Case study series summary table

Mobilizing private finance for clean growth: International policy lessons for Canada

Policy	Strengths	Limitations	Lessons
1. Hydrogen tax credits in the U.S. Inflation Reduction Act	1. The tax credits are designed to spur private investment. 2. The policy will help grow the clean hydrogen industry and drive down prices. 3. The policy allows cleaner forms of hydrogen production to compete with dirtier alternatives. 4. The tax credits support an industry that may have significant export potential. 5. The policy layers on a requirement for robust labour conditions, helping to ensure public support and social objectives.	1. The policy draws on a finite public budget. 2. Public spending through tax credits can result in perceived or real inflationary pressures. 3. Designing effective tax credits requires technical knowledge about the industry and reliance on uncertain cost projections. 4. Subsidy thresholds may result in perverse incentives.	1. Build Canada's carbon price into policy design when examining relative costs of production domestically. 2. Consider international competitiveness when determining the level of support for the tax credit. 3. Build performance metrics into subsidy payments. 4. Support and prioritize the full hydrogen ecosystem.
2. Longshore carbon capture and storage in Norway's North Sea	1. The project represents a strategic and specific investment with measurable results. 2. The government's participation includes funding, designing, and managing the project through the full carbon capture and storage chain. 3. The project addresses a specific barrier to scale carbon capture and storage as a climate change solution: the availability of supporting infrastructure. 4. The project recognizes climate change as a global challenge, offering neighbouring countries a climate solution while also tapping into an emerging market. 5. The project helps address regulatory barriers.	1. The subsidy-based project relies on finite public capital to fund a technology with a mixed level of public support. 2. The ultimate success of the project hinges on the shape that domestic and international climate policy take.	1. Target the most cost-effective projects to deliver public support. 2. Target all barriers to project development, not just financial barriers. 3. Leverage Canada's comparative advantages and existing talent, skills, and experience. 4. Facilitate capture from across Canada's heavy industries, not just the oil and gas sector.
3. The U.K.'s Contracts for Difference policy for renewable electricity generation	1. The U.K.'s CfD policy is designed to offer price certainty while remaining cost efficient, minimizing pressure on the public purse. 2. The two-way nature of the policy means that payments can either be received or made, limiting the risk of publicly funded windfall profits. 3. The program is administered at arm's length from government, decreasing political risk.	1. The policy is regressive, meaning that it has a worse impact on lower-income households' spending power. 2. The policy takes time to demonstrate measurable results, both in terms of new renewable capacity additions, and resulting emissions cuts. 3. The CfD's payback structure includes administrative inefficiencies.	1. Provide price or revenue certainty to help address financial risk, to foster long-term investment. 2. Help private investors tackle the cost of borrowing to bring down overall project costs, lessening the level of subsidy required to incentivize project development. 3. Target mature and established technologies when using the U.K.'s CfD structure. 4. Require multiple bidders within each auction to establish healthy competition. 5. Consider made-in-Canada supply chains and labour enhancements to help boost broader competitiveness objectives.
4. Australia's Green Bank	1. The Green Bank generates a positive return on investment. 2. The Green Bank is achieving significant emissions reductions. 3. The Green Bank has successfully crowded-in private sector investment. 4. The Green Bank has successfully avoided crowding-out private-sector investment.	1. There is some potential for the Green Bank to be vulnerable to political interference. 2. The Green Bank does not target or measure outcomes related to equity or climate justice.	1. Define, and stick to, an umbrella mandate and principles. 2. Identify and target the most strategic private partners. 3. Make developing institutional knowledge and relevant expertise a top priority.

For more information, see climateinstitute.ca/mobilizing-finance-case-studies

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