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## COVID-19 SHORT AND MID-TERM ECONOMIC RECOVERY PACKAGE RECOMMENDATIONS TO BOOST EMPLOYMENT WHILE ACCELERATING ECOLOGICAL TRANSITION

### CONTEXT

The COVID-19 pandemic presents unprecedented health and economic challenges for Canada. The David Suzuki Foundation recognizes that the federal government's immediate priorities must be to limit the virus's spread, and to strengthen critical health care systems and emergency assistance to businesses that are faltering and workers who have lost jobs. But we must not lose sight of the reality that once the pandemic is controlled and economic recovery is underway, we will continue to face the challenges of climate change and biodiversity loss. While many sectors require assistance, we're asking you to ensure that stimulus funds made available in response to this economic crisis guard against capacity loss in clean and renewable technologies and allow us to rebuild better and leave businesses and communities more economically, environmentally and socially resilient in the face of a longer-term emergency: climate change.

Stimulus funding in support of Canadian businesses must be aligned with Canada's climate objectives and favour a sustainable future. This is not the time to prop up unsustainable practices, relax regulatory requirements or promote outdated business models that are incompatible with meeting our climate and biodiversity targets.

### PATH TO A LOW-CARBON, RESILIENT FUTURE

This economic crisis presents a unique opportunity to reorient our economy toward a low-carbon, resilient future. We don't have to choose between recovery and the environment. We can get both faster by making smart decisions now.

The David Suzuki Foundation's short and mid-term recommendations and ideas are aligned with the Pan-Canadian Framework on Clean Growth and Climate Change, can be channelled through federal programs and will position Canada well to exceed current 2030 emissions targets and meet biodiversity goals, and achieve net-zero carbon emissions by 2050. They identify opportunities to create many new jobs, in the most cost-effective way, in industries that are already on paths to reduce their environmental footprints or spearheading innovation in the clean-tech sector. Environmentally beneficial projects that fit the federal government's direction are ready to go or could soon be scaled up throughout the country.

Canada has experience in assisting industry in times of severe financial challenges. We can learn from past successes and failures. The auto-industry bailout was costly for Canadian taxpayers and did little to secure long-term, well-paying jobs or to position the industry for longer-term challenges. A more successful model is the Pulp and Paper Green Transformation Program that operated from 2008 to 2012. It addressed the public interest and improved the financial viability of the pulp and paper industry by supporting quantifiable environmental and energy improvements while improving the sector's economic viability in the face of capital financing challenges and stiff international competition.<sup>1</sup> These cases show that federal support should be contingent on helping businesses adapt to emerging structural changes and the imperatives of the net-zero-carbon future.

As the International Energy Agency has observed, the recent precipitous oil price drop creates an opportunity. Rather than expanding fossil fuel subsidies in a costly endeavour to protect businesses and jobs that depend on an outdated business model and high international oil prices that are unlikely to return, it's time to complete the phase-out of fossil fuels subsidies and to invest vigorously in clean energy, energy efficiency, electrification, biofuels, decommissioning and cleanup of orphan wells and mine sites, and retraining workers.

In this context of falling energy prices, we strongly urge government to stay the course on carbon pricing — do not defer or decrease. Policy consistency will ensure carbon-emission reductions are delivered cost-effectively, and in a way that protects families through returned revenue and incentivizes behavioural changes and innovation.

## AREAS OF INTERVENTION

We have identified 8 areas with a high potential for creating local economic opportunities and jobs. When relevant, we also identify some of the existing government programs or funding mechanisms that may prove suitable for disbursing federal stimulus funding in a cost-effective manner while supporting climate commitments. Climate-friendly economic stimulus can also be channelled to local governments through increased allocations for the Federation of Canadian Municipalities' Green Municipal Fund and Municipalities for Climate Innovation program.

### 1. SUPPORT RETROFITS, ENERGY EFFICIENCY

In accordance with Clean Energy Canada, we propose a deep, nationwide retrofit stimulus program to increase public, commercial and residential retrofit rates.

**WHAT:** Cost-shared deep retrofits of public, commercial and residential buildings.

**WHY:** At the public and commercial level, this creates jobs immediately and de-risks private sector capital at a time of reduced confidence, while building knowledge of the energy efficiency investment opportunity to promote economic recovery. At the residential level, new approaches to logistics, marketing, manufacturing and financing are needed to expand residential retrofits and minimize inconvenience, disruption and risk to homeowners.

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<sup>1</sup> <https://www.nrcan.gc.ca/evaluation/reports/2013/15390>

**HOW:** Instruct the Canada Infrastructure Bank to create a specific strategy for energy retrofits; create a “retrofit at scale” fund through the Office of Energy Research and Development to fund retrofits of a large number of similar buildings simultaneously to drive down costs and timelines. These recommendations are intended to help small- and medium-sized business and community organizations reduce costs through energy efficiency retrofits. This will not only help ease the immediate financial pressures they face as a result of the pandemic, but will also put them in stronger positions to operate in a net-zero economy. The National Housing Strategy co-investment fund administered by CMHC could be topped up with supplemental funding being allocated to deep-energy retrofits.

## ENERGY EFFICIENCY FOR LOW TO MODERATE INCOME HOUSEHOLDS

**WHAT:** Federal top-up funding for existing low-income energy efficiency programs at no cost to participants targeted at the 2.8-million households in Canada facing energy poverty.<sup>1</sup>

**WHY:** Energy consumers with high energy burdens relative to income are unlikely to participate in the residential loan program proposed in the mandate letters due to credit restrictions, but are most likely to re-spend dollars in the local economy and benefit from healthier indoor environments. Thus, low-income-focused retrofits fill a policy gap and have greater stimulus benefit.

**HOW:** Every province spends some money on low-income efficiency through government, non-profit or utility programs. These programs can be ramped up through federal cost-sharing.

## 2. SUPPORT OF COMMUNITY RENEWABLE ENERGY PRODUCTION

**WHAT:** Additional federal investments to accelerate green energy deployment and electrical grid expansion and interconnection projects.

**WHY:** Investment in this sector creates immediate employment opportunities for a number of skilled workers, such as electricians and builders, in their own communities. It also fosters creation of small companies and cooperatives and improves resilience of local energy systems.

**HOW:** Top up the Canada Infrastructure Bank to accelerate investments in community renewable energy production throughout Canada.

### 3. RETRAIN WORKERS

Oil and gas workers and others can immediately benefit from training to acquire new skills that increase their employability in a low-carbon economy.

**WHAT:** Strong investments in workforce development and training to prepare for green buildings, retrofits, electrification-related jobs and renewable energy technologies.

**WHY:** Tradespeople, builders and related services can be supported in a slowdown by aggressively encouraging participation in upskilling.

**HOW:** Existing programs can be quickly scaled up using clean economy organizations and partnerships such as the Canada Green Building Council, the Canadian Institute for Energy Training, Passive House Canada, training institutions, professional bodies and trade unions.

## TRANSPORTATION

### 4. ACCELERATE ELECTRIFICATION

**WHAT:** In support of reducing transportation-related pollution, the federal government could accelerate and scale up initiatives already underway. This could include:

- Increase total support (beyond the committed \$720 million over five years) and front-end load efforts to build out EV charging infrastructure (over five years), with a focus on multi-unit residential buildings and DC fast charging.
- Invest an additional \$600 million in building an EV fast-charging network along Canada's major highways and in urban and rural areas.
- Accelerate the federal government's fleet electrification and invest in electrification of Crown corporations.
- Implement a federal ZEV mandate, and expand consumer incentives.
- Provide financial support for firms involved in supplying raw materials for EV production and for research and development, manufacturing and battery assembly.

**WHY:** Electrification of the transportation sector improves energy efficiency, helps zero out carbon pollution and takes advantage of the country's largely clean electricity grid.

### 5. FURTHER INVEST IN PUBLIC TRANSIT INFRASTRUCTURE

**WHAT:** Scale up investments in public transit infrastructure (subways, electric buses) across Canada, including increased support for improvement and rehabilitation. Invest in active transportation infrastructure, prioritizing small and medium-sized cities.

**WHY:** Transportation remains one of the highest-polluting sectors of the economy. All investments in this sector create jobs and reduce cost of living while helping Canada reduce its emissions.

**HOW:** Inject immediate transition funding into Infrastructure Canada's public transit infrastructure fund to accelerate construction of approved and proposed transit projects. Top up the federal gas tax fund to enable expanded municipal investment in active transportation in a context of declining

revenues from decreased gasoline consumption. Furthermore, provide funding to stabilize transit systems to compensate for revenue losses and extra expenses incurred during the pandemic to ensure their planned capital expenditures on system expansion and electrification do not need to be deferred.

## 6. CLEAN FUELS

**WHAT:** Invest in clean and renewable fuel production capacity and distribution/use infrastructure through cost-share arrangements that attract and leverage private capital, and move forward with a robust Clean Fuel Standard.

**WHY:** Decarbonizing the fuel supply will play a critical role in helping Canada reduce its carbon emissions while supporting green economy jobs. The biofuel industry estimates that realizing Canada's clean fuel production capacity has the potential to create 30,000 person-years of construction jobs and 10,000 new full-time clean tech jobs, adding \$15 billion per year to Canada's economy.

**HOW:** As recommended by Advanced Biofuels Canada:<sup>2</sup>

- A \$2.5-billion, 10-year production credit program to attract private sector capital investment in clean liquid fuel production capacity and support production of clean liquid fuels in Canada (***Clean Fuel Capacity Program***); and
- A \$250-million, 10-year grant program to partner with private sector capital investment in new/expanded clean liquid fuel infrastructure to establish/convert fossil fuel (gasoline, diesel, jet, marine) supply systems to support non-fossil, clean liquid fuel storage, distribution, blending and use. (***Clean Fuel Infrastructure Program***)

## 7. RESTORE NATURAL ASSETS AND USE PHYTOTECHNOLOGY

**WHAT:**

**Accelerate restoration of natural infrastructure/assets** and deployment of phytotechnologies (such as green roofs, green parking areas, natural drainage basins) in public, commercial and industrial buildings by providing a fiscal stimulus or direct financial support for technology adoption.

**Invest in Indigenous and local resource communities:** Focus federal dollars on areas that are not the responsibility of an identifiable company and fund Indigenous leadership and local employment in science-based ecological restoration.

**Deploy stimulus that supports endangered species:** Where the restoration of critical habitat has been identified in recovery and action plans under the Species at Risk Act, fund restoration that can be verified to support species recovery. Again, displaced industry workers and local Indigenous people can be targeted recipients of the work and infrastructure development to support these activities.

**WHY:** Ecosystem restoration projects provide meaningful economic contributions to local economies and to broader regional and national economies. For instance, the U.S. Geological Survey estimates

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<sup>2</sup> <https://advancedbiofuels.ca/wp-content/uploads/Clean-Fuels-Investment-in-Canada-Roadmap-to-2030-ABFC-Nov21-2019.pdf>

that between 13 and 32 job-years and between \$2.2 and \$3.4 million in total economic output are contributed to the U.S. economy for every \$1 million invested in ecosystem restoration. Phytotechnology is an essential part of climate adaptation in major cities. It creates job opportunities in a growing sector while enhancing resilience and improving key environmental indicators like flood risk and air quality.

**HOW:** Investing in Canada Infrastructure Program's broadening definitions of natural assets as capital assets points to high potential for restoration projects to be eligible for ICIP's Green Infrastructure Stream funding. To encourage greater uptake, eligibility requirements should be modified to facilitate investments in natural asset projects and natural asset management. Moreover, Canada can improve its natural infrastructure, long-term carbon offsetting performance and community well-being by financing and executing the government's commitment to plant two billion trees. Tree planting and local ecosystem restoration are excellent ways to create jobs and will also need longer-term resources like nurseries, tree maintenance workers and monitoring to validate carbon offsets.

## 8. ORPHAN WELLS CLEANUP AND METHANE REDUCTION

**WHAT:** An accumulating inventory of orphaned wells urgently requires cleanup. We recommend that money for orphan well cleanup be administered by an independent fund with representation from Indigenous communities, local governments and landowners to ensure it is used to reclaim wells where the company is bankrupt and has already spent its remaining assets on this purpose. Additionally, to the extent that the federal government makes funds available to the oil and gas sector as part of a stimulus package, these funds should only be available for projects that go beyond existing regulatory requirements and should be modelled on the methane reduction program administered by Efficiency Alberta before its recent cancellation.<sup>3</sup> However, any such support must be short-term and fully repayable and not interfere with the government's long-standing commitment to end fossil fuel subsidies.

**WHY:** Oil workers affected by dropping oil prices, decreasing production and automation can easily be retrained and redeployed to remediation and restoration activities with positive environmental and socioeconomic outcomes (e.g., returning land to productive use for agriculture or forestry).

While we support stimulus funding to support unemployed oil and gas workers, and we recommend that their skills be harnessed through a program to accelerate orphan well remediation, we do not believe further subsidies to the oil and gas industry should be provided. Additional subsidies would be inappropriate given Canada's repeated commitments to eliminate subsidies and the fact that structural changes as the world decarbonizes and renewables fall in cost imply that the market challenges faced by the oil and gas industry will be long-lasting.

Simply put, low-cost, low-carbon producers have the advantage in global markets over higher-cost, high-carbon producers in the fracking and oilsands sectors. However, if government allocates stimulus funding to the oil and gas industry, we recommend that it be made conditional on substantial improvements in environmental performance and strong provisions to avoid further accumulation of environmental liabilities. Eligibility requirements would include ensuring full compliance with methane regulations and with all applicable federal and provincial environmental requirements. Priority should be given to investments that enable the sector's carbon intensity to decline, and that enable companies to reposition themselves to benefit from the low-carbon

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<sup>3</sup> <https://efficiencyalberta.ca/business/methane-emissions-reduction>.

economy (e.g., harnessing geothermal or other renewable resources). Furthermore, given the industry's accumulation of environmental liabilities, particularly regarding inactive wells and oilsands tailings ponds, support should be contingent on regulatory changes at the provincial level to put in place strong polluter-pays provisions that guarantee cleanup even if a firm goes insolvent.

#### HOW:

**Invest in expanded independent field measurements in support of methane inventories:** Field studies have shown a considerable divergence between official inventories and methane emissions measured in the field by researchers. Funds to improve independent measurement and monitoring of methane emissions will support government and industry efforts to reduce methane emissions.

**Invest in methane industry operational technology upgrades that exceed regulatory requirements:** Provide up to 25 per cent of the capital costs of investments in methane-abatement equipment that exceeds regulatory requirements to achieve zero process emissions for oil and gas facilities.

**Enforce and invest in well remediation:** In the case of suspended or abandoned wells that are emitting, pursue responsible parties to ensure their resources are allocated to paying local workers to do the required restoration work.