collaborate outside their traditional value chain with companies in technology, government and private equity and even non-governmental organizations (NGOs).

Organizations should evaluate partnerships through the lens of these five critical elements:

1. **Invest**: Making sure funding opportunities are provided to support the energy transition ecosystem, particularly in the highly innovative and disruptive startup space.
2. **Attract**: TThinking about how we attract companies to Canada to bring the additional needed capabilities from the energy transition perspective.
3. **Connect**: Creating the proper forums and networks to share energy transition knowledge and capabilities through partnerships, alliances and other mechanisms.
4. **Promote**: Showcasing the work being done in Canada, embracing our success and rinsing-and-repeating where possible and at scale.
5. **Sustain**: Building architecture that allows companies to work together sustainably in ways that last, given the energy transition itself is a long-term play.

3. Stronger partnerships can help close critical skills gaps.

Decarbonization requires significant investments in people and infrastructure alike. An evolving skills gap has been taking hold in industry operations for years — and the situation is only getting worse. In fact, RBC research shows that the green skills evolution that's required to decarbonize at scale will affect highly-paid, highly-skilled workers more dramatically than other groups. Managers in engineering, architecture, utilities and manufacturing are already seeing **over 50% of their tasks shift due to the climate transition** — five times that of managers on average.

At EDU, one leader explained how "*our strategy is well articulated, but resources for execution simply don't exist.*" Companies will increasingly need to explore what transferrable skills can be adapted and moved around in house to keep the proverbial lights on.

Even so, the industry isn't just lacking specific skills. The energy transition is also missing people — a problem poised to worsen as baby boomers continue to exit the workforce, taking valuable institutional knowledge and context with them. Before the pandemic, 5,000 Canadian baby boomers were retiring every week. That added up to **250,000 in 2019 alone, a 52%** jump from 20 years before.

That talent crisis, though, is more than simply an operational issue. It's also a severe threat to the innovation that is so badly needed if we're going to effectively decarbonize and transition to a lower-carbon future. After all, the energy transition requires us to ideate a new path forward. We need both people and infrastructure to get there.

That brings us back to the need for strategic partnerships, which have great potential to address those challenges and foster sustainable progress. Whether building bridges in the sector itself or pushing for a more holistic, cross-sector approach to partnership, aligning efforts beyond the confines of your own organizations can turbocharge decarbonization efforts in Canada and beyond.

4. Amplifying partnerships can accelerate necessary investments.

Without investment, the energy transition simply won't occur. Aligning through strategic partnerships provides new ways for industry stakeholders to redouble efforts around key investment drivers that can attract funding in a world where the race for capital is increasingly competitive.

How so? Innovative strategic partnership frameworks will bring together public and private sector organizations and groups. That kind of model can unify efforts to address meaningful areas like policy support and tax and industry regulation through a collaborative lens. It helps foster a knowledge economy rich with green skills and insights to drive the energy transition forward. And by strengthening the alignment between industry and government, strategic partnerships can also help organizations mitigate the risks that come from regulations and requirements shifting quickly.

In Canada, clean energy resource availability exists across wind, solar, hydro, geothermal and hydrogen. When private and public entities work together to maximize that potential, we can up Canada's chances of securing a more significant share of investment and funding required to spur progress now. That underpins Canada's future ability to meet growing customer demand from consumers, businesses and governments all looking to purchase increasingly green alternatives over time.

A more holistic approach to partnering speaks directly to the vital investment drivers poised to make the energy transition possible and profitable.

Key Investment Drivers

Policy support: Government policy support creates new domestic and export growth opportunities for cleantech companies

Tax structure: Countries and provinces/states that provide tax incentives for cleantech such as subsidies and rebates are naturally more attractive.

Industry regulation: Deregulated electricity markets and cleantech industries provide greater flexibility across the value chain.

Resource availability: Clean energy resources such as wind, solar, hydro, geothermal or hydrogen are required to drive positive ROI.

Market saturation: An overly saturated cleantech market will be more competitive and therefore less desirable for investment.

Growing customer base: Population growth or increased rates of electrification will lead to greater cleantech demand.

Knowledge economy: Skilled workforce with human capital and expertise in energy industries will help facilitate a swift energy transition.

Summary

Canadian energy sector stakeholders understand the decarbonization challenge. They recognize the need to boldly invest in energy efficiency, new production technologies and high-quality offsets. They underscore the importance of talent and teams to deliver on strategy, communications that strengthen the narrative, and a shift towards lower carbon in the energy mix.

But as one survey respondent put it: "*[The energy transition] is a line in the sand, and the sand can get blown away.*"

Canada is uniquely positioned to lead the global energy transition. Strategic partnerships help us transform that line in the sand into a concrete path to progress.

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