

# Working Together:

Developing Environmental Policy  
with Small Business in Mind



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**CFIB**  
CANADIAN FEDERATION  
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# Working Together: Developing Environmental Policy with Small Business in Mind

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**CANADIAN FEDERATION  
OF INDEPENDENT BUSINESS**

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## Executive summary

The environment is a top issue for many Canadians and a priority for many governments.<sup>1</sup> A CFIB survey of over 4,000 small business owners reveals that they care about protecting the environment and that they are making efforts to reduce their environmental impact and implement environmentally friendly measures in their business. Small business owners have notably taken action on environmental initiatives that have a tangible impact on their business and can be easily implemented, like waste reduction and recycling. However, with small- and medium-sized enterprises (SMEs) still recovering from the COVID-19 pandemic, business owners are concerned about the potential impact new policies and regulations could have on the survival of their business and their ability to remain competitive, create jobs, and innovate. This report presents 10 guiding principles for developing environmental policies while keeping small businesses in mind. Additionally, it concludes with several recommendations that will help the federal government ensure that its environmental policies work for small business.

## Introduction

Since CFIB's last report on the environment, *Green Growth: How SMEs are working toward a greener future*, published in 2017, the Canadian government's focus on the environment has remained a top priority. All levels of government (federal, provincial, municipal) have ramped up efforts to develop environmentally focused policies, including the federal government's Climate Plan, B.C.'s Roadmap to 2030, and the City of Halifax's HalifACT climate action movement. Policies like these are impacting small businesses across every province and industry.

### Why consider the small business perspective?

As small business owners tend to be more directly tied to their communities, their views and opinions on environmental issues may often reflect those of the average Canadian. However, small businesses are often overlooked by policy makers, who tend to focus their efforts primarily on changing the behaviours and attitudes of consumers and big businesses. Environmental policies and regulations can have a profound impact on a small business's bottom line. It is therefore essential that governments understand the priorities, motivations, and perspectives of SMEs on environmental issues.

As governments continue to develop new environmental plans and policies, they must consider the impacts on both small businesses and the economy as a whole. SMEs made up 98 per cent of all businesses and employed over 10 million Canadians in 2021.<sup>2</sup> Additionally, from 2014-2018 (pre-pandemic), SMEs accounted for more than 50 per cent of Canada's GDP.<sup>3</sup>

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<sup>1</sup> Angus Reid. (2022). Five issues to watch in 2022. <https://angusreid.org/five-issues-to-watch-in-2022-canada/>

<sup>2</sup> Statistics Canada. (March 3, 2022). Analysis on small businesses in Canada, first quarter of 2022.

<sup>3</sup> IBID.

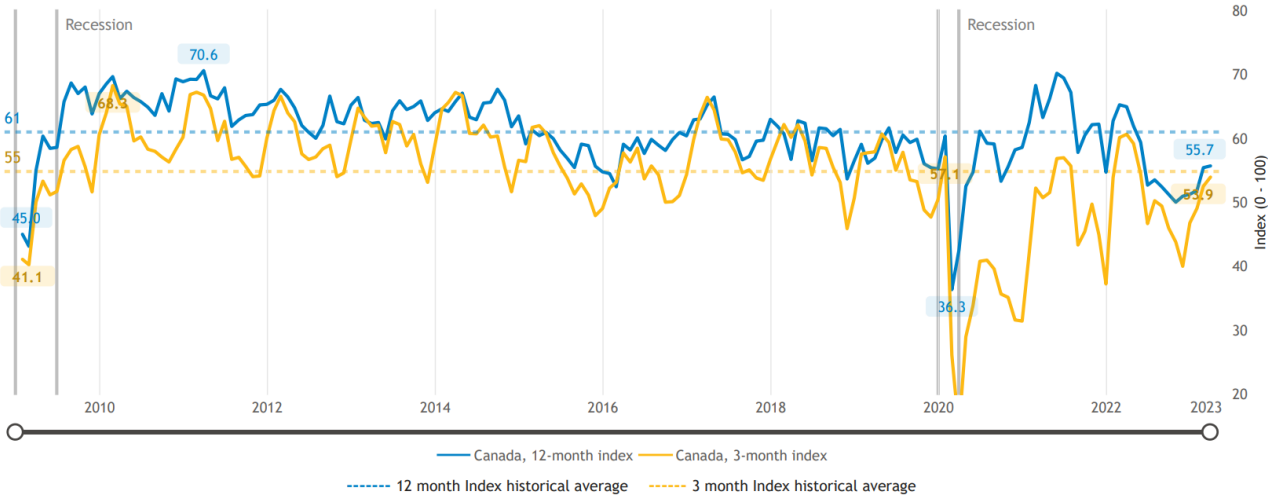
Aside from small businesses’ labour and economic contributions, we also know that the cost of regulation is higher for small firms than for larger ones—in some cases, close to five times more. For example, it costs businesses with fewer than 5 employees \$7,310 per employee to comply with regulations annually, whereas it costs firms with more than 100 employees only \$1,288 per employee annually.<sup>4</sup>

Given their contributions to the Canadian economy, their limited capacity to absorb the cost of regulations, and the great variation of viewpoints within the small business community, it is vital that policy makers across the country consider the small business perspective in their development of environmental policy.

**The state of small business**

The small business perspective on the environment cannot be discussed without first understanding the current state of small business in Canada. CFIB’s monthly Business Barometer® tracks the optimism and confidence levels of small business owners over the short term (3 months) and long term (12 months). Figure 1 shows how Canadian small business confidence has fluctuated since 2010. Currently, the short-term index sits at 53.9 and long-term optimism is at 55.7 index points. An index level near 65 normally indicates that the economy is growing at its potential and that small business owners are generally optimistic about the state of their business.

Figure 1  
**Business Barometer®: 12-month and 3-month small business confidence index, Canada (April 2023)**



Source: CFIB. Business Barometer. April 5-13, 2023. Final results. CAN n=625.

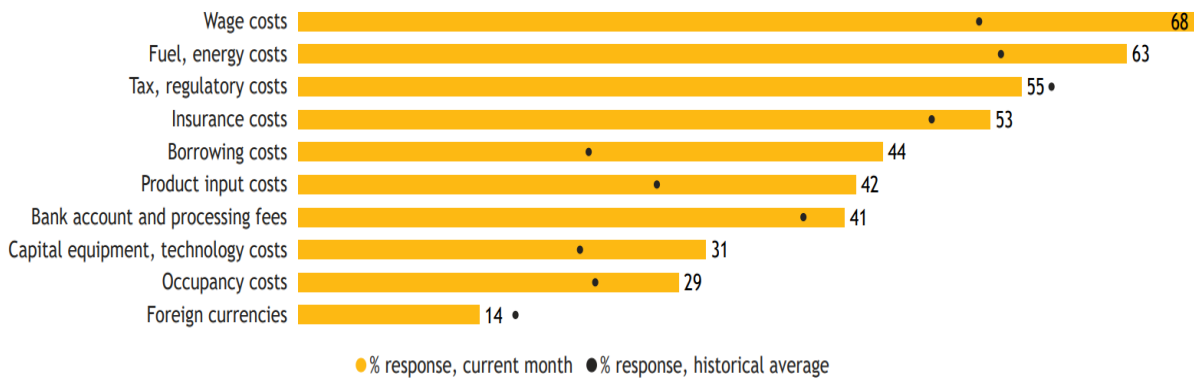
<sup>4</sup> CFIB. Regulatory Costs in Canada and the United States. 2022.

Unfortunately, current low levels of small business optimism have become a new reality since the beginning of the pandemic and indicate that there is still a long road ahead to recover to pre-pandemic levels.

Furthermore, the cost of doing business is on the rise, which also plays a hand in slowing down business recovery. As part of the monthly Barometer® survey, CFIB asks what input costs are currently causing difficulties for businesses. Currently, the top costs for a majority of small businesses include wage costs (68%), fuel and energy costs (63%), and tax and regulatory costs (55%) (see Figure 2).

Figure 2

**What types of input costs are currently causing difficulties for your business? - April 2023**



Source: CFIB. Business Barometer. April 5-13, 2023. Final results. CAN n=625.

To mitigate the increased cost of doing business, 79 per cent of small businesses have raised their prices in the last 12 months, with half (50%) having had to significantly raise their prices.<sup>5</sup> Not only do rising operating costs impact small businesses’ ability to recover, but they also lead to higher costs for consumers.

It is clear that small businesses are still struggling to recover from the impacts of the pandemic. This report explores the perspectives of small business owners on a range of environmental issues and policies with the goal of helping policy makers develop more small business friendly environmental policies going forward. This report presents 10 guiding principles for policy makers to follow to ensure small business views are considered, so that both the environment and the economy can prosper.

## Small business & the environment

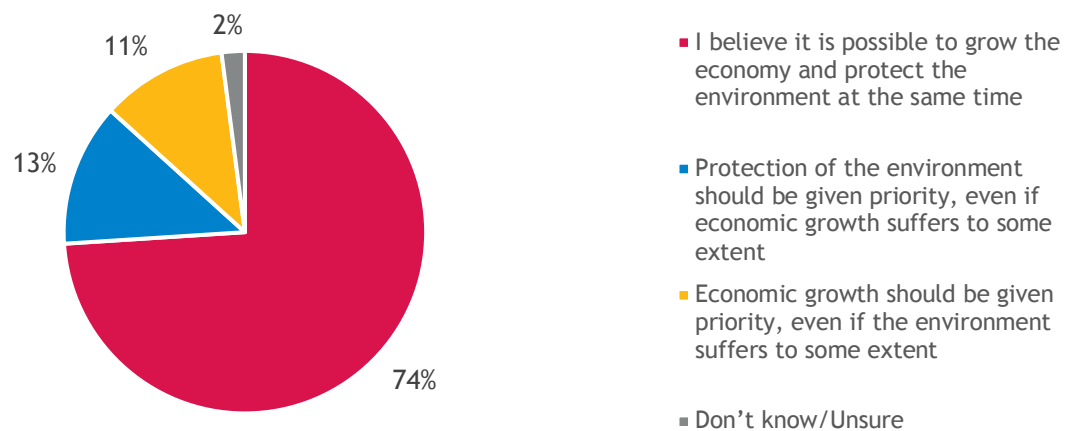
The environment is important to small businesses. In fact, a majority (74%) of Canada’s small business owners believe that it is possible to grow the economy and protect the environment at the same time

<sup>5</sup> CFIB. Your Voice Survey. June 9-30, 2022. Final results. n=2,533.

(see Figure 3). Only 11 per cent believe the economy should be prioritized, while 13 per cent believe environmental protection should be given priority over the economy. According to CFIB’s historical data, these statistics have remained relatively stable since 2016.<sup>6,7,8</sup> Small businesses remain focused both on growing the economy and protecting the environment.

Figure 3

**Which of the following statements best describes your point of view?**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

Based on this result, it is important for policy makers to not lose sight of either of these major concerns (the environment or the economy) when developing policy.

**Principle 1: Environmental policies should support the principle that it is possible to grow the economy and protect the environment at the same time.**

### Small business environmental priorities

Small businesses have their own environmental priorities—areas where they see opportunities for their business to make improvements to minimize its environmental impact. When asked which environmental issues are most important to their business, nearly two thirds (64%) of small business owners cited recycling materials, from excess product packaging to shipping paper, as the most important issue (see Figure 4).

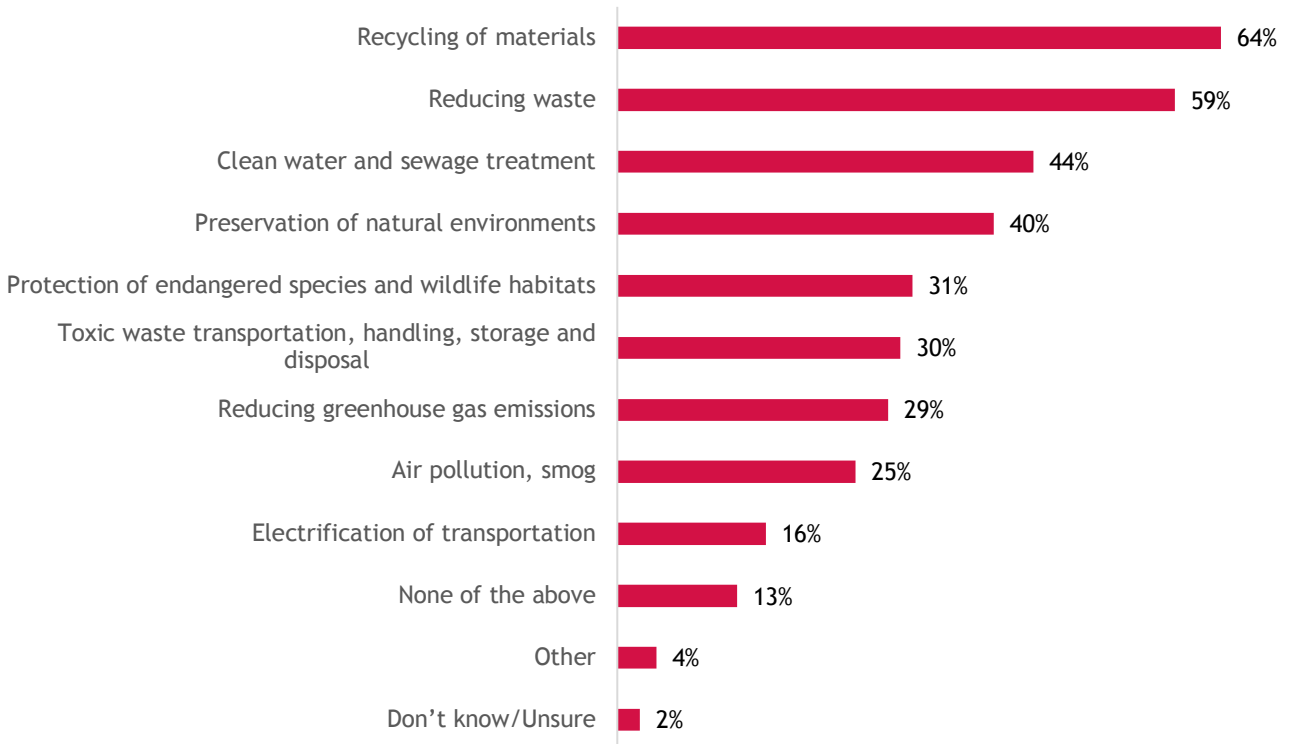
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<sup>6</sup> CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.  
<sup>7</sup> CFIB. National Energy and Environment Survey. Based on 4,969 responses. January-February 2020.  
<sup>8</sup> CFIB. National Environment Survey. Based on 5,982 responses. July-August 2016.

Other environmental issues which are important to small businesses include waste reduction (59%), clean water and sewage treatment (44%), and the preservation of natural environments (40%) (see Figure 4). The sectoral breakout for this question did not show much variation, meaning that the top environmental issues for small businesses remained consistent across industries.

Figure 4

**Which of the following environmental issues are the most important to you and your business?**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

These results indicate that environmental issues that are tangible (can be seen and felt) are more important to small businesses than those that are less tangible and may not as clearly impact day-to-day operations. For example, reducing greenhouse gas emissions is one of the least important issues for small businesses, with just over a quarter (29%) claiming it is important. Things like waste reduction, recycling, clean water, sewage treatment, and the preservation of natural environments are issues that businesses come across in their daily operations and are visible in their community. Although these types of environmental issues are also complex, small business owners may feel they would be more manageable to take on.

On the other hand, issues such as reducing greenhouse gas emissions and air pollution/smog may appear to be less approachable and more challenging for small businesses to address. Business owners may also feel that their actions would not necessarily lead to meaningful change. One example of the difficulties SMEs face in reducing greenhouse gas emissions can be seen in agriculture. The amount of machinery needed to work a field and transport produce across our vast Canadian landscape is immense. Electric alternatives are not always readily available and the options that are on the market are not financially viable for many agri-business owners.



*“Farming, in general, is based on sustainability. We want our children to continue the farm and their children, etc. Our farm has implemented no-till planting and fencing off our watercourses from cattle. The main burden for implementing better environmental practices is and will continue to be costs. The tremendous amount of capital needed to invest in new (and old proven) technology will always be a burden.”*

—Agri-business owner, Quebec

## How small businesses are caring for the environment

Small business owners have been doing their part to lessen their impact on the environment. Right before the pandemic, more than three quarters of them (76%) reported that they had implemented measures to improve environmental quality within the last several years, with the majority (89%) being motivated to do so by their own views.<sup>9</sup> Other motivators to implement environmentally friendly measures included potential cost savings (49%), customer views (47%), and employee views (43%).<sup>10</sup> This data shows that without burdensome government policies, small businesses would invest in environmentally friendly practices and implement such practices on their own.

Most small businesses do not have the tools or resources available to implement large-scale environmental strategies or to invest in research and development to make their business operations more environmentally friendly. But they do try to take action where they can. While some actions may seem small, they can go a long way toward helping the environment. For example, some may adopt new technology (such as cloud computing) to go paperless, while others may purchase new, lower-emission equipment.

*“I really struggle with our business’s environmental impact because I am a huge environmentalist/conservationist at heart. We recycle as much as possible in store, and we have to believe that we are doing some good by taking things to the recycling depot.”*

—Retail business owner, British Columbia

Our survey found that despite the current state of small business in Canada, the majority of business owners are taking action to reduce the environmental impact of their business. For example, well over half (59%) of small businesses are increasing their recycling and composting efforts, the top answer in each province. Small business owners across the country are also installing energy retrofits to reduce electricity usage (43%) and eliminating single-use plastics in their business (36%) (see Figure 5).

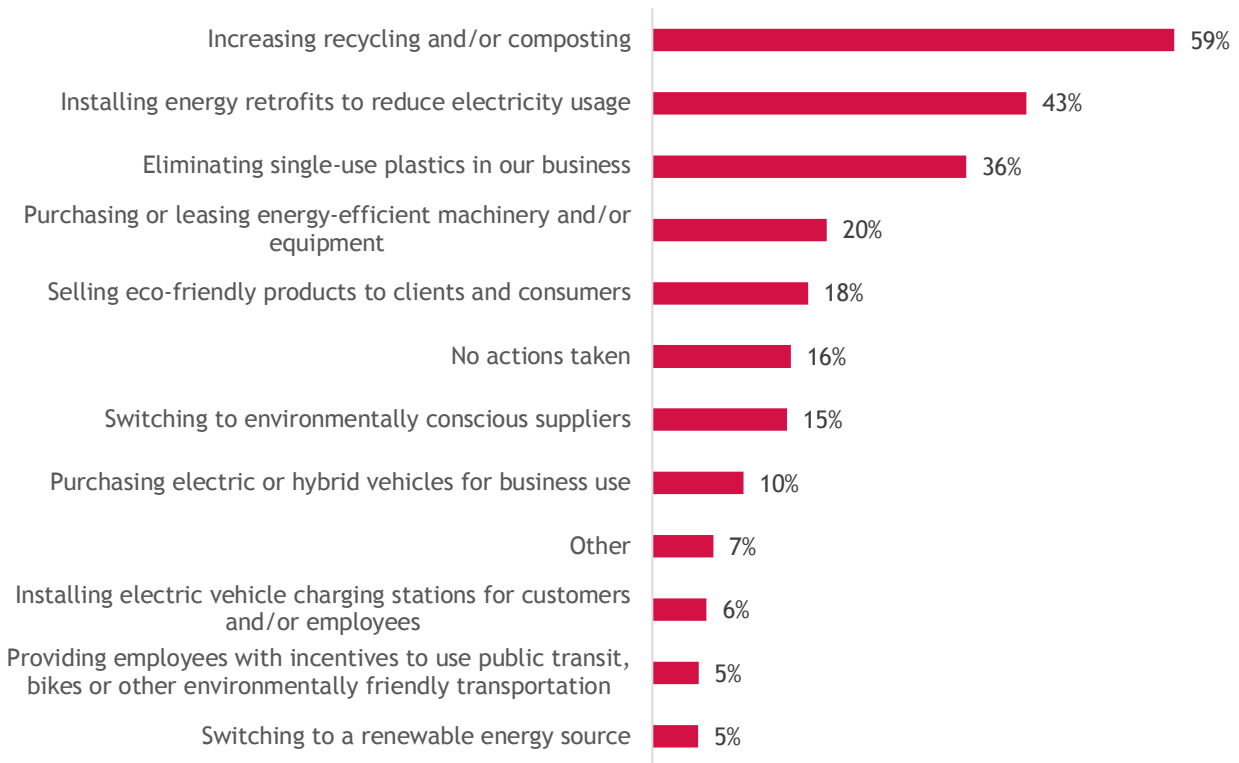
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<sup>9</sup> CFIB. National Energy and Environment Survey. Based on 4,969 responses. January-February 2020.

<sup>10</sup> IBID.

Figure 5

**What actions is your business taking to reduce its environmental impact?**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

Initiatives such as switching to a renewable energy source or installing electric vehicle charging stations are only feasible for roughly five per cent of all small businesses. This is likely due to the cost of implementation and the relevance to their business. For example, not all small businesses require fleets of vehicles for their operations and therefore do not require the switch to electric vehicles. Policy makers should focus on policies that are more realistic for businesses to implement in order to increase participation.

**Principle 2: Environmental policies should be simple and cost-effective to help increase voluntary participation by small businesses and help them comply with regulatory obligations.**

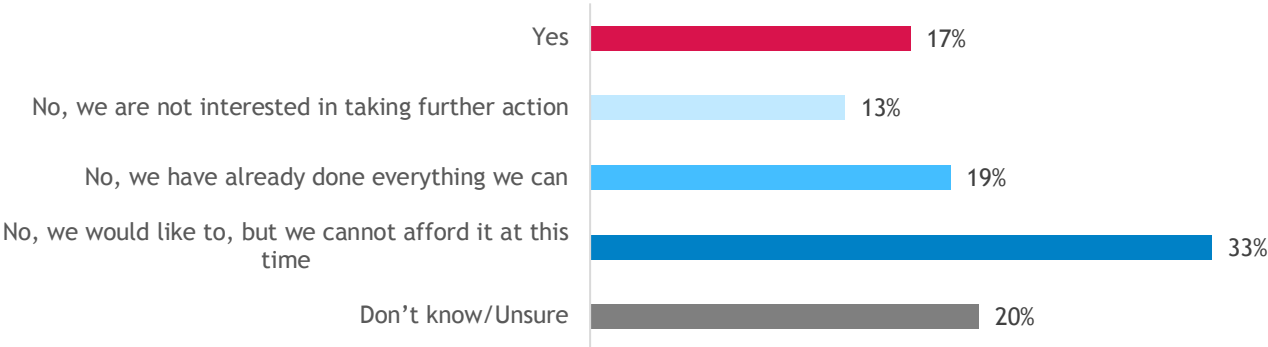
**Future plans to reduce environmental impact**

Given the current state of small business, the tax and regulatory burden, inflation, labour shortages, and changes in consumer spending habits, small businesses are now rethinking their capacity to take on additional initiatives to reduce their environmental impact. One third (33%) of business owners say they would like to take additional steps to reduce their environmental impact, but that they cannot afford to at this time due to a lack of cash flow, government support programs, incentives, etc. (see

Figure 6). Additionally, 19 per cent of small businesses indicated that they have already done all they can to reduce their environmental impact. Despite the difficult times they are facing, nearly one in five (17%) small businesses are still planning to take additional steps to reduce their environmental impact over the next three years.

Figure 6

**Over the next three years, is your business planning on taking additional steps to reduce its environmental impact?**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

To support and encourage small businesses that would like to take additional steps, governments across Canada should work to develop support programs and ensure these programs are well communicated to the small business community.

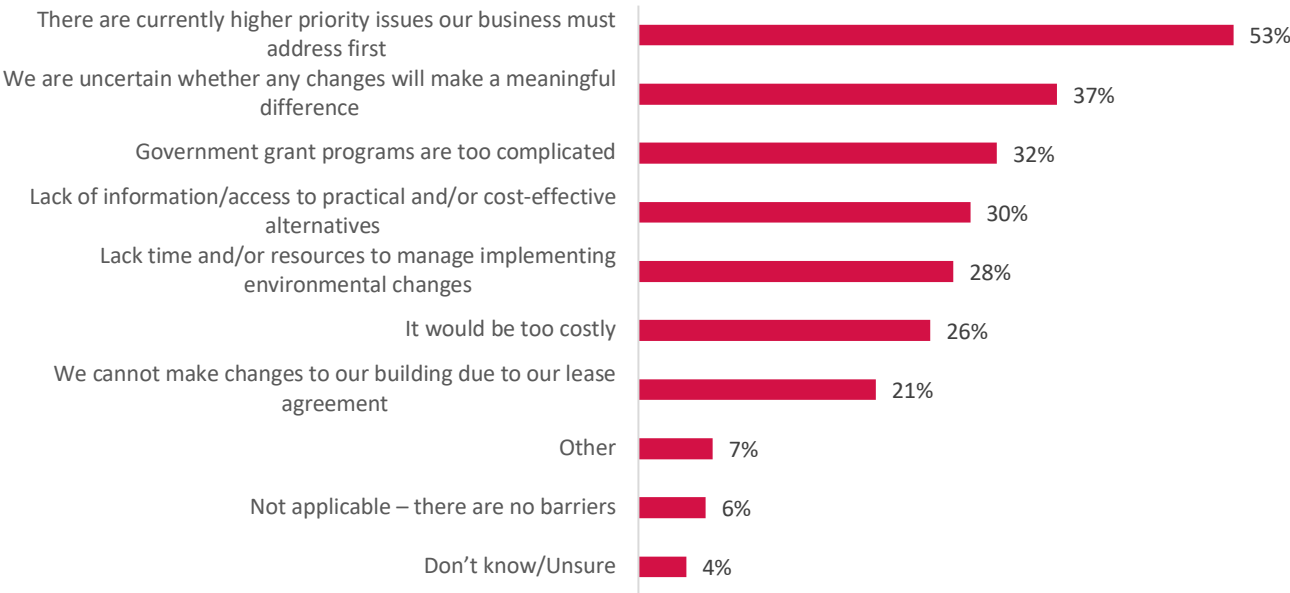
**Principle 3: Environmental policies should include small business support programs that are well communicated and easy for small businesses to access.**

**Environmental investment and implementation barriers for small business**

Although a majority of small business owners took steps to help the environment, 13 per cent reported they did not (see Figure 6). As such, it is important to identify the barriers that are keeping small business owners from making environmental investments or implementing environmental initiatives in their business (see Figure 7).

Figure 7

**What are the biggest barriers to implementing or making further investments in environmentally conscious initiatives in your business? (Select all that apply)**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

In 2022, the greatest barrier to over half (53%) of business owners was that there were simply higher priority issues that their business had to address first. This barrier was up nearly 40 percentage points since 2020, reflecting the increase in other burdens facing small businesses over the previous two years.<sup>11</sup> Small business owners have a lot weighing on them right now, including paying down COVID-related debt, addressing their own mental health and that of their employees, labour shortages, the increased cost of doing business, and supply chain challenges. Hence, it is crucial for governments to consider the current state of small business when they develop new environmental policies.

**Principle 4: Environmental policies should consider the current state of small business and the economy. A small business lens should be applied to all environmental policies to ensure minimal impact on small businesses' operations.**

The second greatest barrier identified by small business owners was uncertainty about whether any change they make will make a meaningful difference for the environment (37%). This barrier aligns well with government grant programs being too complicated to use (32%), and the lack of information about

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<sup>11</sup> CFIB. National Energy and Environment Survey. Based on 4,969 responses. January-February 2020.

practical, cost-effective solutions (30%) (see Figure 7). Governments across the country can do so much more to help educate small business owners on the actions they can take, big or small, to meaningfully contribute to environmental protection.

Small business owners want to do more, but often do not know where to start. Environmental navigators could offer support through virtual means or in-person coaching. Program information, resources, applications, and forms should be prominently displayed on websites, and easy for small business owners to find. Additionally, all resources should be easy to navigate and in plain language. These resources should be promoted through webinars, social media, and industry associations to help small business owners learn more about how they can play a part in caring for the environment.

Another important barrier to consider is that one in five (21%) Canadian businesses reported that their biggest barrier was the inability to make changes in the building they were leasing.<sup>12</sup> Policy makers must understand that not all businesses own the physical location in which they operate. In fact, 71 per cent of small businesses in Canada are tenants and pay rent.<sup>13</sup> Those small business owners are restricted as to the kinds of upgrades that can take place in the building. Still, many come up with creative, low-cost solutions to reduce their environmental footprint. Policy makers must ensure environmental programs consider businesses that rent and have to work with their landlords to make environmentally friendly updates/renovations to their physical space.

The barriers cited by small businesses in Figure 7 are not consistent across all provinces and sectors. For example, small business owners in the Prairies (Alberta, Saskatchewan, Manitoba) are more uncertain about whether any changes they make will make a difference. Also, nearly a quarter (24%) of small businesses in British Columbia and Ontario rent their space and cannot make changes to their building due to lease agreements.

*“As a business owner living in Canada’s north (central Yukon), it is difficult to envision how electric vehicles will be able to replace gas & diesel. Vehicles need interior heat when driving in winter, which kills the batteries in short order. I am concerned that cutting the production of gas & diesel vehicles will cause huge issues for folks living in cold areas with long distances between communities.”*

—Professional services business owner, Yukon

Businesses in certain sectors must do a lot more than others to comply with some of the stricter environmental policies that are already in place. For example, 32 per cent of small business owners in agriculture indicated that the cost of implementing or investing in further environmental initiatives is their greatest barrier. In contrast, less than a quarter (19%) of small business owners in wholesale, finance, real estate and insurance, and social services identified cost as their biggest barrier.

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<sup>12</sup> CFIB. National Energy and Environment Survey. Based on 4,969 responses. January-February 2020.

<sup>13</sup> CFIB. Your Business and COVID-19—Survey 12. June 6-11, 2020. n=4,146.

*“To date, there are very few changes we can make in the heavy construction industry to reduce our carbon footprint, due to the lack of fuel-efficient or electric heavy equipment. Also, there is no rural grid to charge such machinery. We are the first ones you call when you need to build a road for electric vehicles and the hardest hit by carbon taxes.”*

—Manufacturing business owner, Saskatchewan

Understanding the different obstacles faced by businesses can enable governments to tailor programs and messaging to the sector they are aiming to help. No environmental initiative proposed by policy makers can be a one-size-fits-all policy. Policies must factor in the potential consequences of initiatives in all parts of the country, including considering exceptions or alternative measures for certain regions and industries. One example of the government considering exceptions for certain groups is the introduction of Bill C-234: *An Act to amend the Greenhouse Gas Pollution Pricing Act*. The bill, if passed, would allow certain on-farm activities to be exempt from the federal carbon backstop. This would give a much-needed tax break to farmers across the country who have been struggling under the weight of environmental policies.

**Principle 5: Small businesses should be consulted before environmental policies or programs are announced, and sector and regional needs should be considered.**

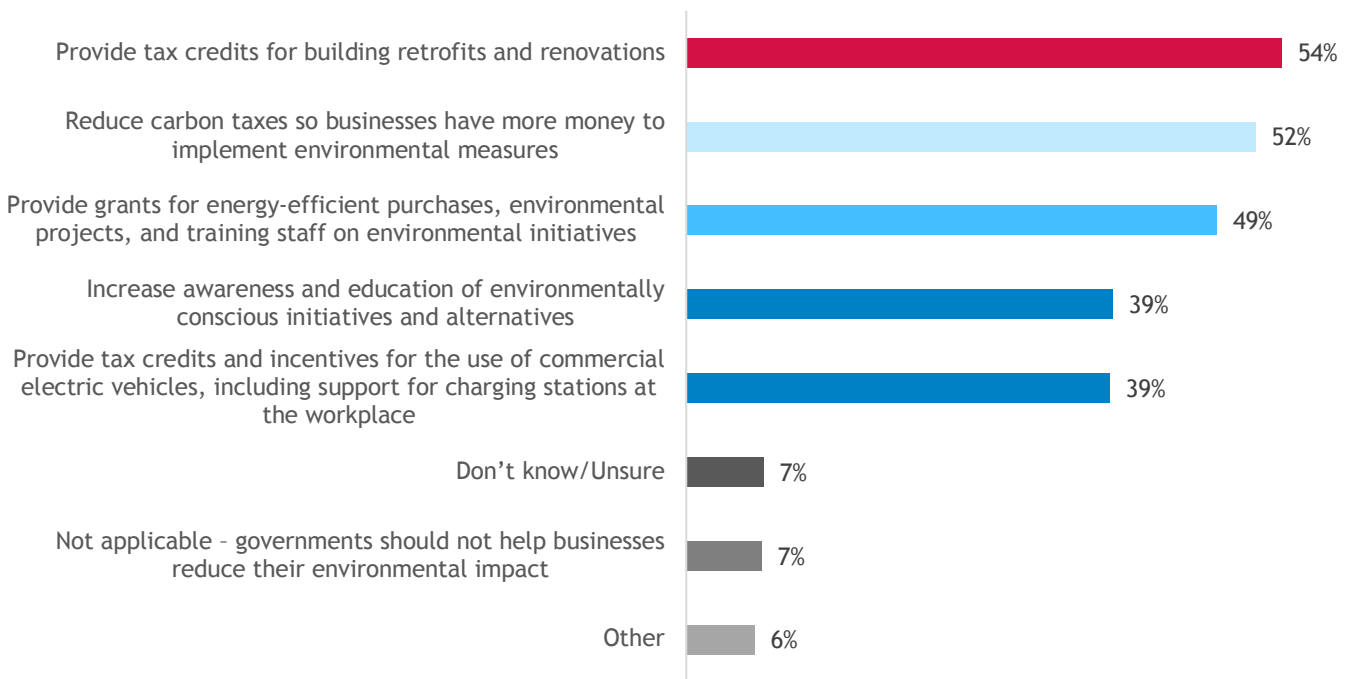
## What small businesses need from government

Now that we understand the environmental priorities of small businesses and the barriers to investment and implementation, we can look at how policy makers and governments can work to support SMEs so they can do more to reduce their environmental footprint. Most importantly, to help Canadian small businesses succeed in reducing their environmental impact, federal, provincial, territorial, and municipal governments should implement measures that would benefit SMEs in caring for the environment without adding costs, increasing their overall tax burden, or introducing regulatory headaches and red tape (see Figure 8).

Just over half (54%) of business owners reported that they want governments to provide tax credits for building retrofits and renovations to help them reduce their environmental impact. This was especially true for the provinces of Newfoundland (70%), Prince Edward Island (61%), and Quebec (59%), but less sought after in Alberta (47%). Small businesses in the hospitality (66%), social services (57%), and manufacturing (55%) sectors were also more supportive of tax credits for renovations and retrofits than others.

Figure 8

**Which of the following measures should governments undertake to help your business reduce its environmental impact?**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

Another 52 per cent of small businesses reported that they would like to see governments reduce carbon taxes so they could have more money to implement environmental measures and reduce their environmental impact. This was especially true for the provinces of Alberta (66%), Saskatchewan (67%), Manitoba (57%), and New Brunswick (58%), but much less so in other provinces like Quebec (29%). One possible reason there may be relatively less support from Quebec small business owners for reducing the carbon tax is because the province operates a cap-and-trade system as opposed to a traditional carbon tax model. Business owners in Quebec will not see the price of the carbon tax on their fuel receipt or on their home heating bills; the costs are absorbed in different ways. Reducing the carbon tax was also a top priority for sectors like agriculture (59%) and construction (59%). Finally, 49 per cent of small businesses want governments to offer grants for energy-efficient purchases, environmental projects, and training staff on environmental initiatives.

**Principle 6: Environmental policies should include financial incentives (such as tax reductions, tax credits, and grant programs) for small businesses to encourage participation.**

Aside from the financial incentives that received the greatest support from small businesses, 39 per cent of business owners reported that governments should increase awareness and education around environmentally conscious initiatives and alternatives. As demonstrated previously, barriers to small

businesses' participation in environmental initiatives include lack of information and lack of assurance that any changes they make will have a meaningful impact.

Policy makers should consult with organizations like CFIB when developing environmental policy. They should also include small businesses and organizations that represent them (such as CFIB) as part of any community outreach strategy. This would help ensure small businesses are kept well-informed regarding any environmental policies and initiatives.

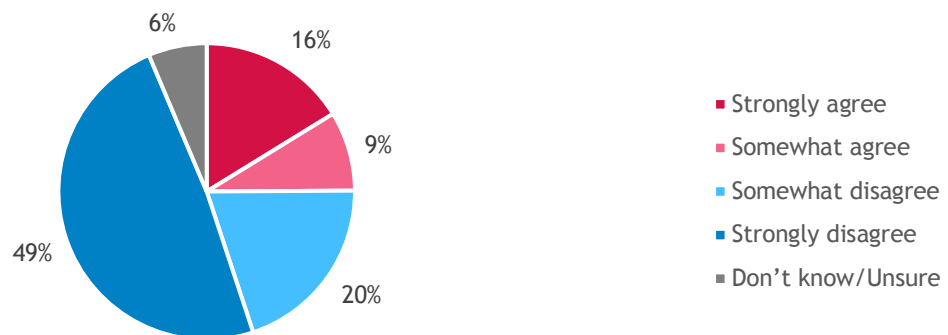
**Principle 7: Governments should work with key stakeholders to gather feedback and share information about environmental programs, supports, and initiatives that impact small businesses.**

## Developing environmental policy with small business in mind

While small business owners care about the environment, there is lots of room to improve the processes by which environmental policies are developed. This is confirmed by the result showing that 69 per cent of small business owners do not believe that policy makers understand the realities of small businesses (see Figure 9).

Figure 9

**“Environmental policy makers understand the realities of small businesses”**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

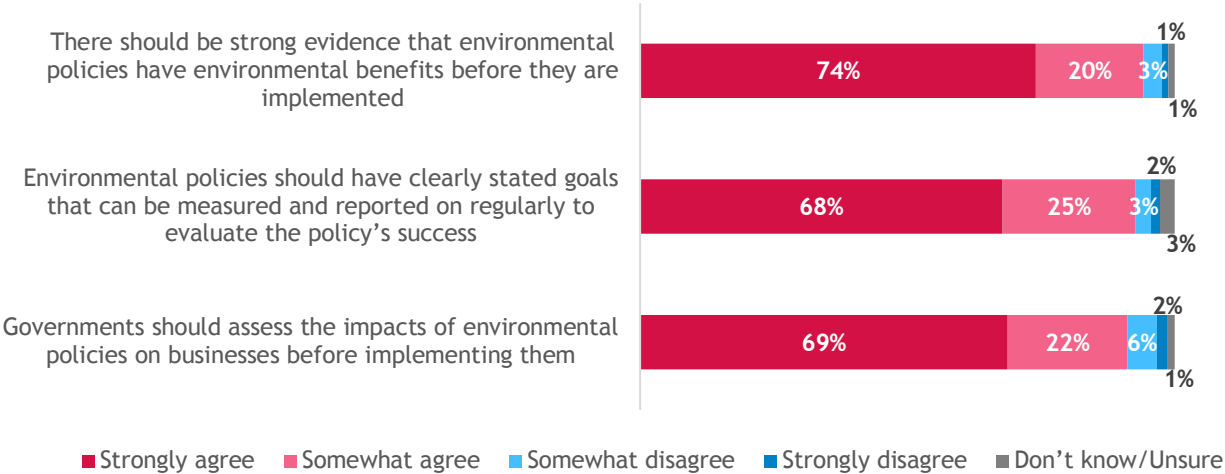
Question: Please indicate the extent to which you agree or disagree with the following statements. (Select one for each line)

Developing policies with small business in mind requires teamwork between governments, policy makers, and the small business community. To foster such a collaborative working relationship, small businesses have some suggestions for governments (see Figure 10).



Figure 10

**Principles for developing environmental policies**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

Question: Please indicate the extent to which you agree or disagree with the following statements. (Select one for each line)

First, small businesses want governments to make sure there is strong evidence that any proposed environmental policies have environmental benefits before they are implemented (94% agree). Next, small businesses believe environmental policies should have clearly stated goals that can be measured and reported on regularly to evaluate the policy's success (93% agree). Finally, small businesses want governments to assess the impacts of environmental policies on businesses before implementing them (91% agree). This final point is very important to small business owners, as they value science-based policy making. Thus, we recommend that environmental policies be based in science and regularly revisited to ensure the environmental goal of the policy (e.g., to lower emissions or increase recycling) is still being reached. If it is found that the policy is not achieving its desired environmental goals, it should be amended or eliminated.

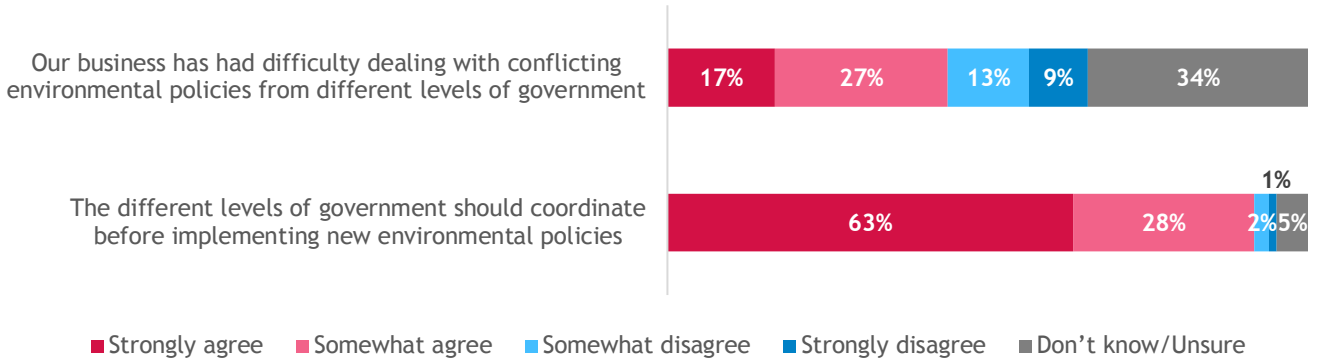
**Principle 8: Environmental policies and programs should be evidence-based. Their outcomes should be regularly measured and publicly reported to ensure they are effective and operating as intended. If not, the policy or program should be redesigned or removed.**

How various levels of government introduce new environmental policies can impact small businesses and the outcomes of new regulations in both positive and negative ways. Figure 11 shows that nearly half (44%) of small businesses have had difficulty in dealing with conflicting environmental policies between municipal, provincial/territorial, and federal governments. For example, the province of British Columbia implemented a ban on certain single-use plastics in early 2022 whereas federal bans are being implemented in a phased approach spanning from December 2022 to late 2025. Small

business owners will therefore have to navigate both provincial and federal bans, making running a business even more complicated.<sup>14</sup>

Figure 11

**Navigating environmental policies from different levels of government**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

Question: Please indicate the extent to which you agree or disagree with the following statements. (Select one for each line)

A strong majority of small businesses (91%) want the different levels of government to coordinate before implementing new policies. This means municipal, provincial/territorial, and federal governments must ensure they work together when developing guidelines, supports, and research before announcing environmental policies that could impact small businesses.

**Principle 9: To avoid a confusing patchwork of different rules and overlapping environmental policies, all levels of government should work together to reduce the cumulative regulatory burden on small businesses.**

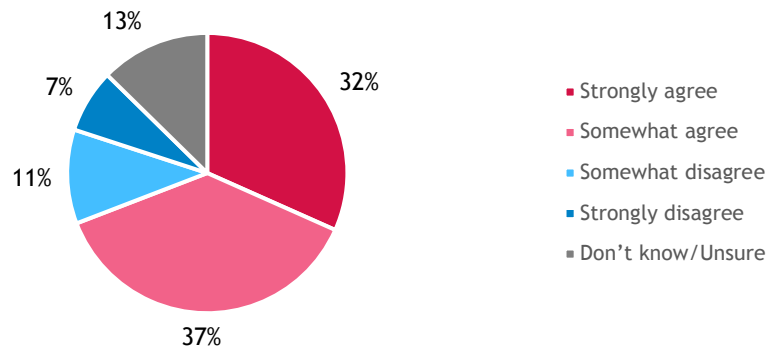
Environmental policies impact not only small businesses, but also thousands of workers across the country. More than three in five (69%) small business owners agree that governments should provide support to workers who are negatively impacted by new environmental policies. Some examples of support include retraining and job placement services (see Figure 12).

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<sup>14</sup> CBC. (June 23, 2022). The Liberal government’s single-use plastic ban, explained. <https://www.cbc.ca/news/politics/single-use-plastics-explained-1.6498061>

Figure 12

**“Governments should provide support to workers who are negatively impacted by new environmental policies”**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

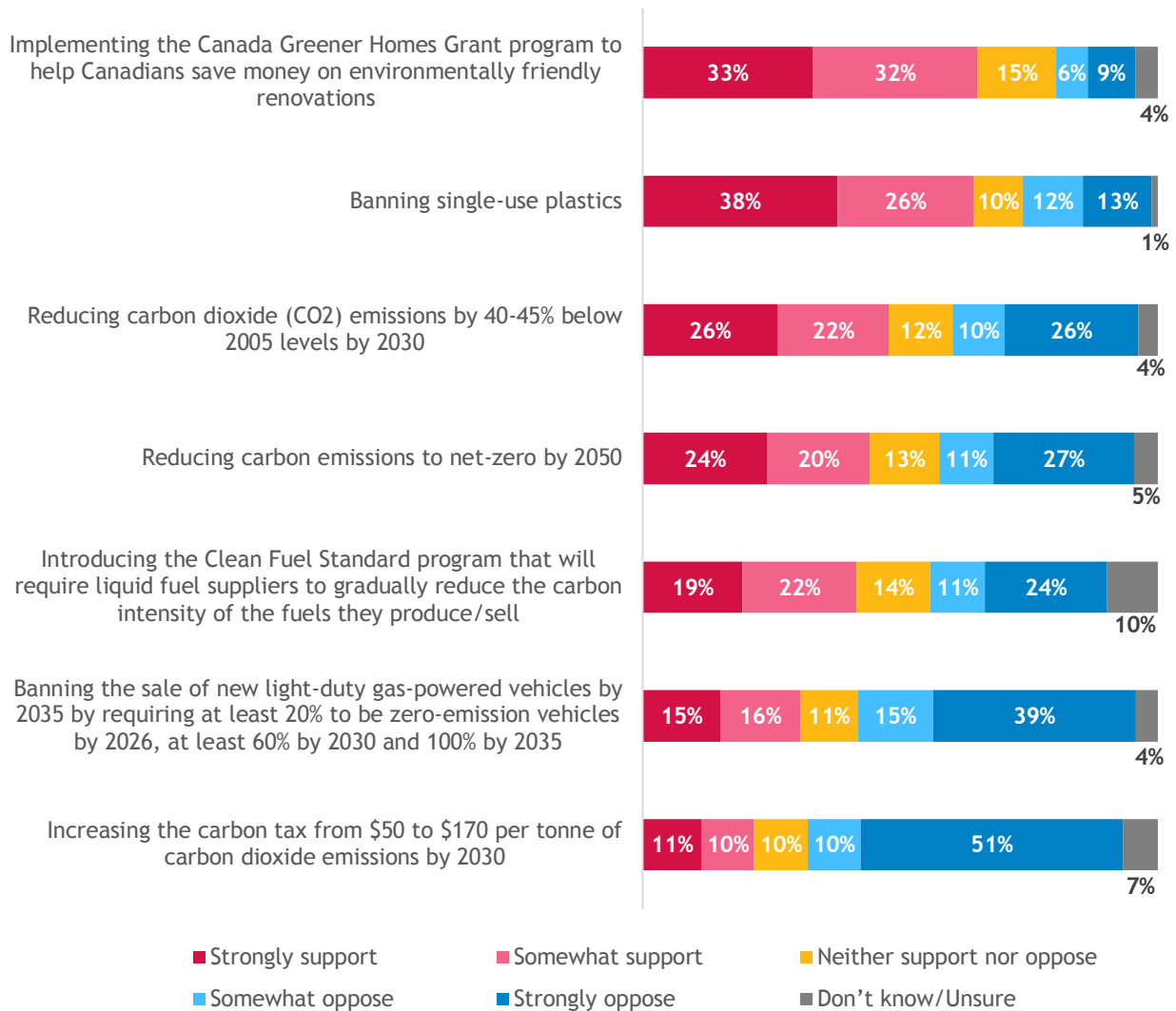
Question: Please indicate the extent to which you agree or disagree with the following statements. (Select one for each line)

## Small business views on federal government policies

On March 29, 2022, the Minister of Environment and Climate Change presented an ambitious \$9.1 billion Emissions Reduction Plan. Businesses across Canada will be impacted by some measures introduced in this plan. The following section looks at the proposed measures from the perspective of small business and makes recommendations to better incorporate small business views into the government's overall plans (see Figure 13).

Figure 13

**To what extent do you support or oppose each of the following federal government environmental initiatives? (Select one for each line)**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

As discussed previously, small business owners want to help protect the environment in tangible ways. This is further evidenced by their support of the Canada Greener Homes Grant. The grant was the most popular initiative among small business owners (65% support) as it aims to help Canadians save money on environmentally friendly renovations. While this program is only available to residential property owners, small business owners also have a desire to do environmentally friendly renovations in their business. CFIB recommends the government implement a program similar to the Canada Greener Homes Grant that aims to provide support to small businesses.

Other examples of environmental programs that could benefit all small businesses include the Business Improvements Program offered by the Arctic Energy Alliance that provides rebates of up to \$50,000 for businesses, non-profits, and community governments in the Northwest Territories to conserve energy and improve energy efficiency, as well as BC Hydro’s Business Energy Saving Incentives that help B.C.

businesses reduce their operating costs through the implementation of energy efficiency projects (lighting, HVAC, refrigeration) by offering incentives that can cover up to 25 per cent of the cost of the project.<sup>15</sup> The federal government should look to these programs for inspiration when designing future programs aimed at small business.

**Principle 10: Small business should be provided with plenty of notice, in plain language, before a product is banned or altered, and government should ensure that easily accessible and cost-effective alternatives are already in place.**

It is important to note that Figure 13 represents the national levels of support for the corresponding environmental initiatives. In the Appendix of this report, provincial breakouts show variations between the level of support for each initiative across the 10 provinces. For example, reducing carbon dioxide (CO<sub>2</sub>) emissions by 40-45% below 2005 levels by 2030 is quite divisive among provincial business owners, similar to how Canadians feel across the country. Only 19 per cent of small businesses in Saskatchewan indicated their support versus nearly three quarters (74%) of small businesses in Quebec (see Appendix).

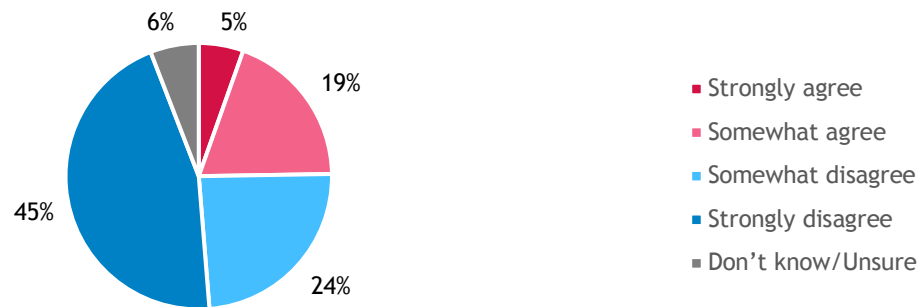
Nationally, there was very little support for initiatives such as increasing the carbon tax from \$50 to \$170 per tonne by 2023 (61% oppose). Canada's small businesses are still struggling with the financial impacts of the pandemic and remain in recovery/survival mode. The impacts of inflation and supply chain disruptions also cause additional cost pressures. Sixty-nine per cent of small business owners do not believe they can increase the prices of products and/or services to cover the increasing cost of environmental policies, including the carbon tax. Therefore, the lack of support for this increase in carbon emission pricing does not come as a surprise (see Figure 14).

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<sup>15</sup> Natural Resources Canada. (n.d.). Directory of Energy Efficiency and Alternative Energy Programs in Canada. [https://oee.nrcan.gc.ca/corporate/statistics/neud/dpa/policy\\_e/results.cfm?searchType=default&sectoranditems=all%7C0&max=10&categoryID=all&regionalDeliveryId=all&programTypes=4&keywords=&pageId=1](https://oee.nrcan.gc.ca/corporate/statistics/neud/dpa/policy_e/results.cfm?searchType=default&sectoranditems=all%7C0&max=10&categoryID=all&regionalDeliveryId=all&programTypes=4&keywords=&pageId=1)

Figure 14

**“Our business can increase the prices of the products/services we sell to cover the increasing cost of environmental policies”**



Source: CFIB. National Environment Survey 2022. August 15-September 20, 2022. Final results. n=4,364.

Many of the federal government’s environmental initiatives received split support from Canada’s small businesses. For example, reducing carbon dioxide (CO<sub>2</sub>) emissions by 40-45 per cent below 2005 levels by 2030 (48% support, 36% oppose), reducing carbon emissions to net zero by 2050 (44% support, 38% oppose), and introducing the Clean Fuel Standard program (41% support, 35% oppose) all had fairly split levels of support. In the case of each of these initiatives, there is not much room for small businesses to play a tangible role. In other words, it is difficult for small businesses to realistically make viable changes in their day-to-day operations to further improve their environmental impact. Reducing emissions for the entire country can appear to be a big goal to which small business owners do not believe they can meaningfully contribute.

Instead, small businesses tend to favour government initiatives with tangible benefits, like reducing waste, increasing recycling, or undertaking green renovations in their space. Such initiatives make business owners feel like they are contributing more tangibly to protecting the environment.

## Conclusion & recommendations

Small business owners care about the environment and are taking steps to make their operations more environmentally friendly. However, they will need additional support from government if more is required of them. Governments must provide small businesses with the information, tools, and resources they need to meet environmental policy objectives.

The following are the guiding principles outlined throughout this report that should be used to help governments develop small business friendly environmental policies:

1. Environmental policies should support the principle that it is possible to grow the economy and protect the environment at the same time.
2. Environmental policies should be simple and cost-effective to help increase voluntary participation by small businesses and help them comply with regulatory obligations.
3. Environmental policies should include small business support programs that are well communicated and easy for small businesses to access.
4. Environmental policies should consider the current state of small business and the economy. A small business lens should be applied to all environmental policies to ensure minimal impact on small businesses' operations.
5. Small businesses should be consulted before environmental policies or programs are announced, and sector and regional needs should be considered.
6. Environmental policies should include financial incentives (such as tax reductions, tax credits, and grant programs) for small businesses to encourage participation.
7. Governments should work with key stakeholders to gather feedback and share information about environmental programs, supports, and initiatives that impact small businesses.
8. Environmental policies and programs should be evidence-based. Their outcomes should be regularly measured and publicly reported to ensure they are effective and operating as intended. If not, the policy or program should be redesigned or removed.
9. To avoid a confusing patchwork of different rules and overlapping environmental policies, all levels of government should work together to reduce the cumulative regulatory burden on small businesses.
10. Small business should be provided with plenty of notice, in plain language, before a product is banned or altered, and government should ensure that easily accessible and cost-effective alternatives are already in place.

## Recommendations

Based on these guiding principles, we have provided a list of specific policy recommendations for the federal government to help address the needs and concerns of small businesses.

- **Recommendation 1: Ensure environmental policies and regulations do not increase red tape for small businesses.**
  - Improve the one-for-one rule so that it applies to every environmental rule, whether it is in a regulation, policy, or legislation, to help prevent regulatory burden build-up.
  - Ensure the small business perspective is considered when drafting new environmental policies, regulations, and/or legislation to ensure changes have a minimal impact on SMEs.
  - Reduce the amount of red tape in eligibility requirements and application processes for environmental programs.
  - Use plain language that is easy to understand to express all environmental information (websites, forms, regulations, etc.).
- **Recommendation 2: Ensure environmental policies and regulations do not increase costs for small businesses.**
  - If any additional environmental costs are imposed on small businesses, they must be offset by reducing other taxes, fees, and costs.
- **Recommendation 3: Freeze the federal carbon pricing backstop, provide small firms with an amount that is equivalent to what they contribute to it and reconsider the carbon pricing strategy.**
- **Recommendation 4: Implement policies to help business owners invest in environmental initiatives within their operations by:**
  - Increasing the small business deduction threshold to \$600,000 and indexing it to inflation annually.
  - Lowering payroll taxes (like CPP/QPP and EI).
  - Reducing the federal small business corporate tax rate from 9% to 8%.
  - Delaying the phase-out of the Accelerated Capital Cost Allowance by at least three years and making immediate expensing permanent.
  - Supporting bills (government or private members' bills) that will reduce the cost of doing business.



- **Recommendation 5: Take an evidence-based approach when implementing environmental policies and carefully consider any potential impacts on small business and the economy prior to implementation.**
  - Evaluate all new policies and programs as soon as possible after implementation (12 to 24 months) to identify and address any negative impacts on small businesses (post-implementation cost-benefit analysis, small business impact assessment, etc.).
  - Ensure transparency around environmental policies and regulations by measuring and publicly reporting their impacts on both the environment and the economy.
  - Eliminate programs and policies found to have a minimal or limited environmental benefit compared to the cost.
  
- **Recommendation 6: Consult with, and consider the recommendations of, the small business community when developing environmental support programs.**
  - Simplify support programs and ensure eligibility criteria are broad and easily accessible.
  - Ensure all programs that are intended to help small businesses invest in environmental initiatives are well communicated in a clear and timely manner:
    - Use CFIB and trade associations as resources to communicate support programs to the small business community (through webinars, online information, newsletters, etc.).
  - Avoid one-size-fits-all policies and tailor programs to the unique situations of different regions and sectors.
  
- **Recommendation 7: Ensure small businesses are given sufficient time to learn, adjust, and adapt to the mandatory requirements of any new/changing environmental programs.**
  - Avoid penalizing small businesses in the early stages of an environmental program (e.g., for at least one year after implementation).
  - Use an “education-first” approach instead of an “enforcement-first” approach, especially when it comes to first infractions.

## Methodology

CFIB is a non-partisan organization exclusively representing the interests of 97,000 small-and-medium-sized businesses in Canada. CFIB is entirely funded by our members and takes direction from them through regular surveys on a variety of issues like environment and sustainability.

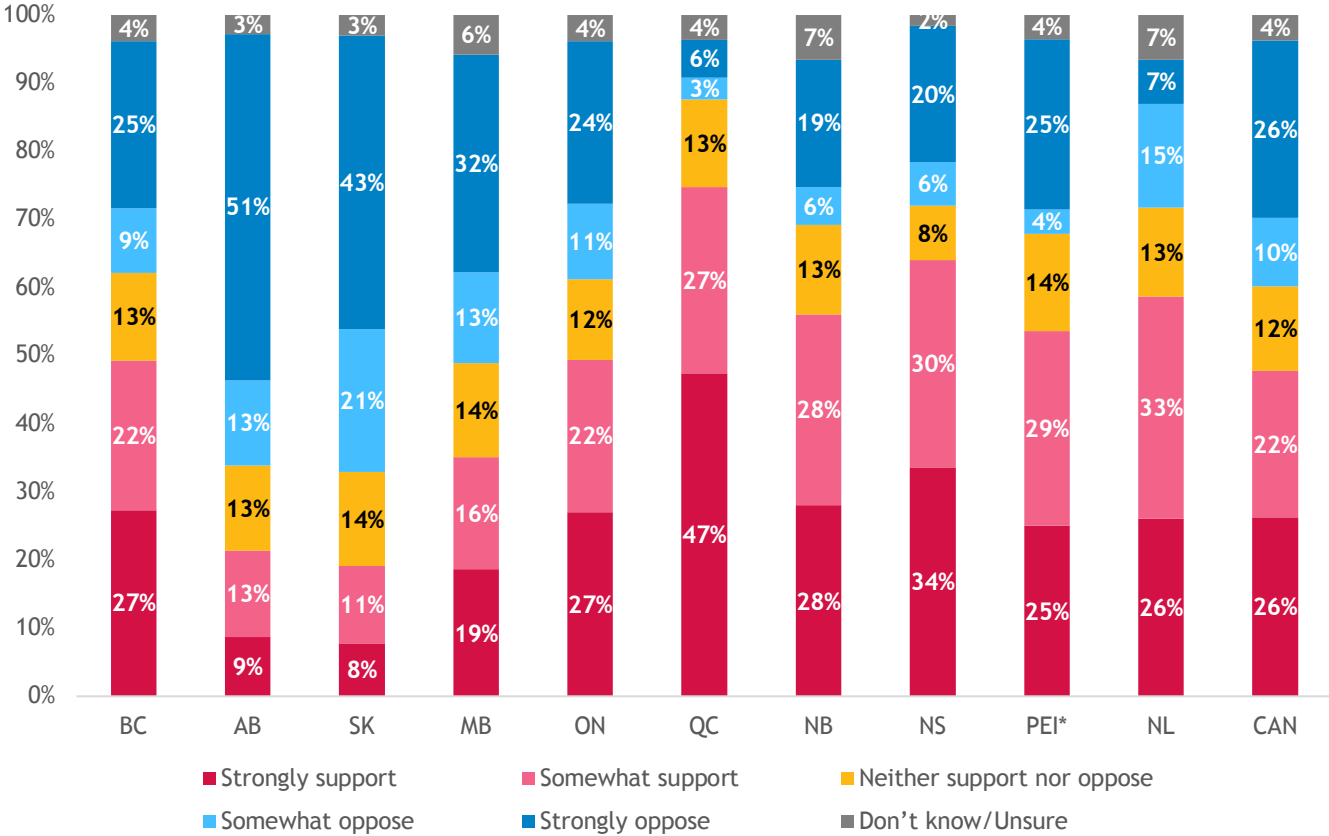
CFIB conducted the 2022 National Environment Survey from August 15 to September 20, 2022, across Canada. The password-protected online survey received 4,364 responses from small business owners across all sectors and provinces. The results are accurate to  $\pm 1.5$  percentage points, 19 times out of 20. Unless otherwise indicated, data in this report was obtained through the above survey.

## Appendix

Provincial breakouts of Figure 13: *To what extent do you support or oppose the following federal government environmental initiatives? (Select one for each line)*

Figure 13.1

**“Reducing carbon dioxide (CO<sub>2</sub>) emissions by 40-45% below 2005 levels by 2030”**

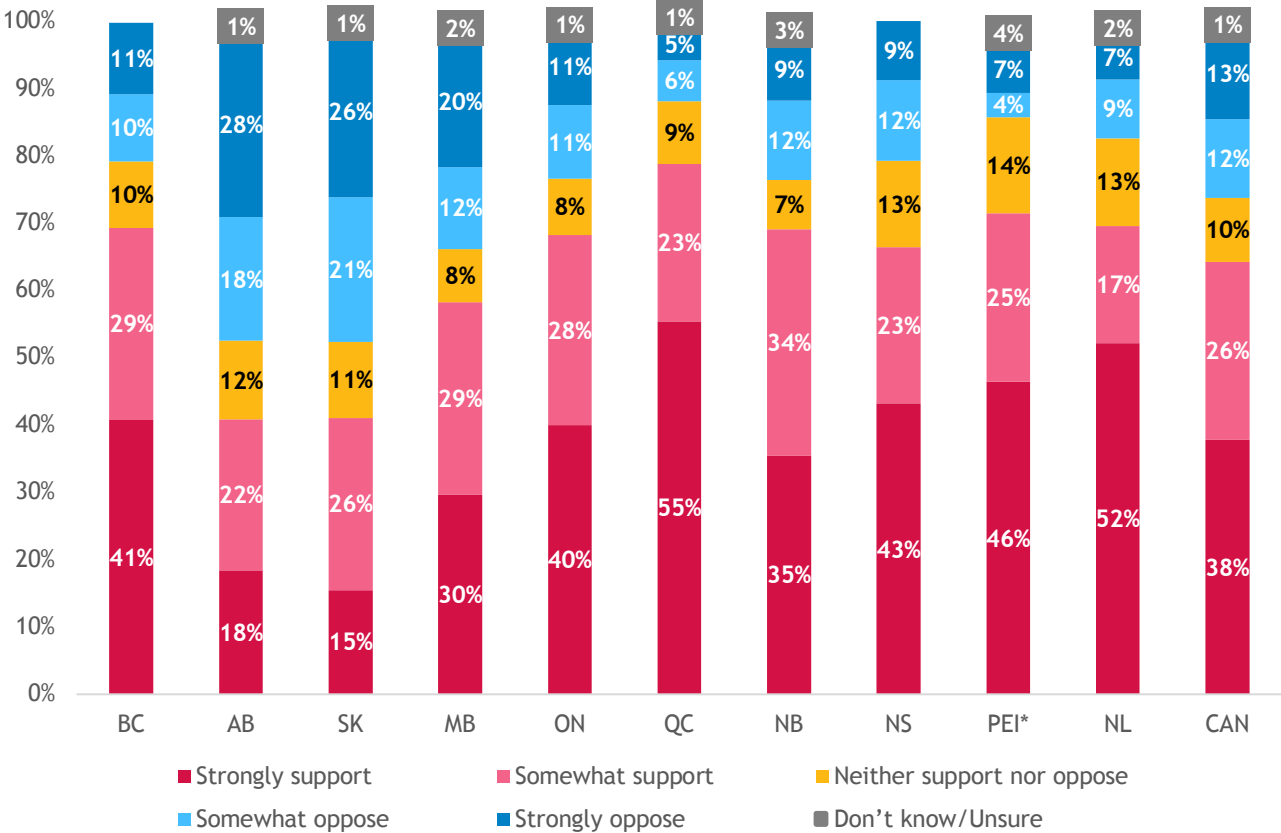


Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

\*Low response rate

Figure 13.2

**“Banning single-use plastics”**

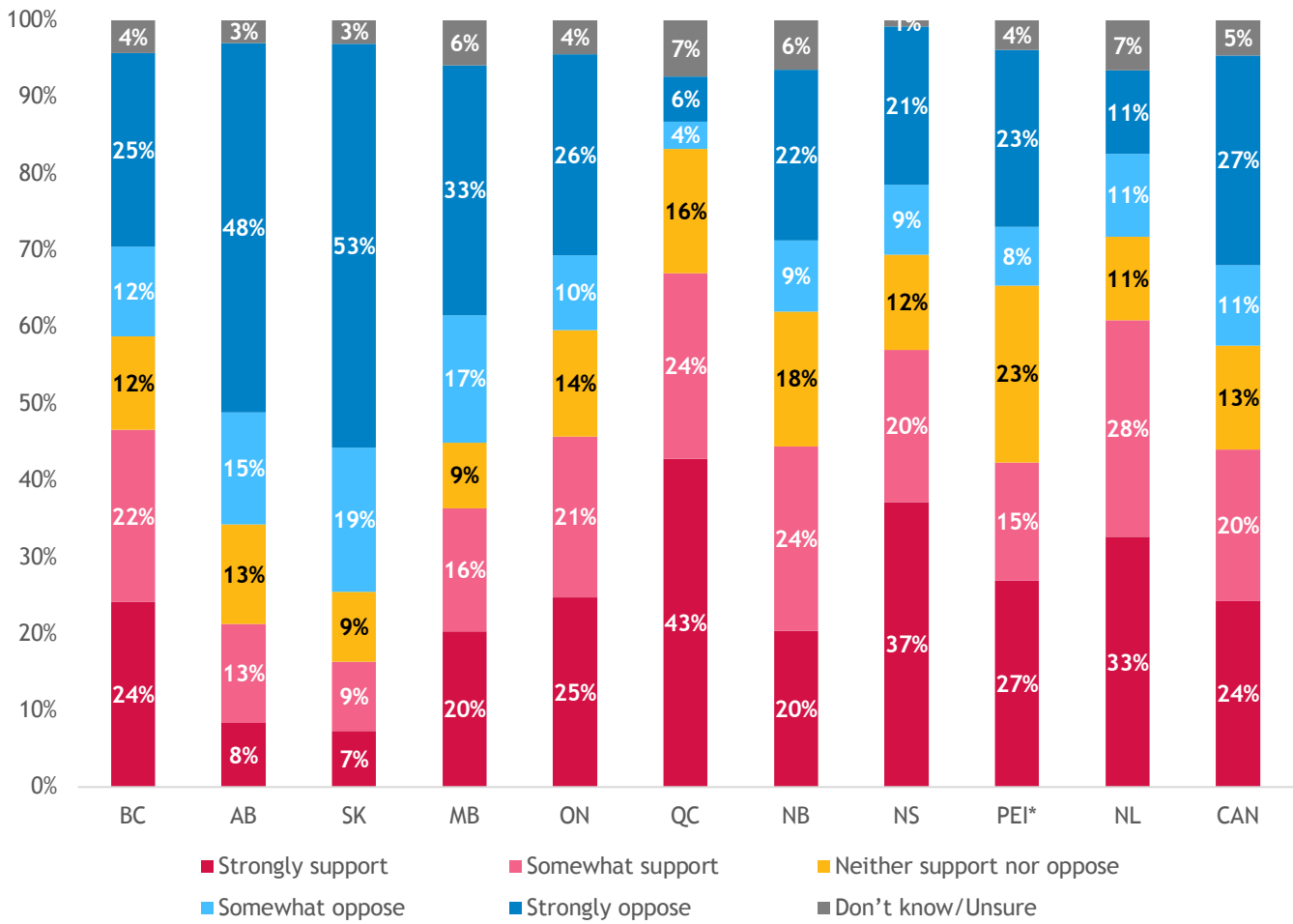


Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

\*Low response rate

Figure 13.3

**“Reducing carbon emissions to net zero by 2050”**

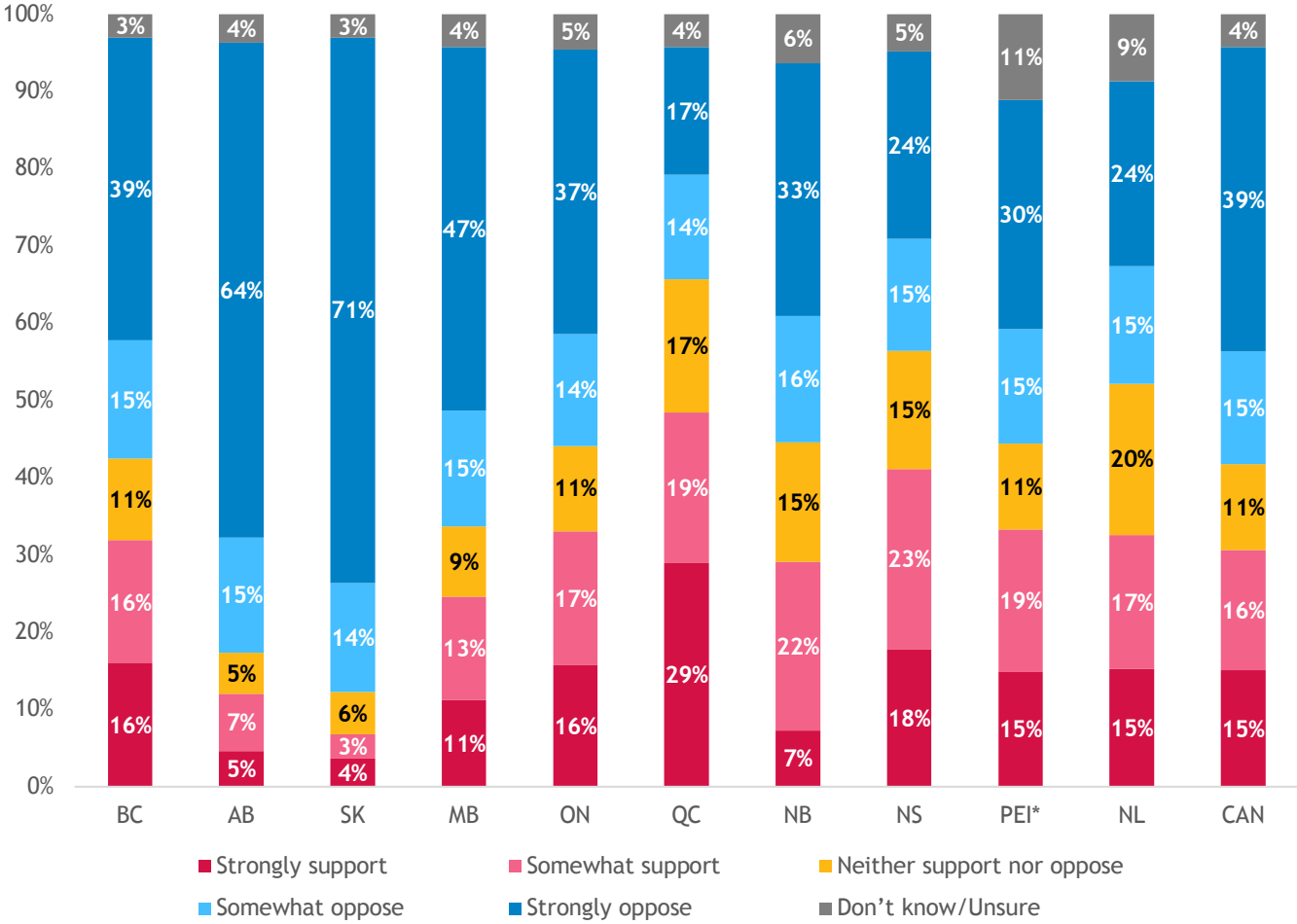


Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

\*Low response rate

Figure 13.4

**“Banning the sale of new light-duty gas-powered vehicles by 2035 by requiring at least 20% to be zero-emission vehicles by 2026, at least 60% by 2030 and 100% by 2035”**

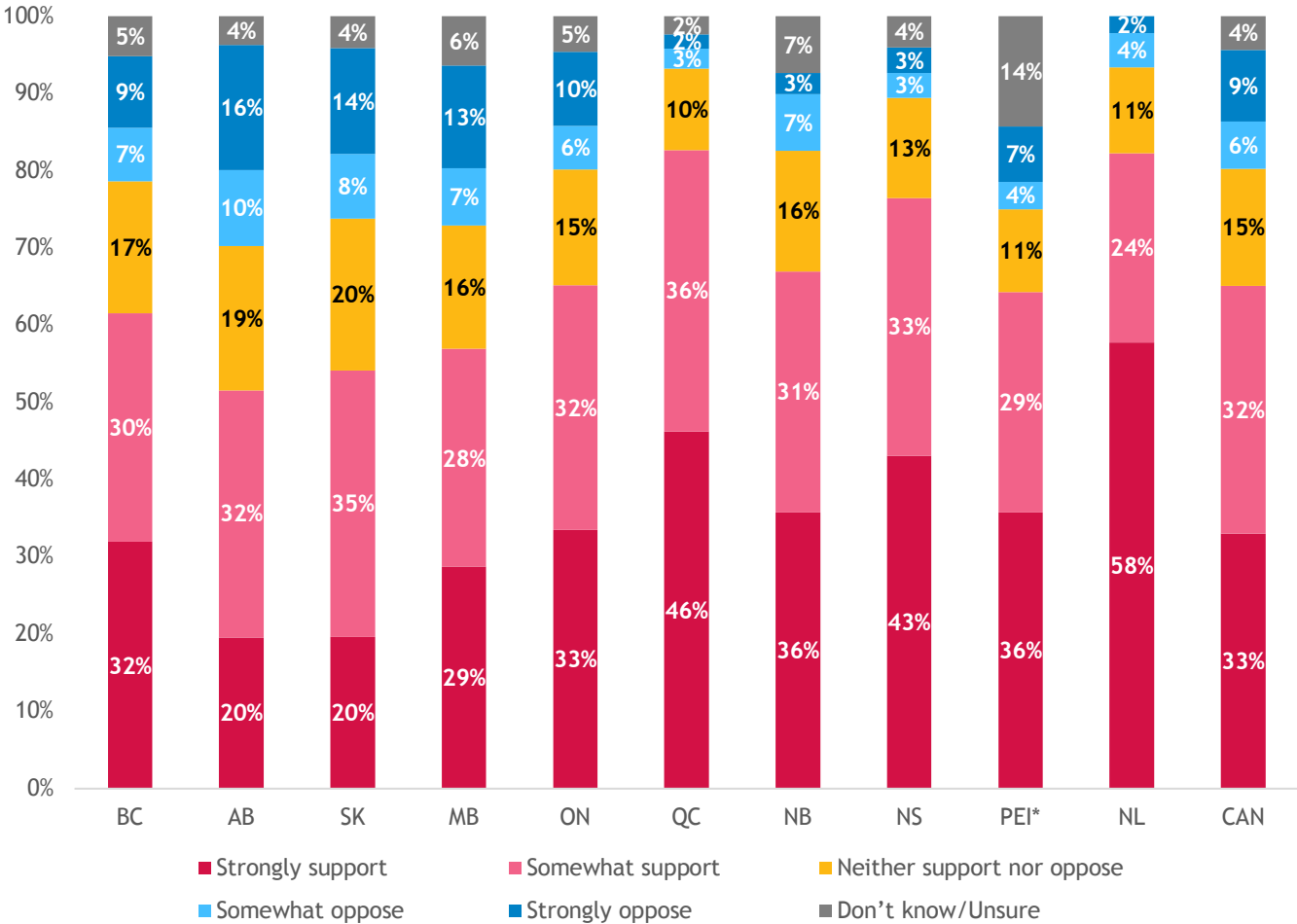


Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

\*Low response rate

Figure 13.5

**“Implementing the Canada Greener Homes Grant program to help Canadians save money on environmentally friendly renovations”**

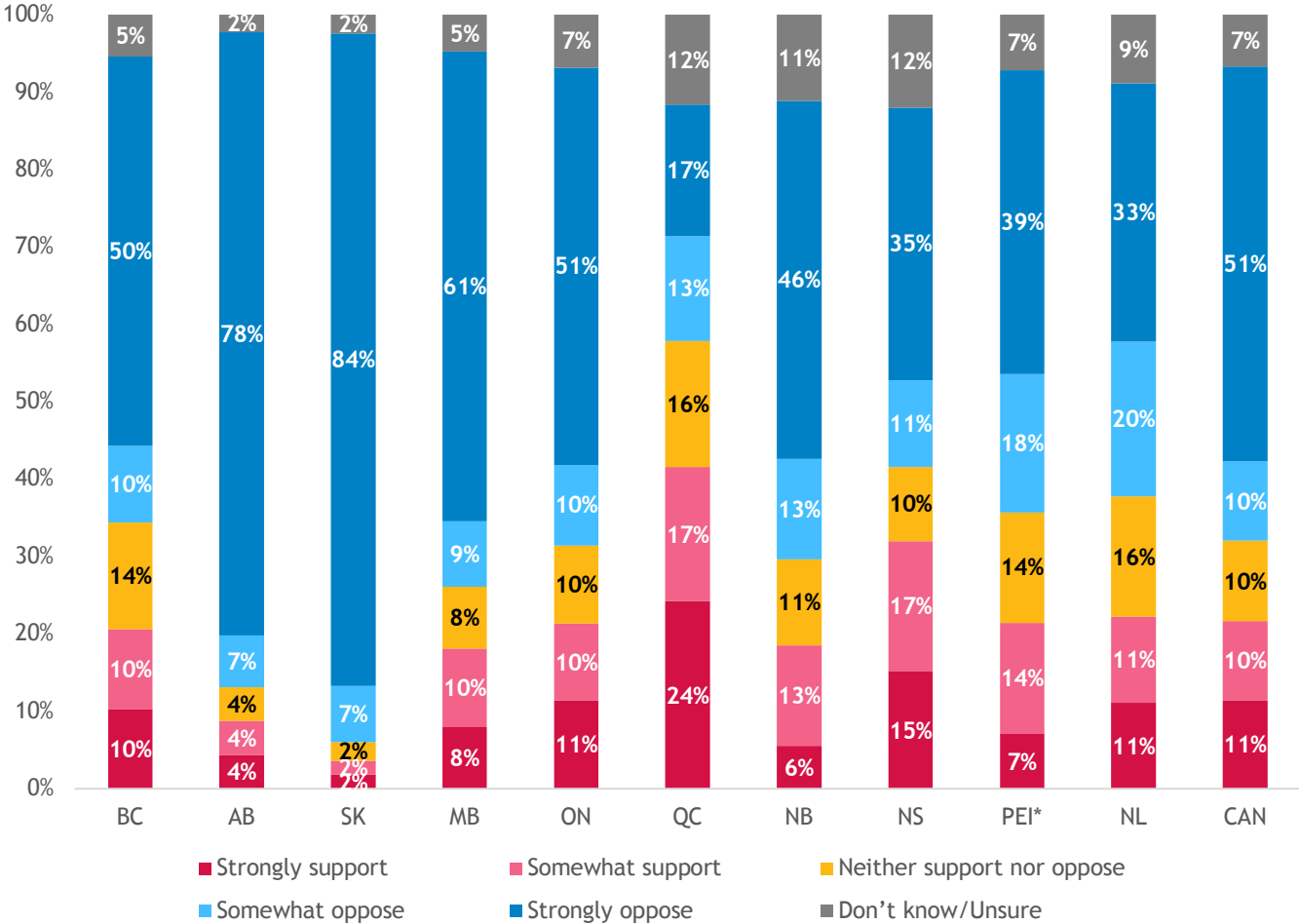


Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

\*Low response rate

Figure 13.6

**“Increasing the carbon tax from \$50 to \$170 per tonne of carbon dioxide emissions by 2030”**



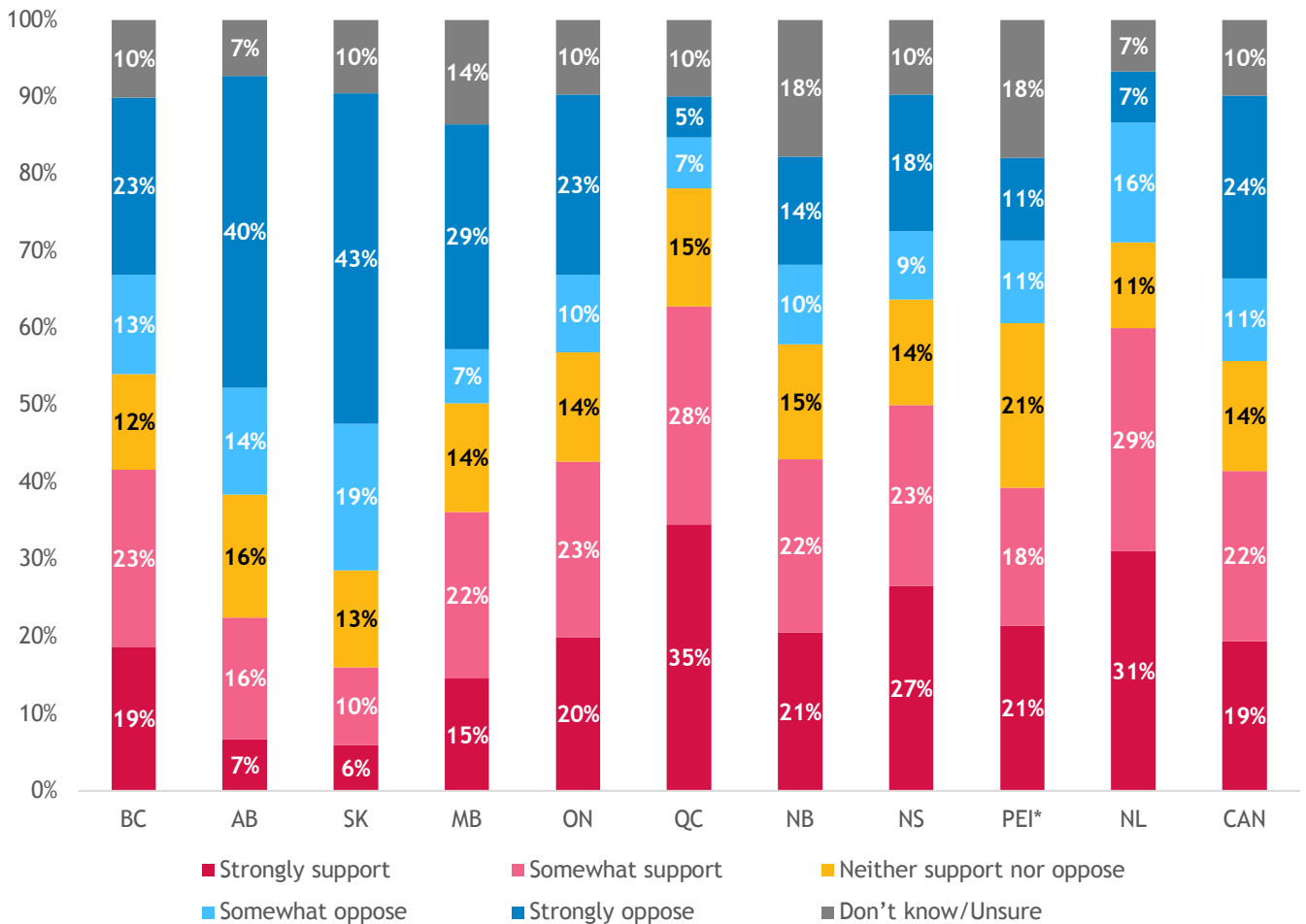
Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

\*Low response rate



Figure 13.7

**“Introducing the Clean Fuel Standard program that will require liquid fuel suppliers (gasoline and diesel) to gradually reduce the carbon intensity of the fuels they produce/sell”**



Source: CFIB. Environment Survey. Based on 4,364 responses. August-September 2022.

\*Low response rate

