

ODLUM BROWN REPORT

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ODLUM BROWN
Investing for Generations®

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The Power to Change

In September, we attended the Wolfe Utilities and Clean Energy Conference in New York. Flying coast to coast, it was hard not to notice North America's vast geographic diversity and contemplate that each region is powered by its own unique electrical grid. As you might expect, hydroelectricity accounts for more than half the grid power on both coasts. Inland, it is starkly different, with windmills and fossil fuels generating most of the power. The infrastructure currently in place to move power from one place to another hasn't changed much over the last 50 years, and those connections will remain relevant for many more years. However, the way we think about electricity in the context of climate change is changing rapidly.

At the conference were the CEOs of the biggest and most influential companies in the sector. Hearing from them provided great insight and perspective on some key themes around the global energy transition. It took decades to build our existing energy infrastructure, and it will likely take decades to re-power the world with clean energy. According to the International Energy Agency, roughly 61% of the world's electricity is generated from fossil fuels. Nuclear and hydroelectricity provide 25% and non-hydro renewables bring just 14%.¹ This demonstrates a tremendous opportunity to green our electricity supply and add new power to meet growing demand. While this will be a massive undertaking, the industry is planning clean energy investments at a breakneck pace of at least \$1 trillion² annually over the next decade.

The Wolfe Conference coincided nicely with the passing of the Inflation Reduction Act in the United States, which is viewed by many as a game-changer for clean energy. Tax credits and incentives will total over \$700 billion. We think it is the most important bill ever passed in the U.S. to help tackle climate change and support the development of clean energy.

While higher interest rates, supply chain constraints and volatile energy prices present new hurdles, we believe the path to a cleaner future is emerging. Moreover, there is greater motivation to devise a plan for a global energy transition and spend capital more wisely. Renewables are not only the best option for the natural environment, but also the most cost-effective.

North American utilities will be a big part of the solution. The grid we saw from 20,000 feet is aging and desperately needs upgrading to handle an influx of renewable power and greater electricity demand. U.S.-based coal plants are being replaced with wind and solar farms, which is great news for consumers, investors and the planet we all share. Implementing renewable sources of power is now half the cost of a typical coal-fired power plant. And connecting clean power to electricity-thirsty homes and businesses should keep utilities growing for many years. Imagine the power we will need to charge all the new electric vehicles coming over the next 20 years!

The companies we spoke with at the Wolfe Conference are investing heavily in four key areas: (1) wind, solar and storage in the grid; (2) rooftop solar; (3) nuclear; and (4) hydrogen.

Continued on next page

Streethome Foundation Vancouver, BC

As part of a three-year partnership with Streethome, Odlum Brown is proud to contribute funding to the Recovery Café for 2022. The Recovery Café is a place of belonging for people pursuing recovery – whether it is from poverty, homelessness, mental health challenges, loneliness, physical injury, trauma, unemployment or a substance use disorder.

Operated by The Kettle Society and based on an evidence-based recovery model originated in Seattle, it is the first of its kind in Canada. It is a place of warmth and connections, where members are supported through a set of core interventions, including recovery circles with a trained facilitator in which groups of 8-10 peers hold themselves and each other accountable for achieving their goals each week. The Recovery Café is located at 620 Clark Drive, Vancouver.



Streethome works with the private sector to broker and leverage new funding, innovative ideas and opportunities for collaboration between public and non-profit sectors to implement sustainable solutions to homelessness in Vancouver.

For more information, visit streethome.org.



Wind was the first renewable resource to really take off. Windmills have steadily replaced heavily polluting coal-fired plants. Today, solar is the new leader, as the technology and cost structure have improved dramatically. Both sources are being rolled out aggressively, but they are intermittent, and output varies widely by region. Energy storage is the missing link to successfully managing that reality. The grid needs major upgrades to accommodate these new sources and manage surges in supply and demand, and the technology now exists to make that happen.

Rooftop solar is another avenue of growth. Much like utility-scale solar, costs are coming down and countless companies now offer systems to homeowners and businesses. However, the initial cost is significant. Installers typically provide payment plans to spread the cost out over many years. In addition, homeowners and businesses often keep connected to the grid so they can sell power to utilities during the day, which helps offset their cost.

Rooftop solar will likely evolve into a network of micro-grids between homes and businesses, allowing them to generate, manage and store power, as needed. While some view this as a threat to traditional utilities, we see a need for both to meet increasing demand and believe the networks can work effectively together. Longer term, rooftop solar could be a major part of the solution in sunnier areas. For instance, California has been the leader in rooftop solar thanks to its climate, high electricity prices and a desire to reduce its dependence on fossil fuels.

A global renaissance in nuclear energy is underway. There is a growing appreciation for stable, carbon-free baseload power, such as nuclear, to support renewable sources. Historically, natural gas and coal have filled this role, but with sky-high energy prices and European gas shortages caused by the war in Ukraine, countries are rethinking their optimal power mix.

U.S. providers of nuclear power are big winners in the passing of the Inflation Reduction Act, which provides tax credits when the price of electricity is low, essentially putting a floor under earnings. In addition, one executive at the Wolfe Conference noted that most existing nuclear plants have longer lifespans ahead than new renewables being constructed today. Both points suggest a positive long-term trend for nuclear energy.

Hydrogen produced from electricity is the latest innovation, and everyone in the industry is looking to participate. It is the most abundant element in the universe, and engineers are looking at ways to profitably commercialize the fuel source. Hydrogen is collected by combining electricity with water to separate it into its basic H₂ and O elements. “Green” hydrogen is produced when renewable power is used, whereas “pink” hydrogen uses nuclear energy. It’s a simple process, but the amount of energy needed is a stumbling block, as is the ability to store and transport the gas afterwards. There is greater incentive to solve these problems thanks to a massive \$3/kg tax credit provided in the Inflation Reduction Act, which reduces the cost of production by about 75%. Hydrogen is used for various industrial purposes and could be broadly adopted for commercial transportation. Another intriguing application is energy storage that would allow electricity to be produced when resources are abundant, stored as hydrogen and then sold when power supply is scarce.

We think investors should seek to participate in these trends. Contact your Odlum Brown Investment Advisor or Portfolio Manager for the specific recommendations in our coverage universe that might be suitable for you.



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¹ <https://www.iea.org/data-and-statistics/data-tools/energy-statistics-data-browser?country=WORLD&fuel=Energy%20supply&indicator=ElecGenByFuel>
² <https://www.iea.org/data-and-statistics/data-tools/investment-data-explorer>

Year-End Tax Tips and Deadlines

With December upon us, here are a number of tax considerations and deadlines to remember for the 2022 tax year. Please note that December 31 is a Saturday this year. Plan your contributions and withdrawals accordingly.

DON'T MISS THE 2022 DEADLINES!

Item	Deadline	Notes
Tax-Loss Selling	December 28	To reduce 2022 net taxable capital gains.
Charitable Donations	December 31	To receive a 2022 charitable donation tax credit.
Carrying Charges	December 31	To deduct from 2022 income.
Splitting Income	January 30, 2023	To pay accrued 2022 interest on spousal loans.
RRSP Contributions	March 1, 2023	To deduct against 2022 income; see note 5 regarding spousal contributions.
If you turn 71 in 2022	December 31	For contributions to your own RRSP and maintaining tax-deferment by converting to a RRIF and/or annuity.
RESP Contributions	December 31	To receive 2022 enhanced Canada Education Savings Grants; see note 7 if beneficiary turned age 15 in 2022.
RESP Withdrawals	December 31	To access 2022 Educational Assistance Payments (EAPs) while a beneficiary is enrolled in a qualifying education program.
RDSP Contributions	December 31	See note 8 regarding government grants and bonds.

Payments, Expenses and Other Transactions

1. Tax-Loss Selling – Selling non-registered investments with unrealized capital losses before year-end can offset capital gains realized in 2022. While this strategy may offer tax advantages, ensure that it also makes sense from an investment perspective. Trades must be placed on Canadian securities exchanges no later than December 28 to settle in time to report in the 2022 tax year. Foreign exchanges may have different deadlines. Losses unused in 2022 can be carried back to offset capital gains from the three preceding years (2021, 2020 and 2019) or carried forward to claim in any future year. Beware of “superficial loss” rules which deny a capital loss if you or your spouse buys an identical investment within 30 days before or after the settlement date, including in an RRSP, RRIF, TFSA or a company controlled by you or your spouse. Denied losses generally increase the adjusted cost base of the purchased identical investment, which may reduce future capital gains.

2. Charitable Donations – The first \$200 of annual donations are eligible for a 15% federal tax credit plus the applicable provincial credit (5.06% in BC). Donations in excess of \$200 are eligible for higher combined credits (up to 53.5% in BC). Donating eligible securities “in kind” results in no taxable capital gain while receiving a donation tax credit for the donated securities.

3. Carrying Charges – Investment-related fees, charges and interest paid on money borrowed for most investment purposes (other than in registered accounts) must be paid by December 31 to be deductible in 2022.

4. Splitting Income – The deadline to pay 2022 interest on spousal loans is January 30, 2023.

Contrast this with pension income splitting rules, which allow you to allocate to your spouse or partner up to 50% of your eligible pension income by filing an election with your 2022 income tax returns. Eligible pension income includes your RRIF and LIF payments if you are at least age 65 at the end of 2022, and life annuity payments from a registered pension plan at any age.

Contributions to Registered Plans

5. Registered Retirement Savings Plans (RRSPs) – You can use your unused RRSP contribution room to contribute to your own RRSP until December 31 of the year in which you turn 71, or to a spousal RRSP until December 31 of the year in which they turn 71. Contributing to a spousal RRSP in 2022 reduces the income attribution period by one calendar year compared to a contribution made in 2023. If you have a considerable amount of contribution room, consider maximizing your contributions now, but deducting your contributions over multiple years, depending on your current and expected future taxable income and credits.

6. Tax-Free Savings Accounts (TFSAs) – There is no deadline for TFSA contributions. Unused contribution room is carried forward to be used in future years. If you plan to withdraw from TFSAs in the near future, consider making the withdrawal in December 2022, rather than in 2023. This can enable earlier re-contributions (as early as January 1, 2023), since TFSA withdrawals increase your contribution room the following calendar year.

7. Registered Education Savings Plans (RESPs) – If an RESP beneficiary is enrolled in a qualifying post-secondary educational program, December 31 is the deadline to withdraw an Educational

Assistance Payment (EAP) for 2022, taxable to the student. If your child turned 15 in 2022, December 31 is also the last chance to ensure future CESG eligibility at ages 16 and 17 (in 2023 and 2024), by satisfying minimum RESP contributions.

8. Registered Disability Savings Plans (RDSPs)

– RDSPs are tax-deferred long-term savings plans for an individual who is eligible for the disability tax credit. Lifetime contributions of up to \$200,000 can be made by anyone until the beneficiary turns 59, and can create access to federal government assistance in the form of Canada Disability Savings Grants (CDSGs) and Bonds (CDSBs) for up to 10 previous calendar years, until December 31 of the year in which the beneficiary turns 49. RDSP contributions are not tax-deductible.



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MAKING A DIFFERENCE
FOR CLIENTS FOR

100 YEARS

YOU'RE INVITED TO ODLUM BROWN'S

ANNUAL
ADDRESS

We are pleased to invite you and your guests to attend our signature investment presentation and celebrate our 100th anniversary together. Join **Debra Doucette**, President and Chief Executive Officer, and **Murray Leith**, Executive Vice President, Director, Investment Research, as they share our independent approach to helping generations of clients achieve their financial goals.

COURTENAY

Monday, February 6, 2 PM

Crown Isle Resort, Ballroom
399 Clubhouse Drive
RSVP to Chani at 250-703-0637 or
odlumbrown.com/rsvp by January 30.

SOUTH SURREY

Tuesday, February 7, 7 PM

Morgan Creek Golf Course
3500 Morgan Creek Way
RSVP to Emma at 604-844-5336 or
odlumbrown.com/rsvp by January 31.

VICTORIA

Wednesday, February 8, 2 PM

Delta Victoria Ocean Pointe Resort, Ballroom
100 Harbour Road
RSVP to Monica at 250-952-7775 or
odlumbrown.com/rsvp by February 1.

KELOWNA

Thursday, February 9, 2 PM

Coast Capri Hotel, Ballroom
1171 Harvey Avenue
RSVP to Valerie at 250-861-5700 or
odlumbrown.com/rsvp by February 2.

CHILLIWACK

Monday, February 13, 2 PM

Coast Chilliwack Hotel, Rosedale Room
45920 First Avenue
RSVP to Carlee at 604-607-7508 or
odlumbrown.com/rsvp by February 6.

VANCOUVER

Tuesday, February 14, 2 PM

The Fairmont Waterfront, Waterfront Ballroom
900 Canada Place Way
RSVP to Emma at 604-844-5336 or
odlumbrown.com/rsvp by February 7.

WEST VANCOUVER

Wednesday, February 15, 7 PM

Kay Meek Centre, Main Stage Theatre
1700 Mathers Avenue
RSVP to Emma at 604-844-5336 or
odlumbrown.com/rsvp by February 8.

LANGLEY

Thursday, February 16, 2 PM

Langley Events Centre, Banquet Hall
7888 200 Street
RSVP to Carlee at 604-607-7508 or
odlumbrown.com/rsvp by February 9.

Register early and electronically at odlumbrown.com/rsvp, as space is limited. We hope to see you there!

From all of us at Odlum Brown, we wish you a joyful holiday season and a healthy and prosperous new year.

