



Government
of Canada

Gouvernement
du Canada



LONG-TERM INVESTMENT SUMMIT

November 14, 2016



Government
of Canada

Gouvernement
du Canada

THE CANADA OPPORTUNITY

THE ECONOMY AND THE GROWTH AGENDA

Long-Term Investment Summit

November 2016



Canada's Macroeconomic Advantage

- Stable, low-risk environment
- New strategy for inclusive and sustainable growth

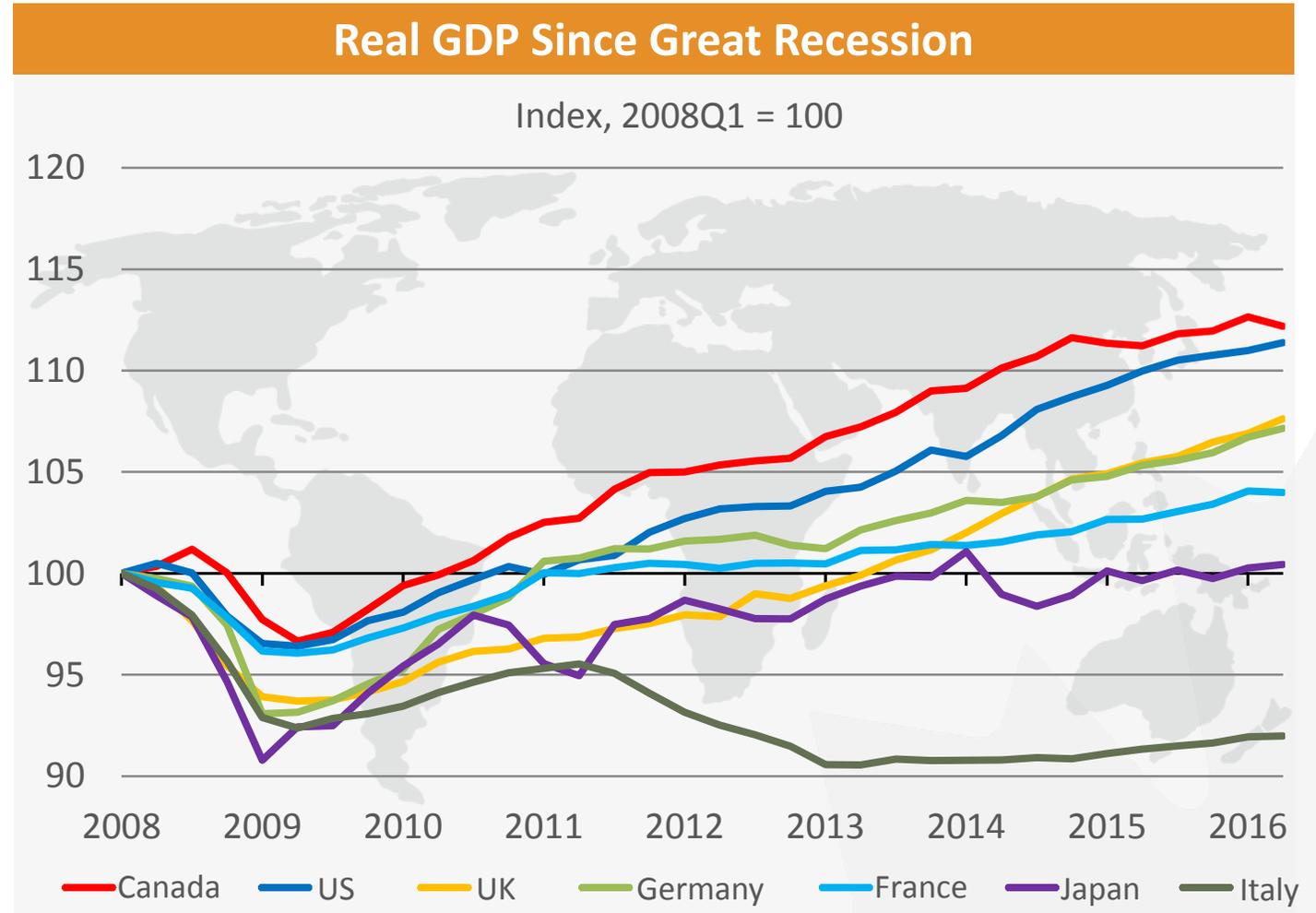
“ I very much hope that Canadian economic policies can actually go viral, and that this energy and this passion for openness can be sufficiently contaminating. ”

Christine Lagarde, IMF Managing Director



Canada leads the G7 in economic growth

- Best growth since the Great Recession in the G7
 - GDP 12% higher than before the recession
- Economy resilient following fall in oil prices
- Best growth prospects in the G7
 - Highest expected average growth from 2017 to 2021 (IMF)



Sources: Haver Analytics, Department of Finance calculations
IMF – World Economic Outlook, October 2016



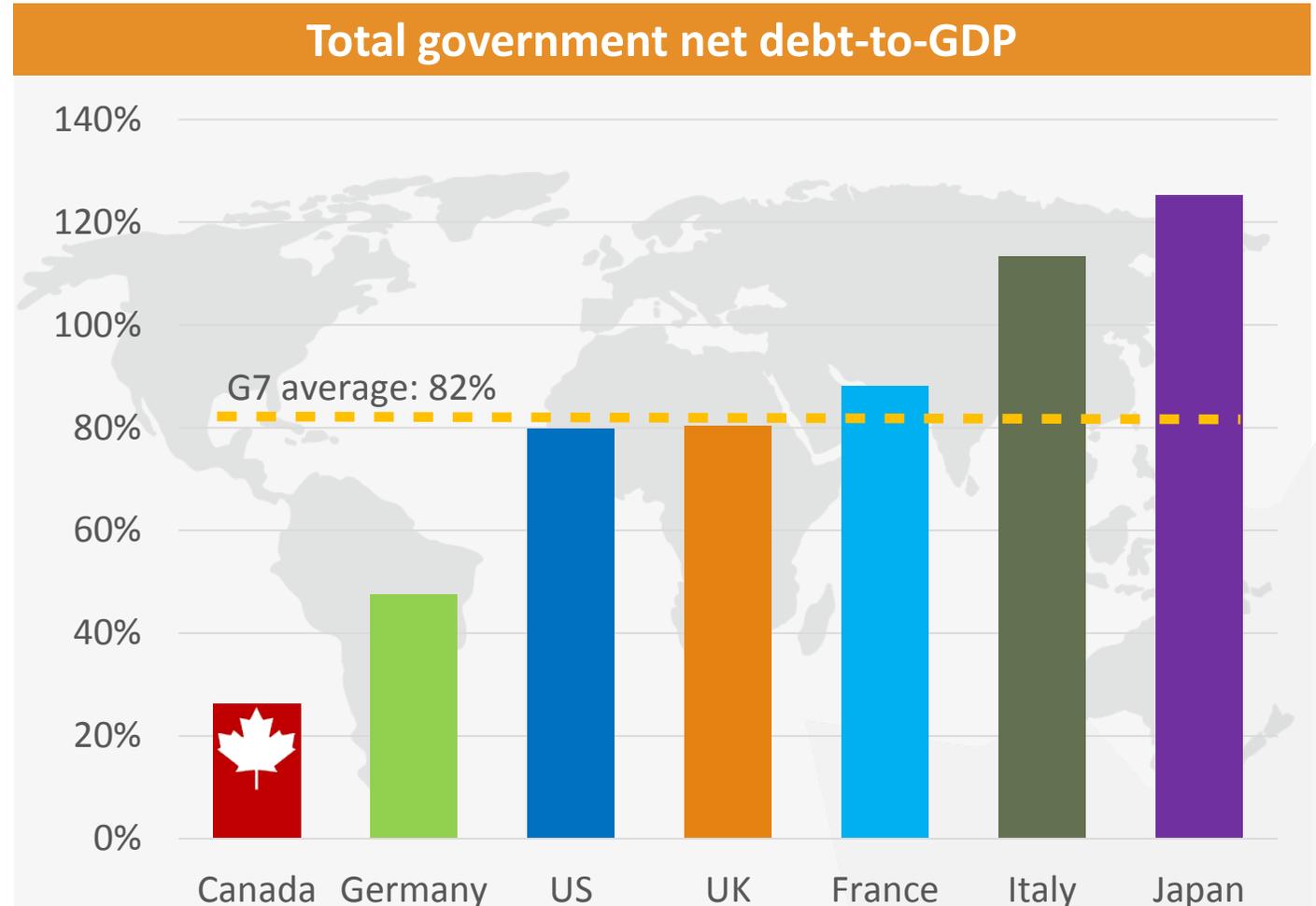
Strong fiscal position

- Lowest net debt-to-GDP ratio in the G7
- Leading the G20 with AAA credit rating from S&P, Moody's, and Fitch

“Canada is in a better position than almost any other rich country to take advantage of low rates: it didn't suffer a big downturn after the financial crisis, and it has a history of fiscal restraint.”

The Economist

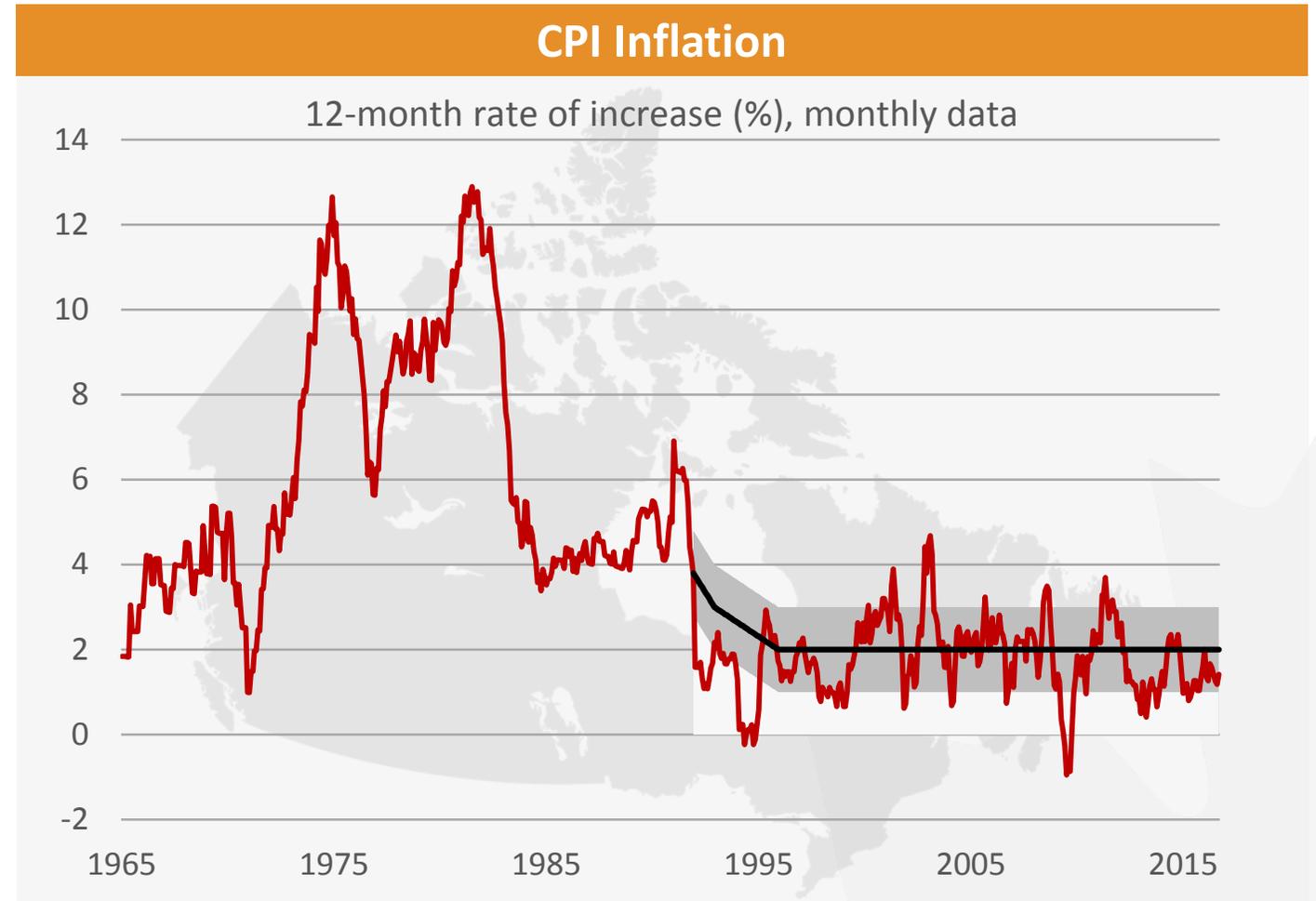
Source: IMF – Fiscal Monitor, October 2016





Clear, credible and stable monetary policy framework

- Low, stable, and predictable inflation
- Free-floating dollar
 - Natural shock absorber for economy
 - Deep and liquid foreign exchange markets for hedging



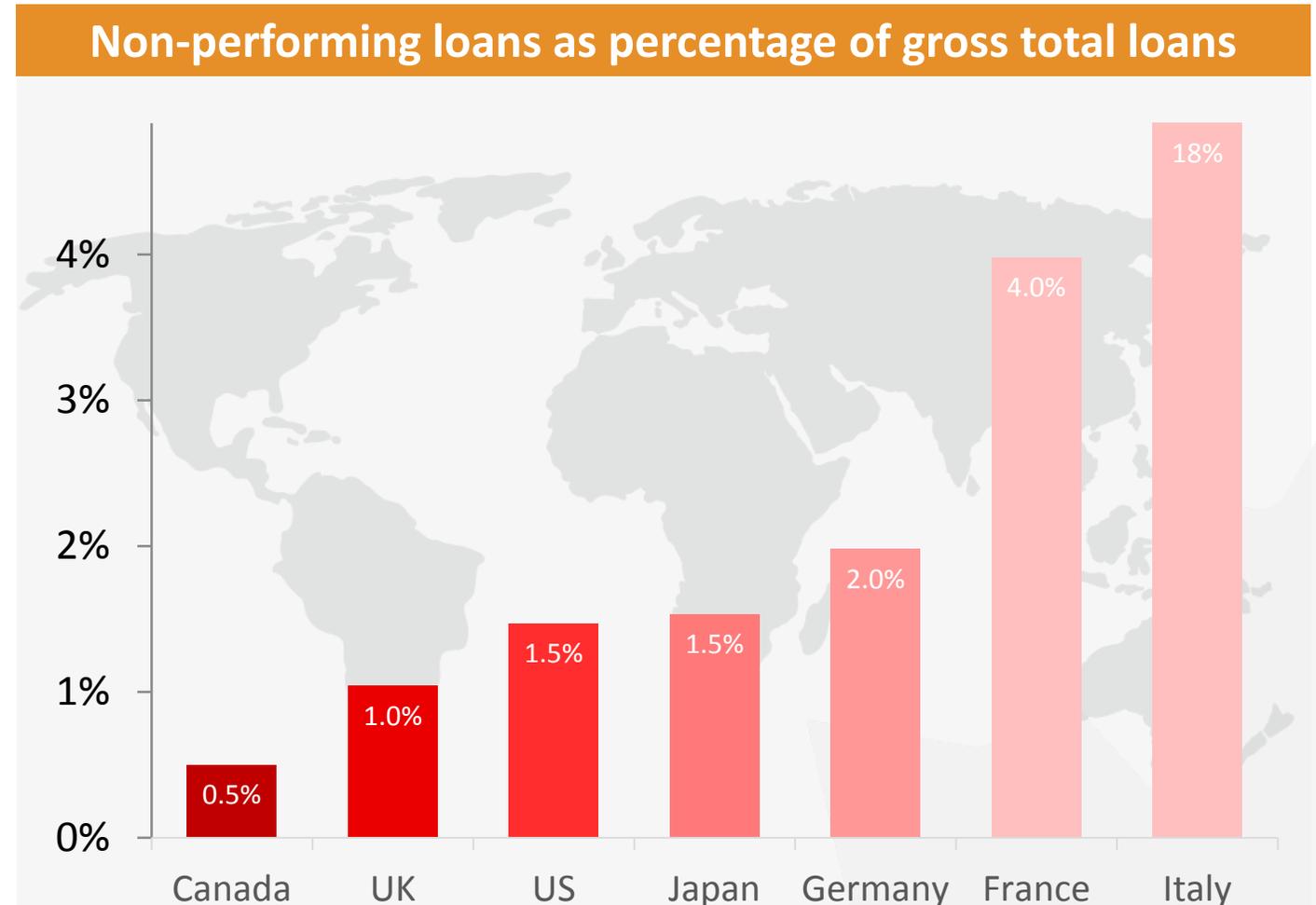
Source: Statistics Canada, Bank of Canada.



Sound and efficient financial system

- Soundest banks, with lowest NPLs in G7
- Efficient, open, and soundly-regulated capital markets
- Global-scale pension funds with solid, diversified investment strategies
- Strong macroprudential framework
- Recent actions to address targeted pockets of risk in housing market

Source: IMF – Financial Soundness Indicators





Welcoming and predictable business environment

- Best place for doing business in the G20 (Forbes, Bloomberg)
- Lowest business taxes in the G7 (KPMG)
- Lowest overall business costs in the G7 (KPMG)
 - 15% less than in the US
- Stable and transparent regulatory frameworks

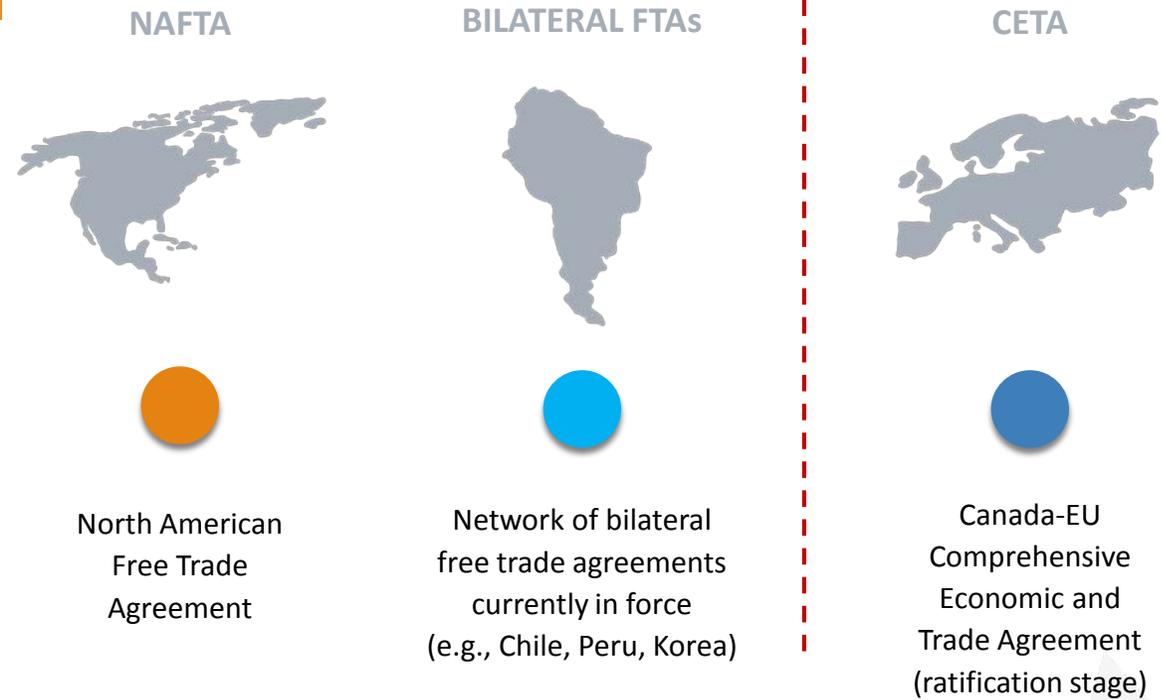
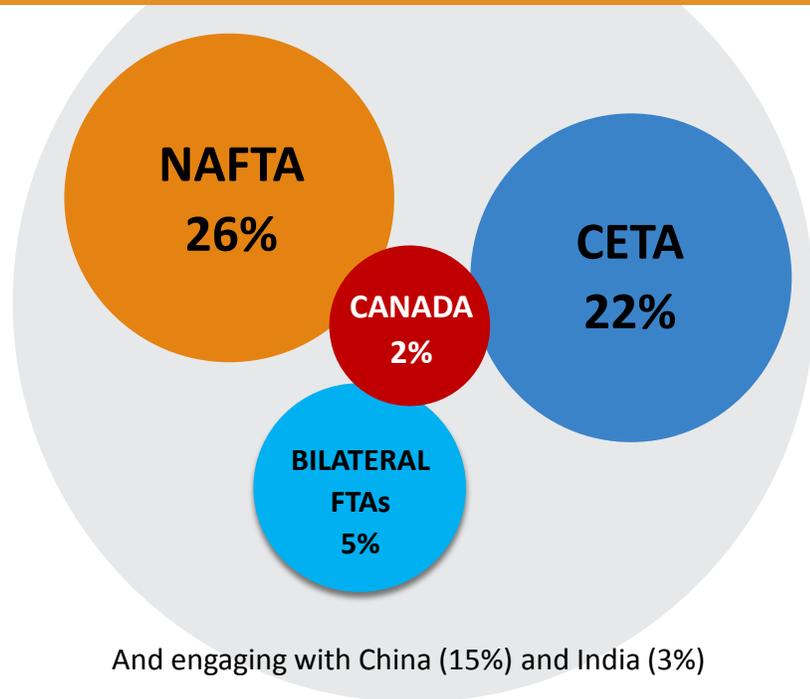
Sources: Forbes – Best Countries for Business, 2015
Bloomberg – Best Countries for Doing Business, 2014





Preferential access to a significant (and growing) share of the global economy

Over 55% of global GDP covered by FTAs



“Too many friends of globalisation are retreating, mumbling about responsible nationalism. Only a handful of politicians—Justin Trudeau in Canada, Emmanuel Macron in France—are brave enough to stand up for openness.”

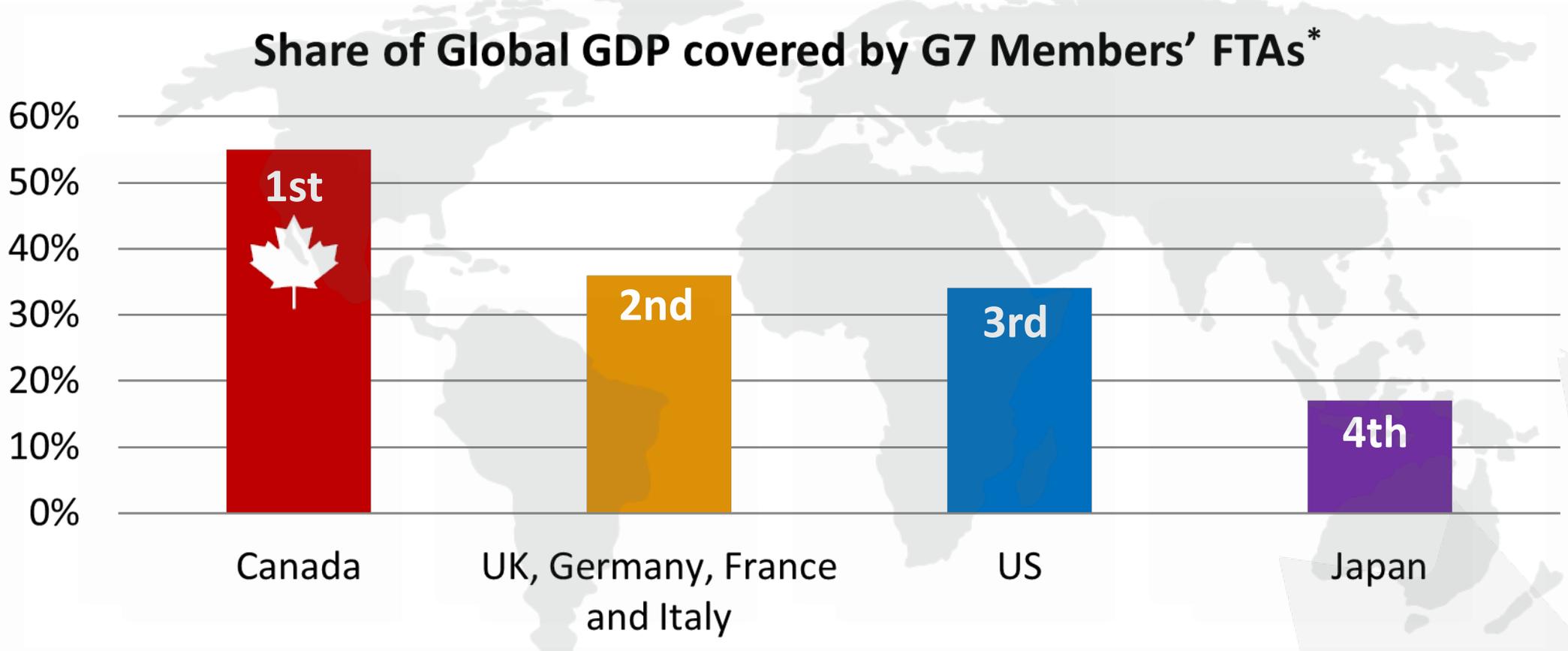
The Economist

Source: World Bank, Department of Finance calculations





Canada vs. G7 countries



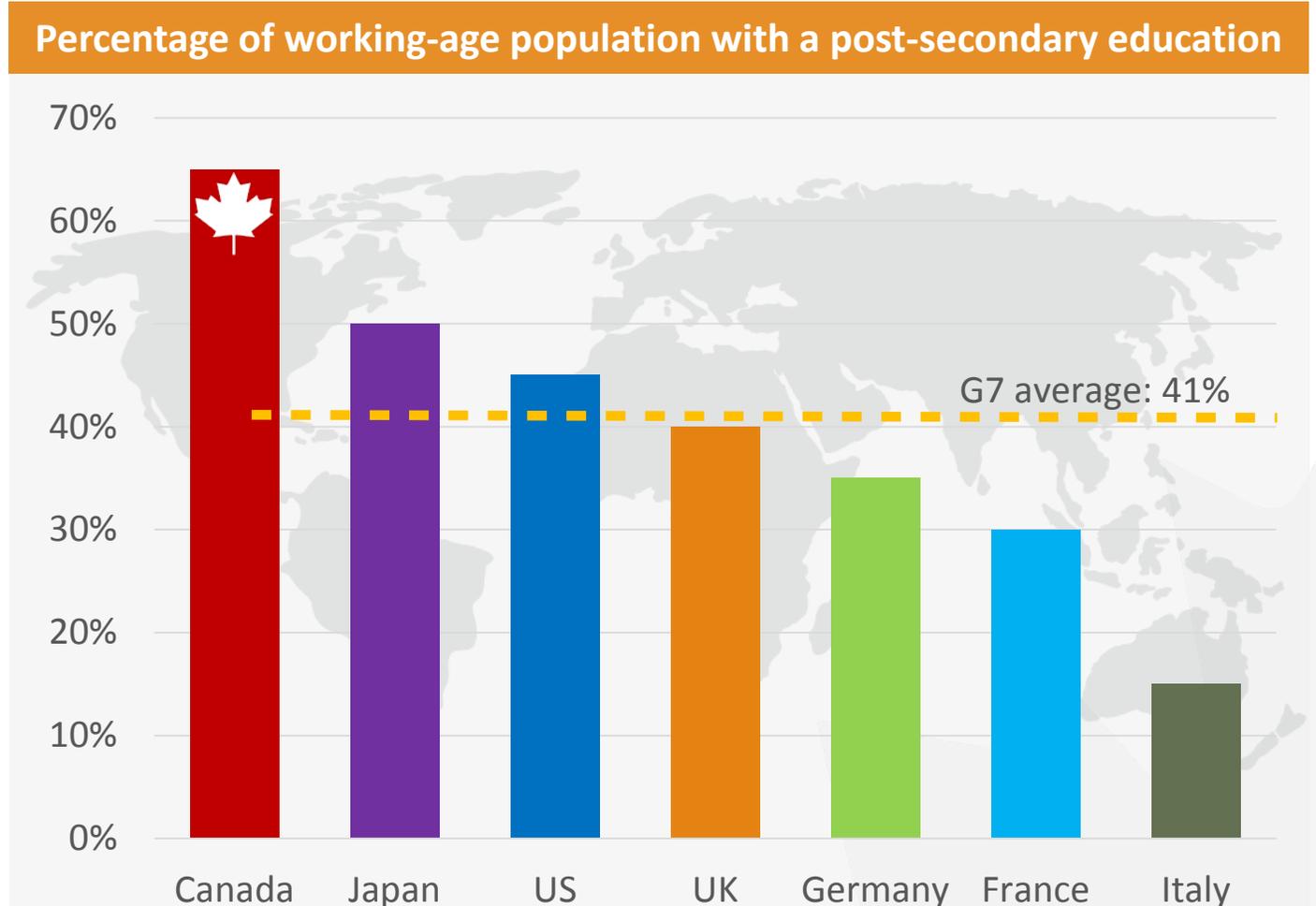
* With the exception of the TPP, this includes all FTAs concluded, signed, or implemented by G7 countries. For Canada, this includes all implemented FTAs, CETA, and Canada-Ukraine FTA.

Source: World Bank, Global Affairs calculations



Highly-skilled, diverse, cohesive population

- Highest proportion of working-age population with a post-secondary education in the OECD
- Best availability of skilled labour in the G20 (IMD)
- Diverse, world-class cities
- Highest *World Happiness Index* ranking in the G20
- Leader in gender equality
 - Gender balance in federal Cabinet
 - 40% of entrepreneurs are women



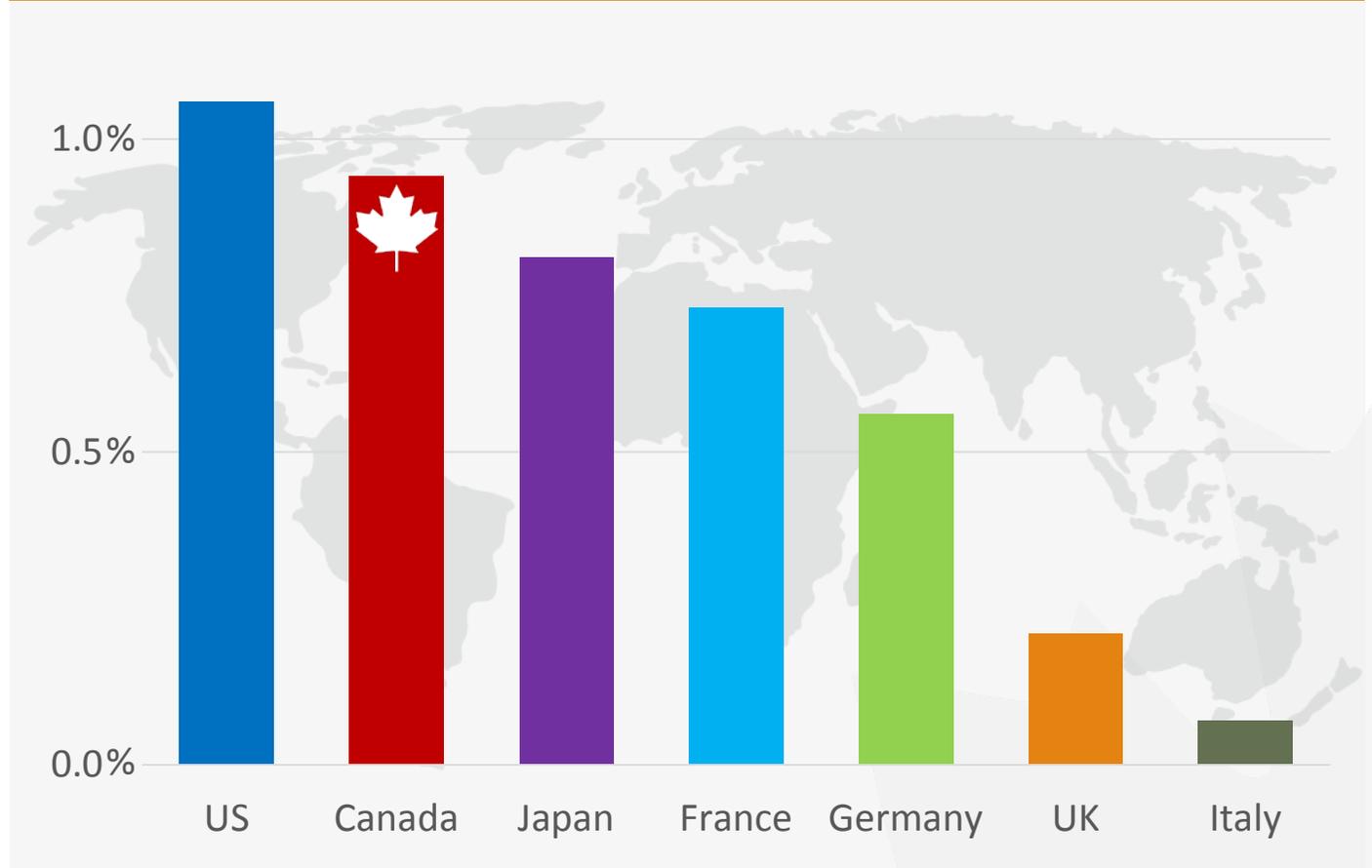
Sources: OECD – Education at a Glance 2015
 Institute for Management Development – World Talent Report 2015
 United Nations Sustainable Development Solutions Network – World Happiness Report 2016
 Global Entrepreneurship Monitor – 2015/2016 Global Report



Strong productivity performance

- 2nd best productivity growth in the G7 since the Great Recession
- Committed to improving performance
- Growth Council to source bold new ideas to boost productivity

Labour productivity growth, 2009-2015 average



Source: OECD Productivity Database. Growth over 2009 to 2015 represents growth to 2015 or latest year available.



We want to boost growth in a way that is...



Inclusive

Creates opportunities for everyone in society

Ensures that Canadians benefit from free trade and market-friendly policies



Innovative

Is a more proactive approach to support and foster innovation



**Fiscally
Sustainable**

Maintains flexibility to deal with recessions and pressures from an aging population



New strategy for inclusive and sustainable growth

Boosting Public Investment

- In people
 - Middle class tax cut
 - Canada Child Benefit
 - Higher Canada Student Grants
- In innovation
 - Innovation agenda
- In infrastructure
 - Canada Infrastructure Bank

Increasing Openness

- Increased global investment
 - New Invest-in-Canada Hub
 - Higher limits for reviews and more transparency
- Attracting skilled immigrants
 - Global Skills Strategy
- Freer trade
 - Trade agenda



Annex – Transparency of *Investment Canada Act* contributes to stable, low-risk environment

Clear review process contributes to stable, low-risk environment

- Open to investment that will contribute to higher growth and employment in Canada, providing for two distinct reviews: economic (net benefit) & national security
- Well-established, consistent review process based on hundreds of proposals in recent years

Net Benefit Review

- Limited to high-value direct acquisitions of control of Canadian businesses. Fall Economic Statement 2016 announced increase of threshold for review to \$1 billion in 2017, two years sooner than originally planned
- Clear process and criteria – with definite timelines, confidentiality protected:
 - Investment proposals assessed against six legislative economic factors, including effect on employment in Canada and productivity
 - Administrative guidelines and Government officials open-door policy provide practical guidance to investors and their advisors
- SOEs and SWFs welcomed if they operate on a commercial basis

National Security Review

- May apply to investments of any size. Following a review, Governor in Council has authority to impose conditions on an investment, block or order divestiture
- New transparency on administration of national security reviews introduced in 2015/16 Annual Report on the ICA
- Fall Economic Statement 2016 announced modernization of *Investment Canada Act* including guidelines to be published to increase transparency and help investors better understand and navigate the review process



Government
of Canada

Gouvernement
du Canada

THE CANADA OPPORTUNITY

INVESTING IN CANADA'S NEW RESOURCE ECONOMY

Long-Term Investment Summit
November 2016



Investing in Canada's new resource economy

Natural resources innovation is **central to our vision** for a low carbon economy

The Government will continue to **support the competitiveness** of these sectors

- Built upon Canada's natural resource advantages

We are putting in place the measures required to **bring more of our resources to the world**





Canada's natural resource advantage: world class assets



the **world's 3rd largest per capita** resource endowment, including significant untapped resources in Canada's North



the **8th highest total primary energy supply** in the world



the **world's 3rd largest forest area**



world's top destination for non-ferrous mining exploration in the top 5 of almost all major minerals and metals



global leader in public geoscience



amongst world's cleanest and lowest cost electricity producers



Canada's natural resource advantage: world class assets

Energy

Hydro

- 2nd largest hydro producer globally
- 63% of Canadian electricity
- Efficient energy storage



Nuclear

- 2nd largest uranium producer
- Own nuclear reactor technology (CANDU)



Other renewable (e.g., wind, solar)

- 7th globally in wind power capacity
- 6x increase in non-hydro since 2010
- 4th in the world for total renewables



Crude oil

- 5th largest producer
- 3rd largest proven reserves

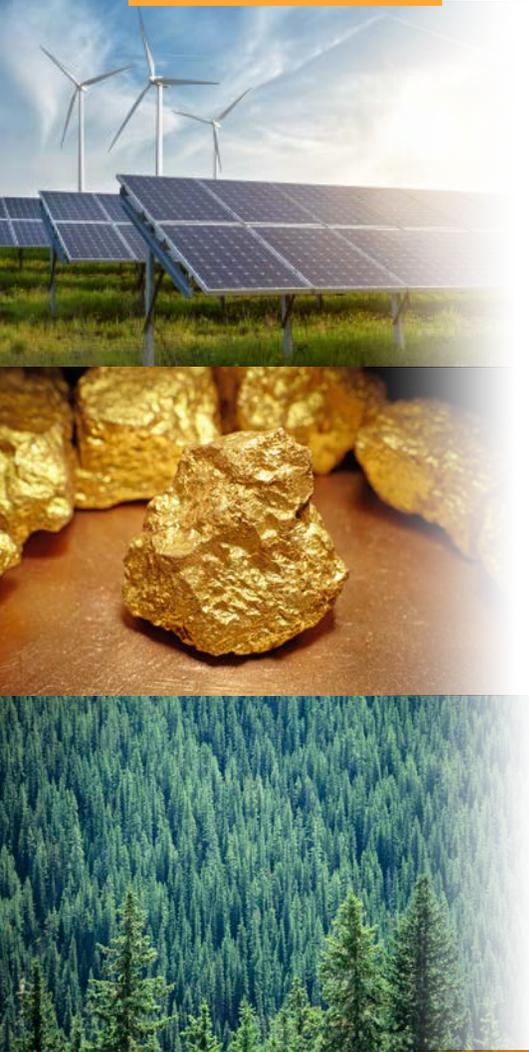


Natural gas

- 4th largest natural gas producer globally
- \$10.7 billion net exports



Canada's natural resource advantage: world class assets



Clean tech



CANADA HAS MORE THAN

750
CLEAN TECH
COMPANIES



AND GENERATE MORE THAN

\$11
BILLION
IN REVENUE



87%
OF CLEAN
TECH FIRMS
EXPORT

THAT EMPLOY MORE THAN

55,000
PEOPLE



CANADIAN CLEAN TECH
FIRMS EXPORTED

\$6.6
BILLION
IN 2014



\$1.2
BILLION
WAS SPENT ON
R&D IN 2014



Source: 2016 Canadian Clean Technology Report



Canada's natural resource advantage: world class assets

Mining

\$43 B

In 2015, mineral production totaled \$43 billion. Canada produces some 60 minerals and metals at 200 active mines and 7,000 sand and gravel pits and stone quarries.



Source: Natural Resources Canada; Statistics Canada; U.S. Geological Survey; World Nuclear Association.

Forestry

Canada has

347

million hectares of forest

166

million hectares of forest independently certified as sustainably managed (2015)



Source: Natural Resources Canada.



Canada's natural resource advantage: international reach

Proximity to major global markets

- Integrated North American network
- Strong international partnerships and engagement



Canada abroad

\$578 B

In 2014, publicly traded Canadian-based energy and mining companies had total natural resources assets of approximately \$578 billion.



\$236 B located in more than 100 foreign countries

Source: Natural Resources Canada estimates based on company filings.

Exports

\$231 B

Canada's natural resource exports were valued at \$231 billion in 2015. Main export destinations: USA, the United Kingdom and China.

Main Export Destinations



Source: Natural Resources Canada estimates, based on Statistics Canada data (Natural Resources Satellite Account)



Canada's natural resource advantage: leadership in innovation

Innovation will ensure that **natural resources** remain at the heart of Canada's **clean growth** economy

- Innovative approaches driving down costs
- Improving environmental performance
- Opening new market opportunities



Energy

- Boundary Dam: **world's 1st** commercial-scale carbon capture & storage power plant
- GTRenergy Ltd: developing virtual blade wind power, which increases energy output and reduces noise



Mining

- Goldcorp Borden Mine: early 2017 launch of Canada's **first all-electric mine**
- Glencore Raglan Mine: using **wind power and fuel cells storage** to lower dependence on diesel



Forestry

- FPInnovations: catalyzing the use of cellulose nanocrystals by wide range of industries, e.g., aerospace, medical devices, pharmaceuticals
- Major breakthrough in sustainable building design and construction: **world's tallest wood building**



Earth Sciences

- **Geo-Mapping for Energy and Minerals Program**: work has resulted in new exploration investments by more than 100 companies in Canada's vast North



Canada's natural resource advantage: clustered expertise and talent

a proven track record of support: legal, equipment, engineering, logistics



a financial hub: with over 50% of the world's mining listings on the TSX



a skilled and experienced labour force: backed by skills development programs and training initiatives, universities and research institutions





Canada's natural resource advantage: low "above ground" risk

- World class regulators
- Stable and competitive royalty regime
- Strong intellectual property regime
- Open and transparent government
- Well-developed infrastructure
- Attractive tax treatments



“*For BP, **Canada is one of the better places to invest in the world.** It is a stable economy. It has a stable political system. It has pragmatic regulations that allow us to be both safe and efficient. It has great people... just great talent locally. It's a centre of innovation in technology, and it has a great hydrocarbon basin, which is obviously extremely important for a business such as ours.*”

Murray Auchincloss
Deputy CFO, BP

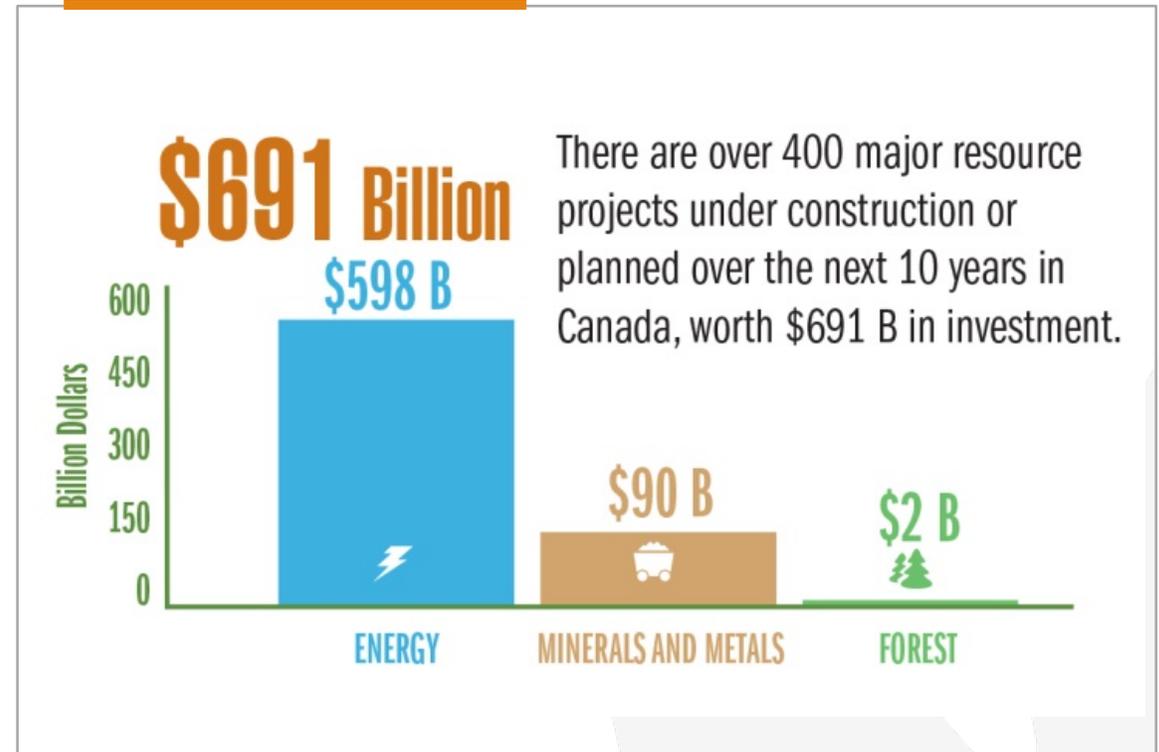


Canada's natural resource advantage: opportunities to invest



September 28, 2016

Planned major projects



Data Sources: Natural Resources Canada, provincial and territorial governments, specialized Databases, various company websites



Eye on the natural resources long-game

- Worldwide, natural resources at a crossroads
- Canada at forefront of natural resources transformation
- Putting in place the measures required to build infrastructure and bring our resources to markets
 - Stay ahead of the curve
 - Drive clean, inclusive growth



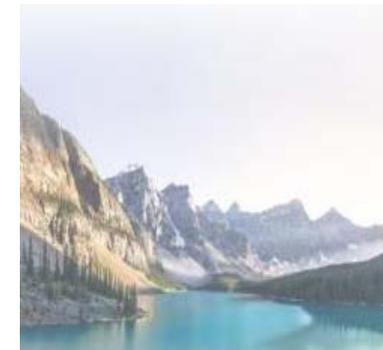
**Investing in
clean
technology and
innovation**



**Transitioning
to low-carbon
economy**



**Modernizing
environmental
and regulatory
processes**



**Renewing
relationship
with
Indigenous
peoples**



Investing in clean tech and innovation

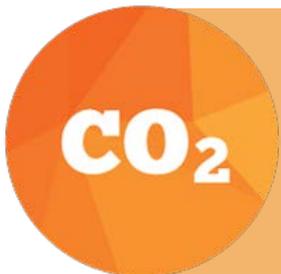
- **Over \$1 billion** over 4 years to support clean tech, including in the **natural resources sectors**
- **\$2 billion for a Low-Carbon Economy Fund** to work with the provinces and territories
- **\$20 billion** investment in **green infrastructure**
- **Mission Innovation: double funding for clean energy technology research and development**
- Partnering with **Breakthrough Energy Coalition**





Managing transition to low-carbon economy

- Meeting climate change targets and moving towards a low-carbon economy
 - Paris climate agreement ratified by Canada
 - Pan-Canadian Framework on Climate Change and Clean Growth
 - Progressive, flexible and predictable approach to pricing carbon
 - Climate policy provides **investment certainty** and encourages innovation, competitiveness and future growth
- Will require significant investment, such as in
 - Greening of oil, gas and mining sectors through the adoption of clean technology
 - Shift toward electrification in various industries, including natural resource sectors and transportation



One of the many benefits of carbon pricing is that it's going to unleash more R&D... because you therefore have to look for more efficient ways of dealing with the costs"

Dominic Barton

Global Managing Director, McKinsey & Co.



Modernizing environmental and regulatory processes



- Regulatory modernization key to:
 - Building public confidence
 - Enhancing regulatory certainty
 - Reducing litigation risk
- Interim measures put in place, en route to modernization
 - Assessment of upstream and direct GHG emissions associated with projects
 - Public engagement



Renewing relationships with Indigenous peoples

Government of Canada committed to:

- Restoring trust
- Investing in communities
- Clarifying governance

Nation-to-nation approach,
investments in training, education, job
creation

Measures to improve consultation,
accommodation and engagement



No relationship is more important to our government and to Canada than the one with Indigenous peoples. Today, we reaffirm our government's commitment to a renewed nation-to-nation relationship between Canada and Indigenous peoples."

Prime Minister Trudeau





Investing in Canada's new resource economy

Natural resources innovation is **central to our vision** for a low carbon economy

The Government will continue to **support the competitiveness** of these sectors

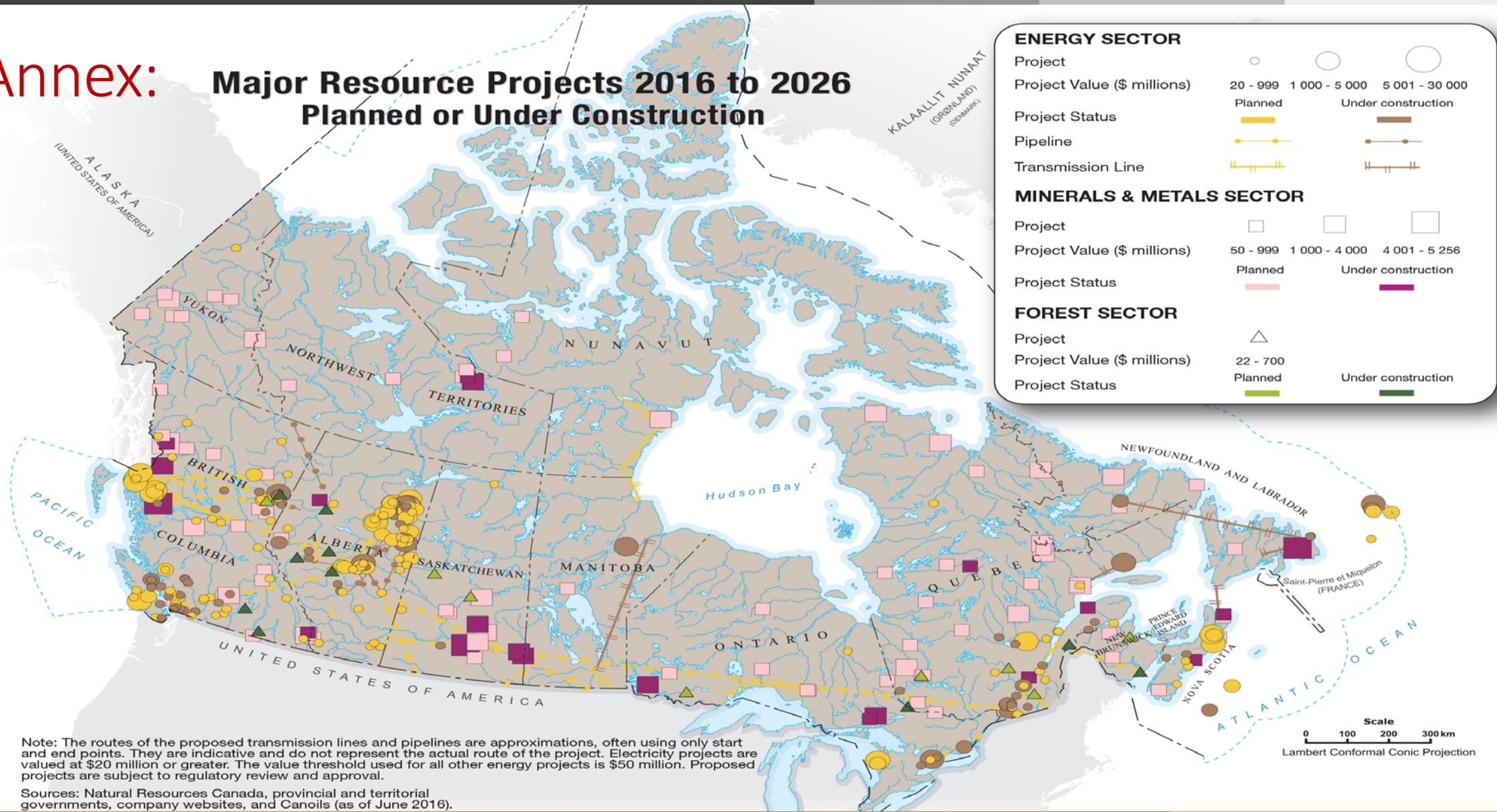
- Built upon Canada's natural resource advantages

We are putting in place the measures required to **bring more of our resources to the world**





Annex: Major Resource Projects 2016 to 2026 Planned or Under Construction





Government
of Canada

Gouvernement
du Canada

THE CANADA OPPORTUNITY

INNOVATION

Long-Term Investment Summit
November 2016



A Commitment to Accelerate Innovative Activities

Past drivers of growth that have propelled Canada forward

Labour participation rates

Increased trade and commodity prices

No longer sufficient to generate significant and sustained growth for Canada

The Inclusive Innovation Agenda is focused on **3 priority areas** to promote Canada's growth

1 PEOPLE

Promoting skills development, partnerships with academia, and global talent attraction

2 TECHNOLOGIES

Growing clusters, supporting centres of excellence and breakthrough disruptive technology

3 COMPANIES

Increasing access to finance, markets and customers for firms to compete and thrive globally

FOUNDATIONS

Top Talent

Strong Scientific Base

Enabling Business Environment

Access to Global Markets



Innovation Across Sectors

World leading clusters in key sectors and Innovating in established industries

Aerospace, Automotive
Life Sciences
ICT
Agriculture / food processing
Entertainment Software & Devices
Natural resources

Global Investment across Canada's innovation economy



Vibrant landscape for start-ups

Canada home to 120+ accelerators and incubators

Robust and world-renowned research ecosystem





The Opportunity



Venture Capital (VC) Investments

Canada ranks 3rd, behind the US and Israel as a percentage of GDP (OECD, 2015)

536 VC DEALS WORTH \$2.3B IN 2015

including:

- 325 in ICT
- 110 in Life Sciences
- 44 in Clean Technologies



Leadership in Frontiers of Technology, with Pipeline of High-growth Firms

ICT, life sciences, clean tech, quantum computing, AI, VR, entertainment software

kik

hootsuite

Desire2Learn

clementia

lightspeed

general fusion

41%

INCREASE IN NUMBER OF VC DEALS 2014-15

\$1.3B

CAPITAL RAISED THROUGH VCAP PROGRAM

Surge in High Growth Firms

Only **42%** of VC in Canada goes to **late stage firms** (60% in the US)

Surge in high-growth firms, with potential for returns

Opportunity to help **scaling of emerging Canadian firms as global leaders**



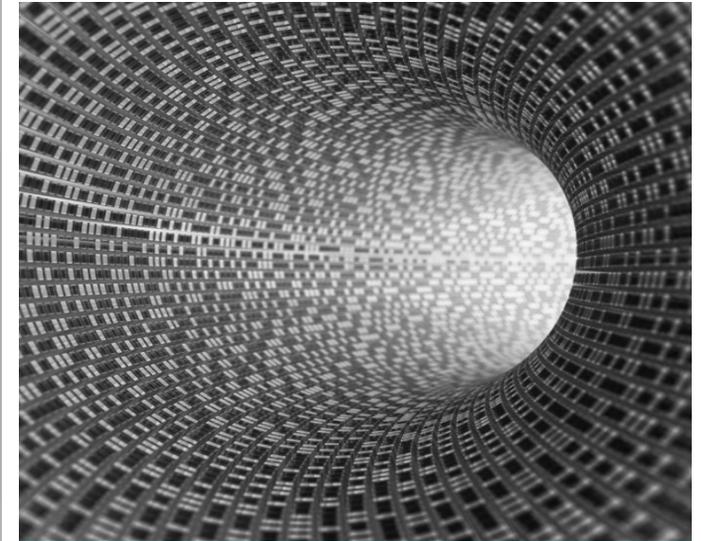
Focus on the Future



Innovating in Life Sciences and Digital Health



Innovating in Digital Entertainment and VR



Innovating in AI, Quantum and FinTech

The next generation of **disruptive technologies** are being **developed in Canada**

Genomics
Canada wide



Quantum Technology
Waterloo & Burnaby

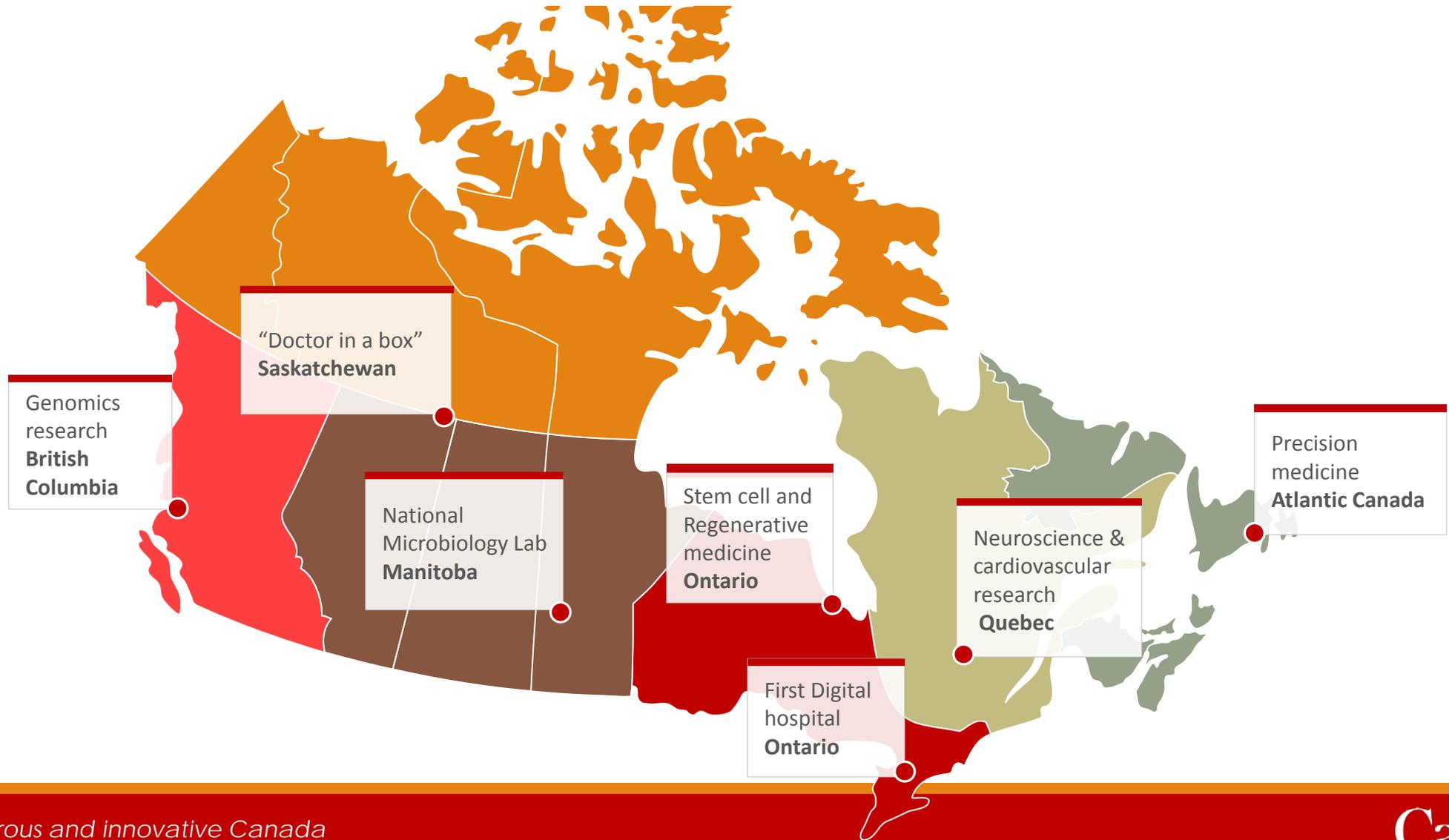


AI & Virtual Reality
Toronto & Montreal





Health Sector: Key Opportunities and Strengths





Canada's Creative Industries

At the junction of creativity and technological innovation

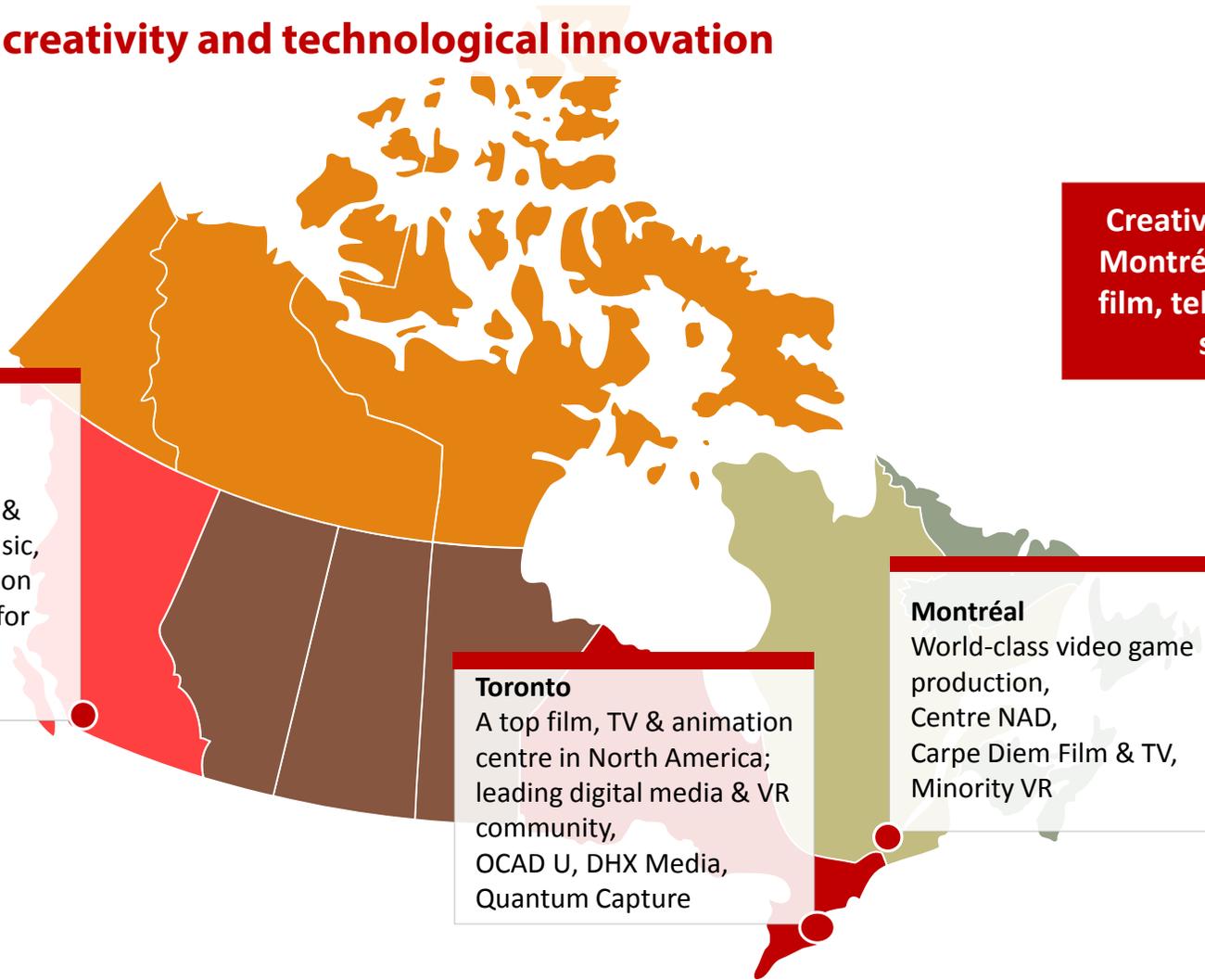
Vancouver
 A top film & television production hub in North America; leader in digital & interactive media and music, Emily Carr University, Simon Fraser University, Centre for Digital Media, Thunderbird Media

Toronto
 A top film, TV & animation centre in North America; leading digital media & VR community, OCAD U, DHX Media, Quantum Capture

Montréal
 World-class video game production, Centre NAD, Carpe Diem Film & TV, Minority VR

Creative hubs in Vancouver, Toronto, and Montréal with world-class schools, music, film, television, animation, entertainment software and VR companies

Film and television:
\$7B in production
\$3B exported





Entertainment Software and Virtual Reality

- **Leading position** in entertainment software and video game development
- At the **forefront** of VR
- **Driving innovation** in other industries – health, education, security

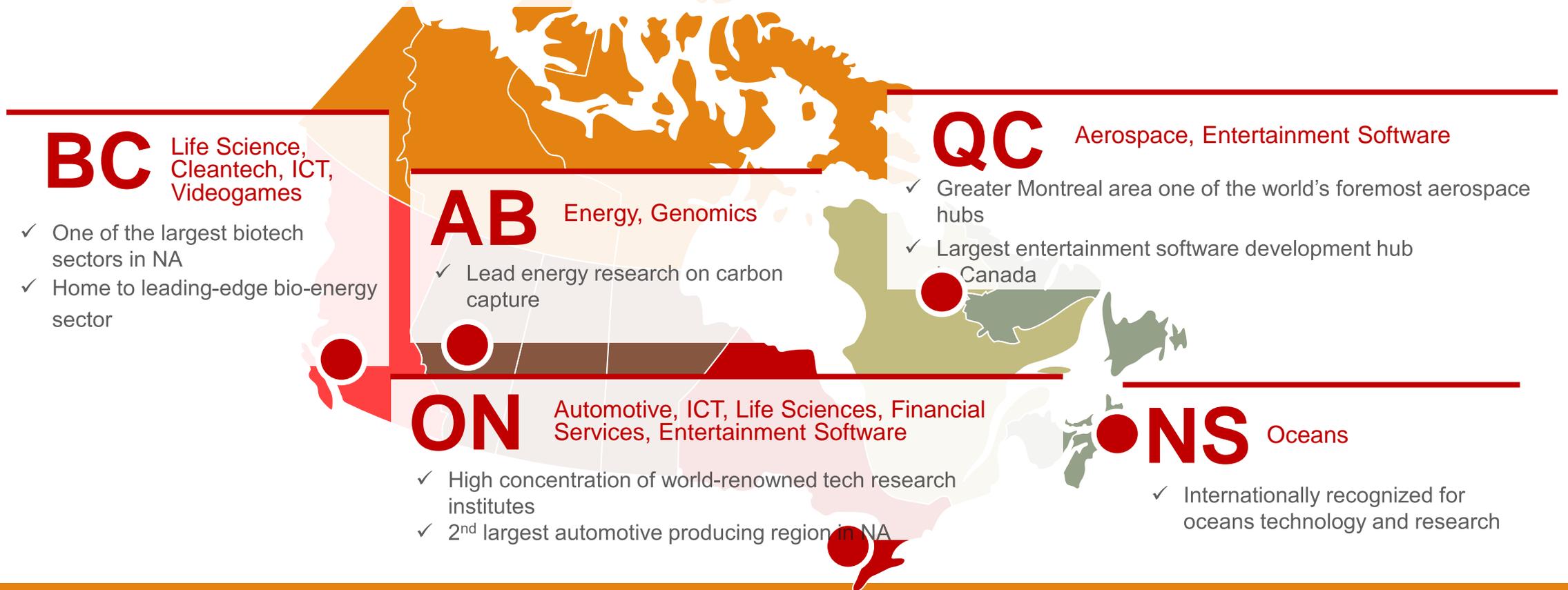
Canadian studios are working with world's best selling video game franchises including





The Innovation Opportunity – critical role for private sector investors

- ✓ **Continued investment** in early stage (e.g., venture) company formation
- ✓ **Growth capital** for recently formed companies entering their next phase of development
- ✓ **Canada attractive** for established global companies to have R&D centers, innovation labs





Government
of Canada

Gouvernement
du Canada

THE CANADA OPPORTUNITY

INFRASTRUCTURE

Long-Term Investment Summit

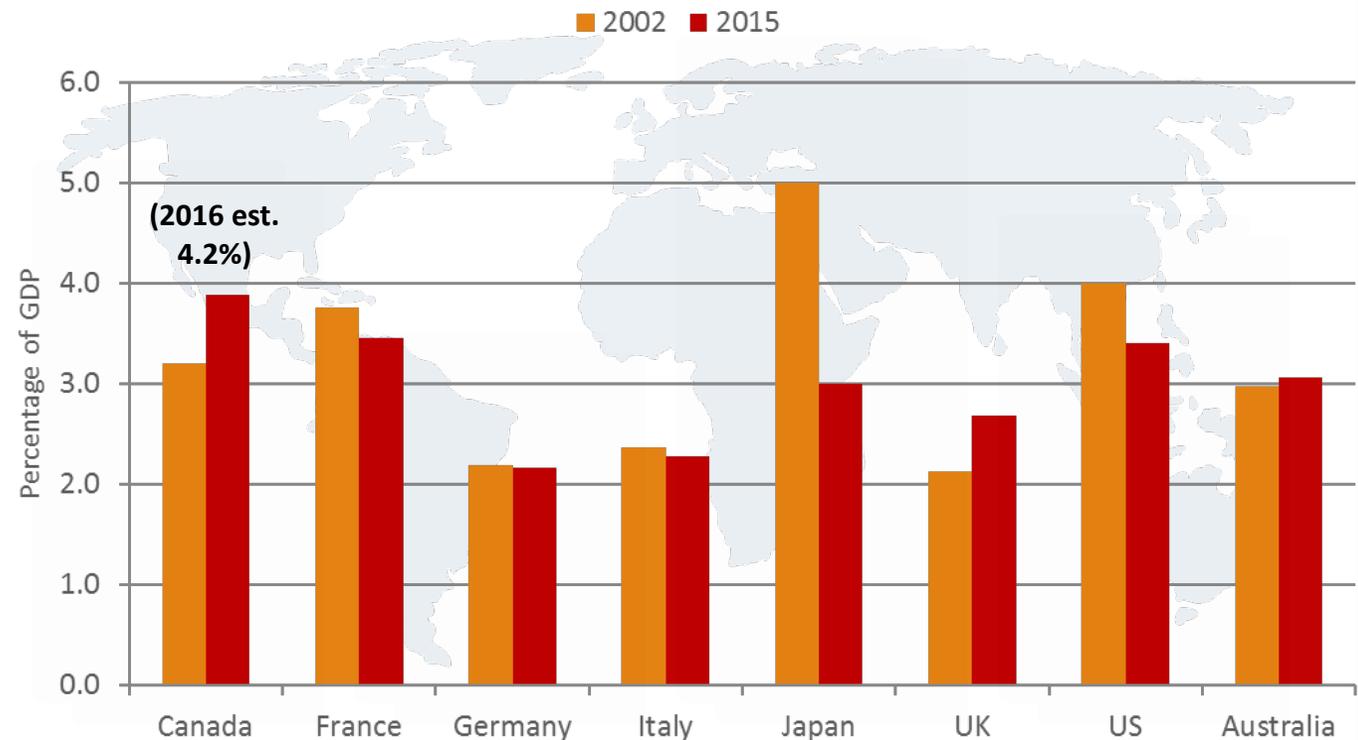
November 2016



Canada is well positioned to invest in infrastructure...

- Highest level of public investment in G7:
 - Investments in gross fixed capital formation estimated to be 4.2% of GDP for 2016 – increase from 3.2% in 2002 and 3.8% in 2015.
 - Percentage is higher than any other G7 or Euro-area country (OECD, 2012)
- Fiscal space to invest – confirmed by International Monetary Fund (IMF)
- AAA Credit rating from S&P, Moody's, and Fitch
- Enabling business environment and stable political context, based on national values of multiculturalism, inclusiveness, and openness to global partnerships and free trade

OECD Gross Fixed Capital Formation: 2002 and 2015

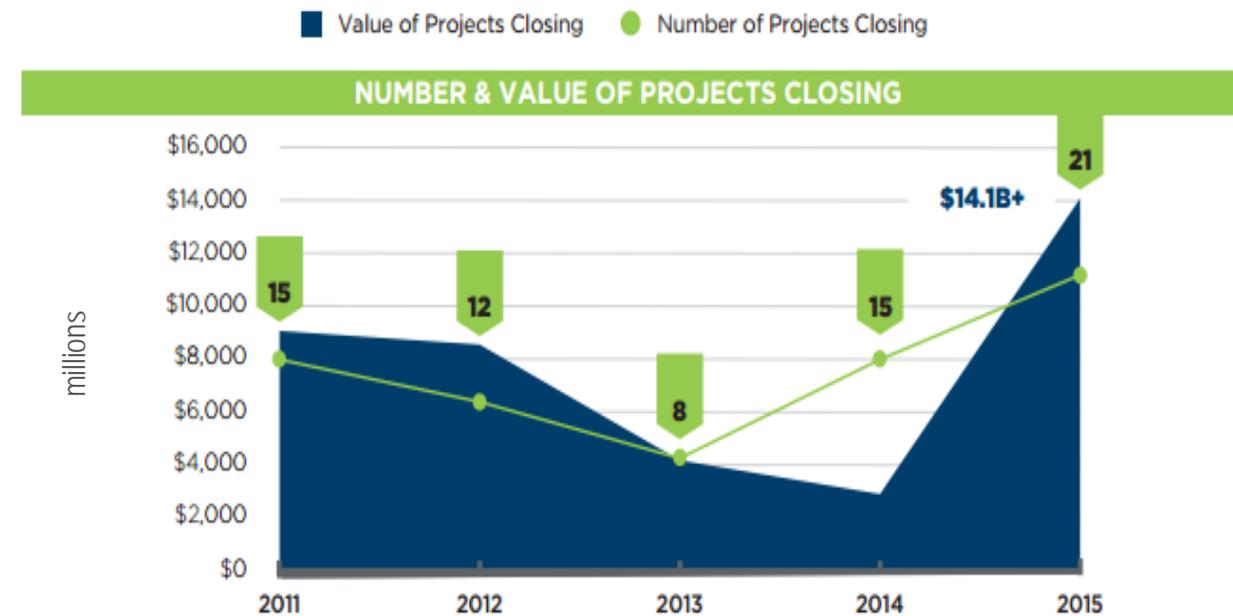




Strong Private Sector Investment

- Successful model in Canada – private investment levels now exceeding those prior to the 2008 recession
- Internationally competitive capital markets and transparent procurement policies – private sector partnership viewed as a key component in infrastructure investment
- Well developed Public-Private Partnership (P3) market in infrastructure – over 240 P3s across the country

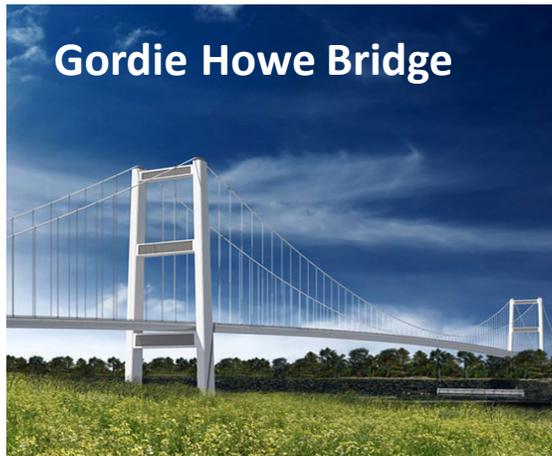
P3 trend





Examples of Major Opportunities and Successes

- Canadian P3 projects involve a range of asset classes – including roads, bridges, public transit, water/wastewater treatment and public institutions, accounting for over \$118B in capital investment





Demand for Investment Will Continue

Demands vary by region and reflect the challenge of our geography

The vastness of the Canadian North offers sustainable resource development opportunities that are unmatched.

Energy development presents ongoing opportunities.

Growth in trade with Asia will require export-enabling investment.

Increasing trade with the European Union offers opportunities for Eastern Canada.

Growing cities will require investments in public transit and urban infrastructure.

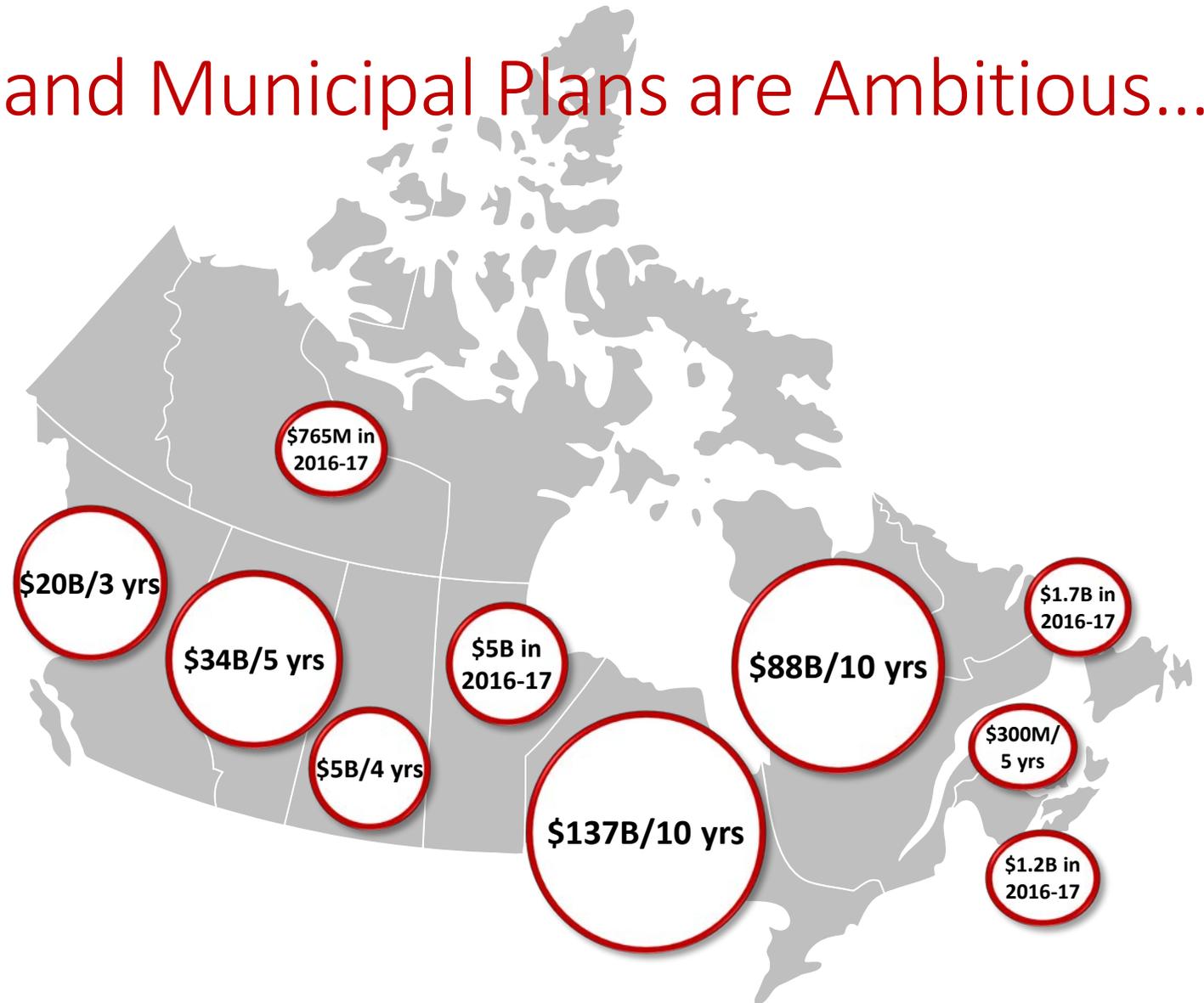
Known Project Pipeline

Asset Class	(CapEx \$ billions)
Transit (LRT/BRT)	75.0
Transportation	31.2
Water/Wastewater	6.4
Social Housing	3.3
Green Energy	67.2
Total	183.1



Provincial, Territorial, and Municipal Plans are Ambitious...

- Ambitious capital plans for provinces, territories and urban centers
- Spending in 2016-17 alone estimated at \$47.6B
- Toronto plans to spend \$21B over 2016-25 period, but estimates its unmet capital needs to an additional \$22.3B





...And the Government of Canada is Taking Unprecedented Action

- A twelve-year \$187 billion infrastructure plan that is:
 - Targeted to meet the demand, grow the middle class, and better position Canada's economy for the future – New announced funding includes:
 - Public Transit \$25.3B
 - Green Infrastructure (e.g., clean energy) \$21.9B
 - Social Infrastructure (e.g., affordable housing, recreation facilities) \$21.9B
 - Small and Remote Communities \$2.0B
 - Trade and Transportation \$10.1B
 - Long Term - Predictable investments spanning 12 years
 - Partnership Based – Builds on success with Provinces and Territories
 - Transformative – Focus on new ways of doing business:
 - Private sector participation
 - Outcomes based
 - Complemented by continuing federal leadership in trade and transportation



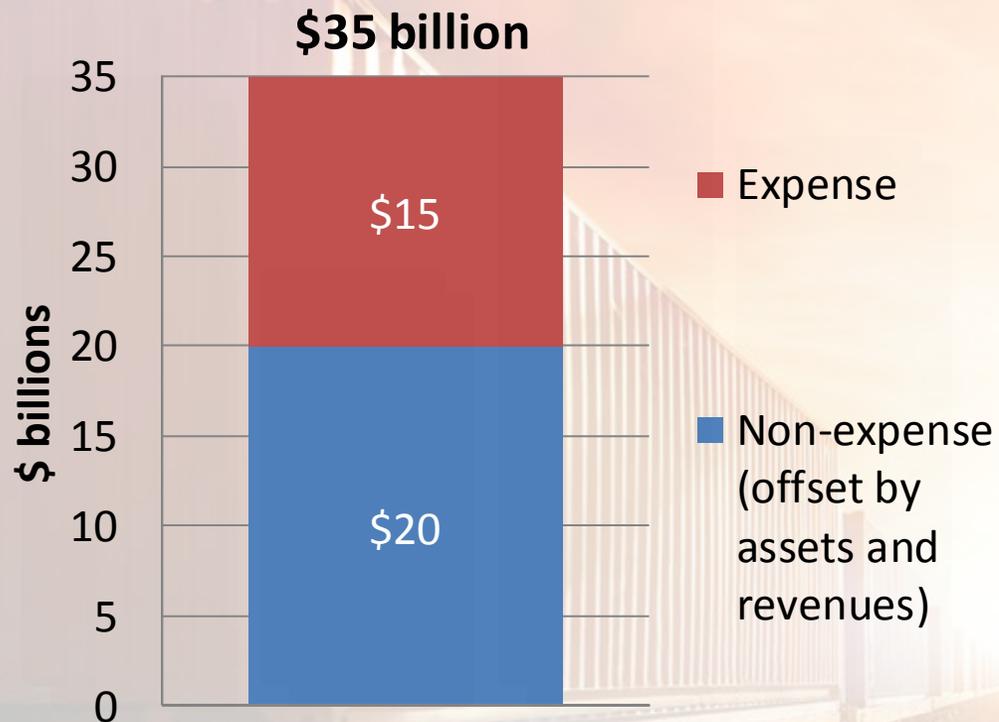
Advancing Private Investment

- Canada Infrastructure Bank – Government’s centerpiece for mobilizing private capital:
 - **Targeted** – dedicated to improving the funding, procurement and management of public infrastructure by mobilizing private sector investment
 - **Private Sector Focused** – led by experts in the field of financing, mandated to structure, negotiate and deliver federal support for infrastructure projects with revenue generating potential
 - **Flexible** – provided innovative financial instruments to advance national and regional infrastructure projects and attract private sector capital to public infrastructure projects
 - **Effective** – offer a single-window for unsolicited proposals from the private sector and provide a national project pipeline in order to facilitate planning by the market
 - **Collaborative** – building on the procurement expertise of provincial, territorial, and municipal governments to ensure the best value for Canadians



Providing Innovative Financing for Infrastructure

Funding Profile and Capitalization



- Arm's length institution mandated to work with investors to execute complex infrastructure projects
- Responsible for delivering at least \$35B to large infrastructure projects contributing to economic growth
- Expected to be operational by 2017
- Will lever the expertise and capital of the private sector to provide better results
- Public dollars to go farther and be used more strategically, resulting in more total investment in infrastructure



Public Transit

- Increasing demand for public transit to provide communities with solutions that maximize the benefits of growth
- Total costs of 29 large scale public transit projects planned in Canada’s 4 most populous provinces (Ontario, Quebec, BC, and Alberta): more than \$75B
- These projects range in total cost from \$500M to \$15B, with an average cost of over \$2.5B



Examples of Major Public Transit Projects

Location	Commitments	Total Cost Estimate	Anticipated Timeline
Calgary	C-Train Green Line	\$4.5B	2017 – 2024
Edmonton	Valley Line LRT extension	\$1.4B	2018 – 2026
Vancouver	Rapid transit along Broadway	\$2.4B	2019 – 2025
Surrey	Light Rail Transit in Surrey	\$2.1B	2024 – 2028
Greater Toronto	SmartTrack in Toronto	\$8.8B	2019 – 2025
Ottawa	Ottawa LRT Extension (Stage 2)	\$3B	2018 – 2023
Montréal	Réseau électrique métropolitain	\$5.5B	2016 – 2021
Montréal	Blue Line Extension	\$1.8B	2016 – 2020
	TOTAL	\$29.5B+	



Green Infrastructure

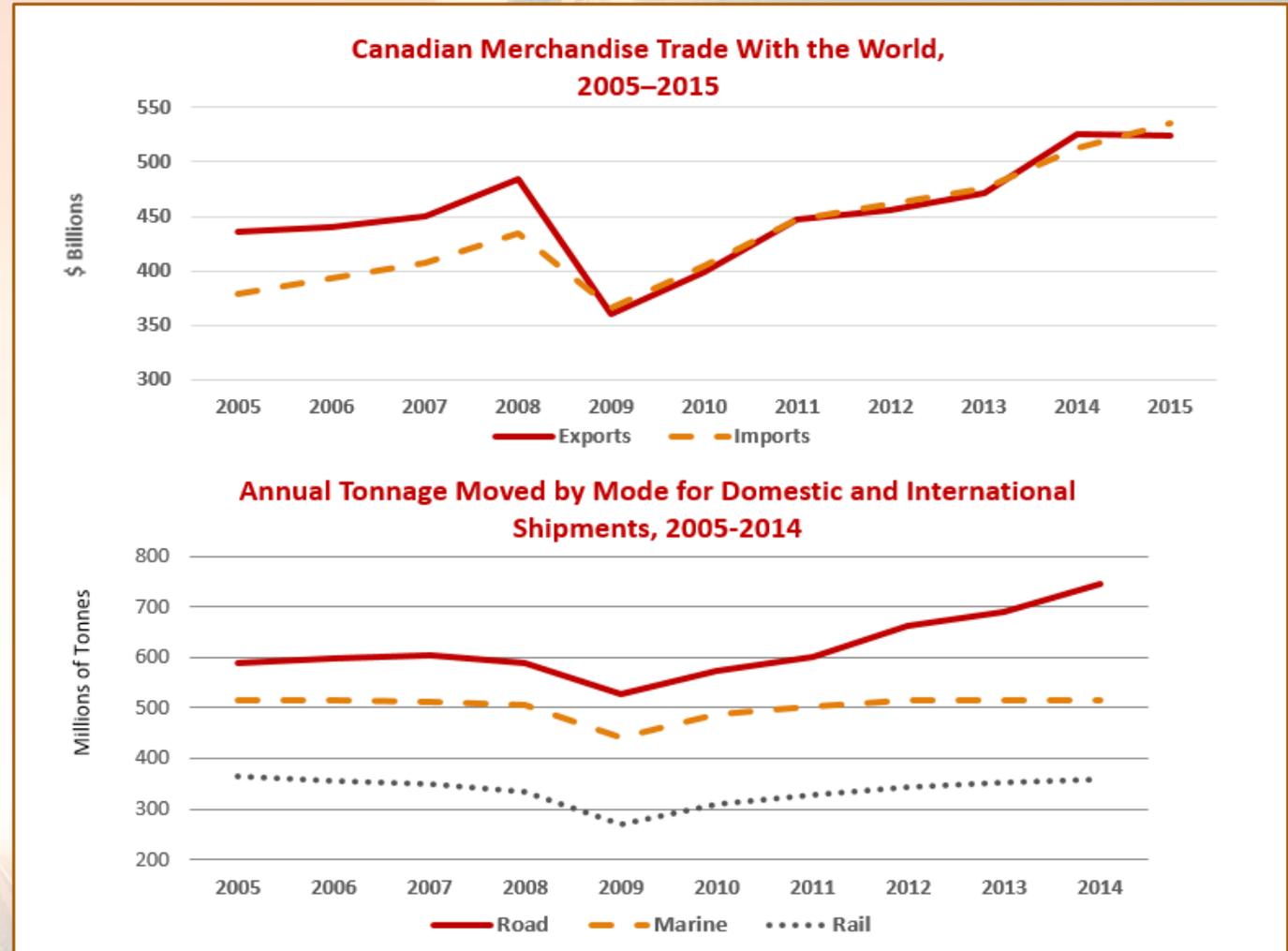
- Canada's investments in green infrastructure will be dedicated to supporting clean economic growth and resilient infrastructure
 - Focussing on critical, structural investments necessary to transition to a low-carbon economy, supporting both the Pan-Canadian Framework on Clean Growth and Climate Change and the Canadian Energy Strategy
- Key potential investments include green energy generation and transmission, strategic grid interties, and rail electrification
 - Pressures for green energy generation and transmission projects exceed \$7.35B across the country





Canada's Long-Term Transportation Plan

- Blood of our economy runs through the veins of Canada's transportation system
- Integrated transportation system vital to economic growth, trade and social well-being, but increasingly under pressure
- Strong trade corridors to global markets are key for an efficient, cost-effective, and reliable transportation system
- Trade volume growth will increasingly put pressure on transportation system capacity
 - Between 1984 and 2014, transported volumes have grown by 64% for rail, 39% for marine and 36% for air cargo



Source: Statistical Addendum: Transport Canada, adapted from Statistics Canada, International Trade Database



Continuing Federal Leadership

- A decade of expertise under Canada's unique Gateway partnerships
 - Transparent, inclusive, evidence-based process to identify needs
 - Public and private sector cooperation maximized impact of investments
- Results: improved supply chain performance, competitive business environment, additional private sector investment of over \$14B
- Trade and transportation infrastructure investment will
 - Maximize inclusive economic growth
 - Support Government's climate change strategy
 - Position Canadian businesses to take advantage of trade opportunities



Canada 

