



Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget



List of Recommendations

Recommendation 1. Financial support to industry provided in the wake of COVID-19 (including relief and recovery spending) must include conditions for a zero-emission transition. Companies should be required to develop a measurable plan to meet net-zero by 2050. Support to emissions-intensive sectors should be conditioned on actions by those sectors to significantly reduce emissions, and/or acceptance of regulatory changes that will drive such a reduction.

Recommendation 2. That the government apply strict financial conditions, including robust climate risk disclosure, to companies receiving financial support industry in the wake of COVID-19. This will ensure support increases financial stability, secures jobs, and incentivizes the low-carbon transition.

Recommendation 3. That the government ensure recovery is worker-focused and accelerates and enables a just transition. Support provided should maximize employment in safe, good quality jobs, and facilitate the retraining of workers for the green economy.

Recommendation 4. That the government support the evolution and creation of the sectors and infrastructure of tomorrow, including decarbonized energy and electricity sectors, low-carbon fuels and low-carbon solutions for heavy industry and transportation, and more. Support must drive climate resilience and create tangible benefits for communities.

Recommendation 5. That the government protect, follow, and strengthen environmental regulations and climate policy frameworks during recovery. Canada should strengthen its NDC in advance of COP 26 and develop crucial policies to support climate change action, including a climate change accountability legislative framework.

Recommendation 6. That the government provide transparency on all federal funds disbursed, including through federal credit agencies. Conditionality of funds provided by government should be enforced.

Recommendation 7. That the government ensure COVID-19 support measures contribute to increased equity and well-being, leaving no one behind.



Endorsements & Background

This brief is based on the report ***Green Strings: Principles and conditions for a green recovery from COVID-19 in Canada***. For the full report upon which this brief is based, please see: <https://www.iisd.org/library/green-strings-recovery-covid-19-canada>

The report has been endorsed by the following organizations: Pembina Institute, Climate Action Network Canada, David Suzuki Foundation, Environmental Defence, Greenpeace Canada, Équiterre, Ecojustice, Ecology Action Centre, Conservation Council of New Brunswick, Stand.earth, Leadnow, Sierra Club Canada Foundation, and Wilderness Committee.

Introduction

This brief sets out the “green strings” that should be attached to COVID-19 recovery measures announced by Canada’s government, including through measures developed for the upcoming federal budget. “Green strings” are key principles, criteria, and conditionalities that should be applied to economic recovery from COVID-19. The green strings recommendations in this document are critical to apply to all supports as we enter a recovery phase and could also be applied to stimulus and relief measures.

Countries around the world are grappling with the unprecedented health crisis and economic impacts presented by COVID-19. At the same time, the world is grappling with already-occurring impacts, health and otherwise, from the climate and biodiversity crises. **The current crisis, while presenting many difficulties, also provides an opportunity not to be missed: aligning efforts to meet Canada’s climate goals with the challenge of economic reconstruction post-pandemic.** We can and must use the current window to pivot to a sustainable and equitable economy through a decisive and principled approach. The stakes are high.

Why Green Strings?

The reasons to set and apply green strings are clear:

- 1. Conditions in the public interest are the government’s right and duty.** Major public spending comes at a cost for current and future Canadians. The government has a right and a duty to ensure that such spending will help advance—or at a minimum should not frustrate—major public policy goals such as climate change.
- 2. The benefits of green stimulus and recovery measures are backed by evidence.** A recent survey of 231 economic experts and finance ministry officials on the performance of fiscal recovery measures shows that environmentally targeted stimulus



can create as many jobs and as much growth as neutral or environmentally harmful measures.¹

- 3. A new economic model is needed for the workers of today and tomorrow.** Changes in technology and automation, in addition to economic shifts away from high-carbon sectors, make it clear that recovery must contribute to the creation of good quality jobs that can thrive in a low-carbon future and promote a circular economy.
- 4. Urgent action is needed to address the climate crisis.** Economic scenario analysis shows only strong green recovery measures will keep countries on track for a 1.5 °C scenario—contingent on a rapid switch toward low-carbon investments and *away* from fossil fuels.²
- 5. Health and climate change imperatives go hand in hand.** COVID-19 has starkly illustrated that planetary and human health must be addressed side by side and that policy must be directly informed by science and scientific experts.
- 6. There is strong public support for ensuring a green recovery.** In Canada, the majority of respondents in a recent survey agreed that the COVID-19 response must not back away from climate change efforts.³

¹ <https://doi.org/10.1093/oxrep/graa015>

² https://climateactiontracker.org/documents/706/CAT_2020-04-27_Briefing_COVID19_Apr2020.pdf

³ <https://abacusdata.ca/clean-recovery-clean-energy-canada/>



Green Strings: Seven principles to guide recovery

The list is separated into two sections. The first identifies specific opportunities for conditionality and consists of key conditions for support and critical actions that will help make those conditions effective. The second outlines general cross-cutting principles to ensure green recovery.

Principles for Conditionality

Principle 1. Financial support to industry must include conditions for a zero-emission transition.

Key conditions to apply:

- To receive federal support, firms with production assets in Canada should be required to develop a measurable plan to meet net-zero by 2050 consistent with Canada's commitments under the Paris Agreement. Companies should report on progress on such plans into the future, and plans should not heavily rely on offsets or unproven negative emissions technologies.
- Support to emissions-intensive sectors should be conditioned on actions by those sectors to significantly reduce emissions, and/or acceptance of regulatory changes that will drive such a reduction.

Critical action in support of Principle 1:

- Support should not be provided for industries that are clearly incompatible with a net-zero trajectory. Support should not create or lock in brown infrastructure, such as new infrastructure that increases capacity for emissions-intensive fossil fuel production. Nor should it stimulate sectors that are major consumers of fossil fuels, where support would result in significantly increased emissions.
- Funding must uphold the "polluter pays" principle. For example, support for orphan wells reclamation should be contingent on regulatory reform that ensures companies pay for environmental damages in the long run, not taxpayers.

Principle 2. Apply strict financial conditions to increase financial stability, secure jobs, and incentivize the low-carbon transition.

Key conditions to apply:

- To spur the low-carbon transition, Canada should make it mandatory for all companies receiving funds to carry out robust climate risk disclosure, at minimum the reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD).
- Corporate stock buybacks, shareholder dividend payouts, or executive bonuses and salary increases should not be allowed.⁴ At minimum, for loans, this condition must be in

⁴ For additional specific recommendations on the mining and oil and gas sectors, refer to IGF & ATAF, 2020.



place until the loan is fully repaid; for grants, the condition should be in place until the economy is no longer in recession.

- Companies that use offshore tax havens or shift profits to anonymous shell companies should not be eligible for support.

Critical action in support of Principle 2:

- Canada should work toward a wider adoption of sustainable finance approaches, including implementing the recommendations of the Expert Panel on Sustainable Finance and phasing out fossil fuel subsidies. Canada can also adopt more international off-the-shelf approaches, such as the EU Sustainable Finance taxonomy, stricter European Investment Bank-style requirements for Canada's financial institutions, and the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting.
- Recovery measures implemented by the Bank of Canada, including quantitative easing, must also incorporate climate change objectives.

Principle 3. Ensure recovery is worker-focused and accelerates and enables a just transition.

Key conditions to apply:

- Government must link support to worker conditions. Any recovery efforts must be done with the health and safety of workers as a top concern and should endeavour to reduce inequality, create good quality and well-paid jobs, and maximize employment.⁵
- Support should facilitate the retraining of workers for the green economy. Funding should contribute to the career development of workers so that workers do not have to bear the costs of adjustments (including job transfer and training costs).

Critical action in support of Principle 3:

- Canada must ensure a just transition for workers and communities transitioning from high-carbon sectors, following international best practices.⁶ The recommendations from the Task Force on Just Transition for Canadian Coal Power Workers and Communities should be fully implemented, and approaches to a just transition should be expanded to other fossil fuel sector workers and communities.
- The more opportunities to involve labour representatives in planning, the better. Company plans for net-zero should be developed with worker representation at the table.
- Canada must train the workforce of tomorrow. Beyond workers facing a transition, there is also a large population of young people who will be coming into a new economy. Canada must support training the upcoming generation for low-carbon jobs.

⁵ The Canadian Labour Congress has released a suite of recommendations, *Labour's Vision for Economic Recovery*, available at: <https://canadianlabour.ca/labours-vision-for-economic-recovery/>. The International Trade Union Confederation has released multiple statements, including *Key Issues on the Return to Work*, available at: https://www.ituc-csi.org/IMG/pdf/ituc_-_key_issues_on_the_return_to_work.pdf.

⁶ See the International Labour Organization's *Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All*, available at: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf



Cross-Cutting Principles to Ensure Green Recovery

Principle 4. Support the evolution and creation of the sectors and infrastructure of tomorrow.

- Support should contribute to building decarbonized energy and electricity sectors. Government should use stimulus to increase access to clean and affordable electricity for all residents of Canada. In addition to decarbonized systems, support is needed for demand-side programs to reduce energy consumption and increase quality of life in order to reduce the need for new energy production projects.
- Canada should invest in the low-carbon fuels of the future, as well as electrification and low-carbon solutions for key sectors such as heavy industry and transportation.
- Government should focus on supporting start-ups and early-stage companies that offer innovative solutions. Supporting social enterprises and community-based projects can ensure tangible social and economic benefits reach communities in need.
- Support should drive climate resilience, consistent with the adaptation goal of the Paris Agreement. We can no longer approach climate change through the dichotomy of mitigation versus adaptation, as the two are invariably intertwined.

Principle 5. Protect, follow, and strengthen environmental regulations and climate policy frameworks during recovery.

- Advancing energy transition policies will help Canada pursue a roadmap for green recovery. Canada should strengthen its NDC in advance of COP 26 and provide further details on its commitments to increase ambition. Canada must also not delay on developing new crucial policies that will support climate change action and a move toward a circular economy, including a climate change accountability legislative framework.
- Strengthening, improving, and enforcing existing environmental regulations and policies will ensure government support puts us on the right track. It is important that Canada not suspend, delay, or roll back emissions standards, environmental taxes including carbon pricing, taxes and levies for high-carbon sectors, or other regulations. During recovery it will be crucial to continue with existing plans such as the Clean Fuel Standard and Net-Zero Building Code.
- Canada should make use of the federal impact assessment process to ensure that new infrastructure is designed to support sustainability. Canada should ensure that an effective climate test for assessed projects is developed and implemented. To support net-zero pathways, the Project List and other components of the Impact Assessment Act should be reviewed to ensure all large emitting projects are assessed within Canada's 5-year carbon budgets.

Principle 6. Ensure transparency and accountability.

- Transparency on all federal funds disbursed should be provided, including those disbursed through federal credit agencies. This should include a list of funding recipients



and amounts provided, and information on what conditions have been applied. Regular updates should be provided to the public on whether conditions are being met.

- Conditionality of funds provided by government should be enforced. Companies who have received funding with conditions must have clear and measurable indicators and reporting requirements.
- If large firms do not follow funding conditions, financial or otherwise, government should consider provisions to convert the type of aid provided. For example, large companies could have their loans converted to equity if conditions are not met. Likewise, money provided as direct spending (grants) can be converted to loans.

Principle 7. Support must contribute to increased equity and well-being, leaving no one behind.

- Relief and recovery efforts must focus on improving well-being, particularly of those who have been historically and structurally oppressed. COVID-19 and climate change are both magnifiers for deep inequities that exist in our society that must be meaningfully addressed if we are to build back better.⁷
- Canada should strive to broaden the public good from COVID-19-related spending as much as possible. Locally focused investments are key to building community-level capacity and ensuring disadvantaged communities benefit.
- Canada should fully implement the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) and ensure recovery upholds Indigenous rights, strengthens nation-to-nation relationships, and increases the adaptive capacity of Indigenous Peoples.
- Government response to COVID-19 must strive for gender equality. A green recovery must consider gender impacts and include measures such as robust, quality childcare to ensure women are not left further behind.

For further details on the above principles, including international examples and recommendations for key sectors, please see the full report::

<https://www.iisd.org/library/green-strings-recovery-covid-19-canada>

⁷ In Canada, over 400 civil society groups in Canada have signed the Principles for a Just Recovery:
<http://justrecoveryforall.ca/>



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