Budget 2017: Summary and Analysis of Investments for the Transition to a Low-Carbon Economy

Despite recent announcements from the United States favouring fossil fuels and halting, and in some cases reversing, momentum on actions to combat climate change, the Liberal government has continued to pursue the transition to a low-carbon economy in Budget 2017, signaling that Canada recognizes that climate change mitigation is not only a moral obligation, but also an economic opportunity. There are encouraging investments in priority areas for the transition to a low-carbon economy, including investments in green infrastructure; innovation and clean technology; support to reduce reliance on diesel for rural, remote, northern, and Indigenous communities; reducing emissions from the transportation sector; and measures included in the Pan-Canadian Framework on Clean Growth and Climate Change. However, many of these commitments are backloaded to 2018-2019 or later and the level of funding that is provided does not match the degree of ambition required for Canada to meet its international greenhouse gas reduction obligations. In order for Canada to meet its emission reduction targets, we need to see a ratcheting up of ambition for measures and policies to reduce emissions, combined with targets for job creation and a significant increase in public investments.

This analysis summarizes the main investments from Budget 2017 pertaining to the transition to a low-carbon economy and provides, where applicable, suggestions for improvement to maximize job creation and emission reductions.

Skills Training and Workforce Development

- $50 million in 2017-2018 to renew and improve the Aboriginal Skills and Employment Training Strategy (ASETS), which helps Indigenous Peoples in all parts of the country get the skills and training they need to fully participate in the economy and contribute to the success of their communities. $39.2 million in 2017-2018 to help reduce employment barriers for First Nations youth living on-reserve. These investments would be strengthened through skills development and employment opportunities explicitly tied to the funding for green infrastructure and social infrastructure for Indigenous communities;
- An additional $1.8 billion over six years, starting in 2017-2018, to expand the Labour Market Development Agreements (LMDAs) and a proposal to amend the *Employment Insurance Act* to broaden worker eligibility form programs and services under LMDAs. The Budget also included an additional $900 million over six years, starting in 2017-2018, for new Workforce Development Agreements. The Budget's commitment to establish a new organization to support skills development could be used to enhance investments in LDMAs by identifying training needs, skills requirements, and priorities within LDMAs;
- $132.4 million over four years, beginning in 2018–2019, and $37.9 million per year thereafter, to allow unemployed Canadians to pursue self-funded training while receiving EI benefits. $886.4 million over four years, beginning in 2017–2018, and $204.8 million per year thereafter, to better support caregivers, make EI parental benefits more flexible, and to allow women to claim

EI maternity benefits up to 12 weeks before their due date—expanded from the current standard of 8 weeks—if they so choose. To implement these measures, Budget 2017 proposes to amend the *Employment Insurance Act*. The Government also proposes to amend the *Canada Labour Code*;

- An additional $395.5 million over three years, starting in 2017–2018, for the Youth Employment Strategy. Building on Budget 2017, new allocations were also provided for work-integrated learning and expanding eligibility for Canada Student Grants, but support for apprenticeships is completely absent from Budget 2017. Federally-funded infrastructure projects provide an opportunity to include mandatory apprenticeship ratios, which were not mentioned in relation to any infrastructure investments in Budget 2017. We need to be investing in apprenticeships because Canada's apprenticeship completion rate hovers around 50% and we are facing a dramatic shortage of skilled tradespeople by 2025;
- $225 million over four years, starting in 2018-2019, and $75 million per year thereafter, to establish a new organization to support skills development and measurement in Canada. This organization will:
  - Identify the skills sought and required by Canadian employers;
  - Explore new and innovative approaches to skills development; and
  - Share information and analysis to help inform future skills investments and programming.
    - Further details on this new organization will be shared in the coming months; and
    - This section refers to partnering with "willing provinces and territories, the private sector, educational institutions and not-for-profit organizations," but does not specifically mention partnering with labour unions.

Supporting Jobs in the Resource Sector

- Budget 2017 proposes a one-time payment of $30 million to the Government of Alberta to support provincial actions that will stimulate economic activity and employment in Alberta's resource sector; and
- The Budget states that this investment is in response to "challenging economic circumstances arising from weak commodity prices affecting the oil and gas sector," but does not include any specific actions to support affected workers and communities.

Innovation

- $1.4 billion in new financing for Canada's clean technology sector ($207 million over the next five years), starting in 2017-2018, available through the Business Development Bank of Canada (BDC) and Export Development Canada (EDC), including equity investments, working capital, and project finance;
- $400 million over five years, starting in 2017-2018, to Sustainable Development Technology Canada's SD Tech Fund, to support projects across Canada to develop and demonstrate new

clean technologies that promote sustainable development, including those that address environmental issues such as climate change, air quality, clean water and clean soil;

- $41.5 million over four years, starting in 2017–2018, to implement a clean technology strategy for international business development, establish a Clean Technology Data Strategy, and establish a Clean Growth Hub; and
- $8.1 million over five years, starting in 2017-2018, to oversee and implement a new initiative, the Impact Canada Fund, which will initially focus on two streams:
    - A clean technology stream, supported by up to $75 million over two years, starting in 2017–2018, to address challenges such as helping Canada's rural and remote communities reduce their reliance on diesel as a power source; and
    - A smart cities stream, supported by $300 million over 11 years, that will support the Smart Cities Challenge:
        - Modeled after a similar competition in the U.S., participants will create ambitious plans to improve the quality of life for urban residents, through better city planning and implementation of clean, digitally connected technology including greener buildings, smart roads and energy systems, and advanced digital connections for homes and businesses; and
        - While not mentioned in the explanation for this initiative, it could also be an opportunity to create local jobs with a focus on equity and inclusion and to promote made-in-Canada products and technologies.

Leading by Example

- $13.5 million over five years, starting in 2017–2018, to Natural Resources Canada to provide expertise to other federal departments in the best approaches to implement energy efficiency and clean energy technologies, to retrofit federal buildings, and to reduce or eliminate emissions from vehicle fleets.

Green Infrastructure

- The 2016 *Fall Economic Statement* announced the Government's investment of $21.9 billion over 11 years to support green infrastructure, including through targeted investments by the new Canada Infrastructure Bank:
    - $9.2 billion will be provided to provinces and territories through bilateral agreements over the next 11 years, starting in 2018-2019 ($1.6 billion over four years) on a base plus per capita allocation basis;
    - $5 billion will be available over the next 11 years through the Canada Infrastructure Bank for green infrastructure projects, including projects that promote renewable energy and lower greenhouse gas emissions;
    - $2.8 billion will be invested over the next 11 years, starting in 2018-2019, through a series of national programs including investments in renewable energy, upgrading grid infrastructure, reducing reliance on diesel for rural and remote communities, and new

building codes. These investments are detailed in their respective sections in this analysis. $2.0 billion of this total is allocated to a Disaster Mitigation and Adaptation Fund.

- A study by the Canadian Centre for Policy Alternatives, *Creating a Canadian infrastructure bank in the public interest*, found that private financing of the Canada Infrastructure Bank could double the cost of infrastructure projects and that these "higher costs would ultimately mean that less public funding would be available for public services or for additional public infrastructure investments in future years."
- The Canadian Labour Congress (CLC) recommended in their submission to the Working Group on Clean Technology, Innovation, and Jobs, *Green Jobs for Tomorrow*, that infrastructure programs should require all levels of government to maximize Canadian procurement of goods and services, which will boost manufacturing employment and reduce import-related emissions. The CLC submission explains that public transit vehicles are an excellent example of this opportunity: domestic procurement "policies linked to federal and provincial investments could lead to a major expansion of the market for Canadian-built public transit vehicles."

Green Homes and Buildings

- $67.5 million over four years to Natural Resources Canada, starting in 2018-2019, to renew and continue existing energy efficiency programs;
- $182 million over 11 years ($87 million over four years), starting in 2018-2019, to develop and implement new building codes to retrofit existing buildings and build new net-zero energy consumption buildings across Canada;
- $241 million over 11 years for Canada Mortgage and Housing Corporation (CMHC) to improve data collection and analytics and $39.9 million to Statistics Canada to develop and implement a new Housing Statistics Framework. There was no specific explanation regarding how this data collection will contribute to a more comprehensive understanding of the condition of Canada's buildings regarding energy efficiency and retrofitting practices, nor was there an explanation of how this data would be used to help federal, provincial and territorial governments to fulfill the Pan-Canadian Framework's commitment of requiring labelling of building energy use by as early as 2019;
- $5 billion over 11 years for a new National Housing Fund, which includes brief mention of energy efficiency retrofits as part of "Support for innovations in affordable housing," but offers no details as to the level of energy efficiency to be achieved; and
- $300 million over 11 years for targeted support for northern housing and $225 million over 11 years for targeted housing support for Indigenous Peoples not living on reserve. Neither of these investments includes targets for energy efficiency or opportunities for training and employment for Indigenous Peoples.

Lowering Emissions from the Transportation Sector

- $20.1-billion over 11 years on bilateral agreements with the provinces and territories for public transit projects through Phase II of the Public Transit Infrastructure Fund, with allocation determined using a formula based on ridership (70%) and population (30%). The Canada Infrastructure Bank will invest at least $5 billion in public transit systems;
- The Canadian Urban Transit Association (CUTA) has estimated transit infrastructure needs across the country to be $56.6 billion for the period 2014-2018. Of this total, 32% ($18 billion) is not met by existing funding programs. Budget 2017 has committed a little over 10% of the additional funding required during this period, placing an unfair burden on municipalities to close this gap;
- $120 million over four years, starting in 2018-2019, to deploy infrastructure for electric vehicle charging and natural gas and hydrogen refuelling stations, as well as to support technology demonstration projects;
- $17.2 million over five years, starting in 2017–2018, to Environment and Climate Change Canada and Transport Canada to develop and implement heavy-duty vehicle retrofit and off-road regulations, as well as a clean fuel standard to reduce emissions from fuels used in transportation, building, and industrial sectors;
- $229 million over four years, starting in 2018–2019, to Natural Resources Canada and Transport Canada to continue R&D activities through their core clean energy and clean transportation innovation programming; and
- The government has eliminated the public transit tax credit, explaining that the credit was "ineffective in encouraging the use of public transit and reducing greenhouse gas emissions." While the data seems to support this statement, Budget 2017 did not offer any supplemental measures, such as tax-exempt status for employer-provided transit benefits, as recommended by CUTA in their 2017 Pre-Budget Submission Recommendations.

Fossil Fuel Subsidies

- The Liberal Election Platform promised to uphold Canada's long-standing commitment to the G20 to phase out fossil fuel subsidies by 2025, and this was reiterated in Minister Morneau's Mandate Letter;
- The federal government provides over $1.5 billion in annual subsidies to oil and gas producers;
- Budget 2017 includes proposed tax measures to reduce fossil fuel subsidies by approximately $50.0 million annually, starting in 2019-2020;
- Budget 2017 also extended the Mineral Exploration Tax Credit for another year for $30 million;
- Fossil fuel subsidies undermine putting a price on carbon pollution, prevent the renewable energy industry from realizing its full potential, and sends the wrongs signals to industry, which will result in stranded assets that will cost the public money down the road; and

- Reallocating these subsidies to the renewable energy sector would increase the competitiveness of renewables, reduce GHG emissions, and create more jobs than if the subsidies remained in fossil fuels.

Fossil Fuel Infrastructure

- $17.4 million over three years, starting in 2017–2018, to the National Energy Board to enhance its pipeline safety oversight activities
- $1.9 million will be invested over a three-year period, starting in 2017–2018, to provide Canadians with timely access to information on energy, regulations and pipeline safety, and to help the Board respond to increased interest in its activities in a timelier manner;
- Budget 2017 states that these investments will be fully cost-recovered from industry; and
- Hadrian Mertins-Kirkwood's blog for the Canadian Centre for Policy Alternatives, *#Budget 2017: Baby step on climate when a leap is needed*, highlights that "The budget does not acknowledge the greenhouse gas emissions associated with its ongoing support for new fossil fuel infrastructure."

The Pan-Canadian Framework on Clean Growth and Climate Change

- Several of the measures in Chapter 2, *Communities Built for Change: The Pan-Canadian Framework on Clean Growth and Climate Change*, are outlined in other sections of this analysis, including investments in more efficient transportation, green buildings, and reducing reliance on diesel;
- Budget 2016 promised $2.0 billion over two years to establish the Low Carbon Economy Fund, commencing in 2017-18. This $2.0 billion has now been adjusted to span five years, starting in 2017-18 with only $250 million, $750 million less than was promised in Budget 2016. This adjustment has been called both 'scandalous' and 'not unreasonable'. Further details on the allocation of the Low Carbon Economy Fund will be announced in the near future;
- $11.4 million over four years, starting in 2018–19, to Environment and Climate Change Canada to support the accelerated replacement of coal-fired electricity generation by 2030 and set leading performance standards for natural-gas-fired electricity generation. The explanation for this investment did not include any measures for workers and communities who will be affected nor was there any indication in Budget 2017 that the federal government is establishing a Just Transition Taskforce;
- In the coming months, the Government will release a consultation paper containing the technical details of the proposed federal carbon pricing backstop mechanism which will apply to the provinces that don't adopt the federal carbon price plan, to ensure carbon pricing applies equally across the country. Since the release of the Budget 2017, some noteworthy documents regarding carbon pricing have been released under the *Access to Information Act*:
    - A memo from Environment and Climate Change Canada confirmed the Parliamentary Budget Office's 2016 research, which stated that the price per tonne of carbon dioxide should be closer to $100 by 2020 and as high as $300 per tonne by 2050. These

calculations do not factor in the additional policies for reducing emissions contained in the Pan-Canadian Framework on Clean Growth and Climate Change; and
    - Another memo from November 2016 provided information on border tax adjustments related to carbon pricing to mitigate impacts on competitiveness.

Renewable Energy

- $100 million over four years, starting in 2018-2019, to support next generation smart grid, storage, and clean electricity technology demonstration projects;
- $200 million, starting in 2018-2019, to support the development of emerging renewable energy technologies nearing commercialization;
- $641.4 million to reduce reliance on diesel for rural, remote, northern, and Indigenous communities:
    - $21.4 million over four years, starting in 2018–2019, to Indigenous and Northern Affairs Canada to continue the Northern Responsible Energy Approach for Community Heat and Electricity Program to reduce reliance on diesel and support the deployment of renewable energy projects;
    - $220 million to reduce the reliance of rural and remote communities south of the 60th parallel on diesel fuel, and to support the use of more sustainable, renewable power solutions;
    - $400 million in an Arctic Energy Fund, starting in 2018–2019 ($160 million over four years), to address energy security for communities north of the 60th parallel, including Indigenous communities;
    - None of these initiatives acknowledge the potential for job creation in rural, remote, northern, and Indigenous communities or how these investments could be used for skills development and training in conjunction with investments included in Chapter 1 of the Budget, *Skills, Innovation and Middle Class Jobs: Equipping Canadians With the Skills They Need to Get Good Jobs*.
- Budget 2017 acknowledges that "Geothermal energy is one renewable energy source with the potential to reliably meet a portion of Canada's heating and electricity generation needs, including in northern and remote communities" and proposes two measures to encourage greater use of geothermal energy:
    - Extend accelerated capital cost allowance to a broader range of geothermal projects and expenses; and
    - Expand the range of geothermal energy project expenses that are eligible as Canadian renewable and conservation expenses, which can be fully deducted in the year incurred.

Adaptation and Climate Resilience

- $73.5 million over five years, starting in 2017–2018, to Environment and Climate Change Canada and Natural Resources Canada to establish a new Canadian Centre for Climate Services to improve access to climate science and regional climate resilience centres;

- $47.0 million over five years, starting in 2017–2018, to Health Canada, the Public Health Agency of Canada and the Canadian Institutes of Health Research to develop and implement a national action plan to respond to the broad range of health risks caused by climate change; and
- $18.0 million over five years, starting in 2017–2018, to Health Canada to implement a climate change and health adaptation program for First Nations and Inuit communities.

Gender Statement

- The 2017 Budget included a gender-based analysis of some measures - including investments in skills training, innovation and research, child care, caregiver assistance, and affordable housing - indicating how these investments will help to address barriers to inclusive growth;
- This was the first time that any Canadian budget has included a gender statement. The inclusion of this statement was an important and overdue first step, but there remains much work to be done to break down systemic barriers;
- Chapter 5 of the Budget, *Equal Opportunity: Budget 2017's Gender Statement*, acknowledges that there is a lack of availability of intersectional data. In this chapter, the Government committed to "continue to build capacity and expertise across departments, and to work with partners, to deepen its understanding of the impacts of policies on gender and other intersecting identities." However, as Angella MacEwen pointed out in her blog for the Broadbent Institute, *For future gender budgets, we need good data at the intersections*, "no resources are allocated to either Status of Women Canada or Statistics Canada to gather the information that will be necessary to close these data gaps";
- Also, while this chapter acknowledges that the gender wage gap in Canada is high compared to other OECD countries, the Government did not opt to implement pay equity legislation, as called for by the NDP and others; and
- This chapter acknowledges that climate change disproportionately affects women and commits to apply a gender lens to climate change mitigation and adaptation efforts, but does not explain how this lens was applied to the investments in climate change mitigation and adaptation included in Budget 2017.

Conclusion

For some of the investments in Budget 2017, including carbon pricing and the Low Carbon Economy Fund, the Federal government has promised to release more details in the coming months. This presents an opportunity to include the types of measures that are required to ensure that these investments maximize emission reductions, create good jobs and increase the participation of underrepresented groups. Investments in skills training and development can be explicitly tied to green infrastructure projects, and these projects should include equitable hiring practices and domestic procurement policies, which will maximize job creation and ensure that underrepresented groups are able to access and benefit from these new employment opportunities.

There is also an opportunity to make strategic linkages between public investments in greenhouse gas emissions and the creation of employment. Budget 2017 earmarked hundreds of millions of dollars for measures and policies included in the Pan-Canadian Framework on Clean Growth and Climate Change (PCF), in addition to the $2.0 million Low Carbon Economy Fund. The federal government has committed to publicly report on the progress and performance of the PCF in a way that is transparent and accountable to Canadians. GEN recommends that the federal government work with the provinces and territories, as well as conducting ongoing public outreach with labour, Indigenous peoples, youth, civil society organizations, and other stakeholders, to set incremental targets for job creation and emission reductions as part of an accountability framework for the PCF, related to the investments from Budget 2017.

This Budget allocates much-needed funding for the policy development and green infrastructure required for the transition to a low-carbon economy. However, there are many missed opportunities to link investments in skills training and development to federal investments in green infrastructure and reducing greenhouse gas emissions. Budget 2017 also pushes back key investments for reducing emissions to later years, indicating that the federal government is no longer concerned with Canada's commitments under the Copenhagen Accord to reduce emissions by 17% from 2005 levels by 2020. The new focus is on Canada's commitment under the Paris Agreement to reduce emissions by 30% from 2005 levels by 2030. The Budget makes modest contributions toward meeting the 2030 target but does not match the level of funding that is needed to set the stage for meeting our international climate change obligations and achieving deep decarbonisation by mid-century. As we move forward, there must be a much greater emphasis on anticipating and mitigating the social consequences of the transition to a low-carbon economy so that we adequately prepare and support our workers and communities. We must also ensure that investments in this transition reduce poverty and inequality along with greenhouse gas emissions, so that we create a better future for the environment and for everyone who relies upon it.