**List of Recommendations**

1. Adapt federal income support programs for economic reopening and recovery.

2. Transition federal business support to target heavily impacted industries; and focus stimulus spending on critical industries to accelerate recovery.

3. Develop a credible plan and timeline to bring the federal government back to a balanced budget.

4. Support industry in efforts to lower emissions among heavy emitters.

5. Set a clear carbon pricing schedule beyond 2022 to enable the long-term, large-scale investment needed to create jobs and lower emissions.

6. Broadly support R&D for low-carbon technologies and energy.

7. Enhance Alberta's reputation for innovation by celebrating the province's business-sector innovation successes, including in the energy sector.

8. Double existing support payments to provincial governments under the Canada-Alberta Workforce Development Agreement for 2020 and 2021.



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## Background

The Business Council of Alberta (BCA) is pleased to participate in the Standing Committee of Finance's 2020 pre-budget consultations. We are a non-partisan, non-profit organization comprised of the chief executives and leading entrepreneurs of the province's largest enterprises. Our members represent the majority of Alberta's private sector investment, job creation, exports, and research and development. We are dedicated to building a better and more prosperous Alberta within a strong Canada.

Canada is facing an unprecedented convergence of economic, social and health challenges. First, the oil price war in February shook the national economy, with the impact concentrated in energy-producing provinces like Alberta. Second, the health crisis and economic shutdown has left millions of Canadians out of work and caused many businesses to fail. The federal government has done an excellent job managing the crisis by offering significant supports to individuals and businesses, but in so doing has also added hundred of billions of dollars to our national debt, bringing the federal fiscal situation back to where it was in the late 1990s.

Finally, the federal government has made a bold commitment to achieve net zero emissions by 2050. However, estimates suggest that the global economic shutdown associated with COVID-19 will only reduce GHG emissions around the world by 5.5% - well below the 7.6% in annual reductions needed to limit warming to 1.5 degrees. Moreover, the hundreds of billions spent on managing the shutdown have severely eroded our fiscal capacity with which to address this challenge.

As we shift from shutdown to recovery, the future is clouded in uncertainty. Staged relaunches, stringent safety protocols and deferred capital spending in the energy sector and elsewhere will delay the recovery effort. Millions of Canadians remain out of work. And a second wave of COVID-19 remains a looming threat.

The good news is that in this crisis there is opportunity. This budget is a chance not just to rebuild, but to build better. In the short term, we need to focus on strategic investments, bolstering our existing industries, restoring our economic competitiveness and attracting investment. Longer-term investment in innovation, commercialization and people will put us on a path to future economic success. At its best, we can create a new model for Canada – one that is more innovative, more sustainable, more inclusive and provides even more opportunity than our past.

With that in mind, the Business Council of Alberta is pleased to offer the following recommendations:

## Recommendation 1: Adapt federal income support programs for economic reopening and recovery

We were pleased to see a recent announcement on a transitional, parallel benefit program to EI along with an income support program for those who are sick or caregiving, the two of which will take the place of the CERB program as of October.

CERB was a generous program appropriate for an economy in an induced shutdown, but not for one in recovery. Yet, we also recognize that beyond October individuals will still need income support in place if they test positive for COVID-19, are asked to isolate, need to care for a sick family member, do not have access to childcare, or are unable to find work. Therefore, we agree that there is a need for an adapted program beyond October. As details of the parallel EI program are still limited, we recommend that this program should have the following in place to maximize economic recovery for Canadians:

- Tighter eligibility criteria that minimize cases where otherwise able Canadians refuse work;
- Differing levels of generosity across Canada depending on the number of jobs available in each region; and
- Provisions to ease the transition back to work by not cutting off eligibility after earning $1,000 a month through paid work.

## Recommendation 2: Transition federal business support to target heavily impacted industries; and focus stimulus spending on critical industries to accelerate recovery

The COVID-19 economic shutdown did not affect all industries equally. While some have regained sales and employment quickly after restrictions were lifted, many others face continued uncertainty with employment well below pre-COVID levels. In particular, we believe 1) accommodation and food services, 2) retail, and 3) air travel and tourism warrant industry-specific supports and strategies for the greater health and recovery of the economy.

In addition, federal stimulus spending should focus on accelerating recovery in industries that have been both hard-hit and are critical to the national economy. These include construction, energy and manufacturing. In particular, projects that improve productivity and competitiveness, as well as reduce GHGs in existing major industries should be prioritized.

## Recommendation 3: Develop a credible plan and timeline to bring the federal government back to a balanced budget

The COVID-19 health crisis and economic shutdown has had an unprecedented impact on the federal government's bottom line. Early projections suggest that the combination of new spending and lower tax revenues will result in a deficit of $343 billion for 2020-21. This borrowing eroded 20 years of progress in reducing the federal debt-to-GDP ratio without creating any significant new offsetting assets.

To be sure, that spending was necessary to help Canadians and businesses in a time of emergency and will continue to be important as the recovery proceeds. Moreover, we support the need for new spending and tax initiatives to stimulate the economic recovery and put Canada on a path to long-term success.

However, interest rates will not stay low forever and today's spending erodes our fiscal capacity to deal with long-term challenges like climate change. These are economic and environmental costs that will be borne by future generations. A credible plan to return to budget balance is critical to demonstrating that Canada has its fiscal house in order, is planning for the future, and is a low-risk place to invest.

## Recommendation 4: Support industry in efforts to lower emissions among heavy emitters

Policy certainty and market signals via carbon pricing are essential but insufficient to generate the scale and speed necessary to reach Canada's GHG emissions targets. Industry in Alberta wants to do its part to reduce emissions but faces limited funds available post-COVID-19 and the oil price collapse. Federal support is necessary to meaningfully lower emissions while also getting individuals back to work and ensuring energy security for Canadians and our global energy customers in the aftermath of COVID-19.

We recommend the federal government provide tax incentives and financing support for proven technologies which reduce GHG emissions of major emitters, similar to the 45Q tax credit in the United States. One of those proven technologies, Carbon Capture, Utilization and Storage (CCUS), not only reduces emissions of heavy emitters but also is an input for blue hydrogen, a promising low-carbon fuel and an area in which Alberta has already shown expertise. As such, we recommend creating a strategic plan for CCUS so that Canada can both reduce emissions and also become a recognized world-leader in this technology.

## Recommendation 5: Set a clear carbon pricing schedule beyond 2022 to enable the long-term, large-scale investment needed to create jobs and lower emissions

The federal price on carbon was initially set at $20/tonne in 2019, rising by $10 per year to reach $50/tonne in 2022. However, research suggests that the price would have to rise to more than $200/tonne for Canada to reach its 2030 targets.

The federal government has been reluctant to talk about carbon pricing beyond 2022. Ironically, this reluctance could undermine the effectiveness of the policy. If businesses have clear information about the future price of carbon, they will more easily be able to make the case for proposed long-term investments in emissions-reducing activities or technologies because they will have a clear sense of the payback. Uncertainty about the future price of carbon is preventing businesses from making investments today that could result in meaningful GHG emissions reductions down the road.

## Recommendation 6: Broadly support R&D for low-carbon technologies and energy

Innovation will play an essential role in bringing about the magnitude of change to reach GHG reduction targets and ensure a just transition to low-carbon technologies and energy. Fortunately, Alberta has the

foundation for innovation: a skilled labour force with expertise in energy, engineering, and project management ready to build the next generation of energy and technologies.

To maximize Canada's innovative potential, we believe it is best to provide broad-based, sustained financial support to all businesses, institutions, and researchers, focusing on outcomes rather than prescribed solutions. Another important component of deployment is supporting the entire innovation continuum including early stage innovation, testing, commercialization, and scaling. If it doesn't deploy, it doesn't matter. In particular, businesses point to a gap in funding at the commercialization and scaling stage. Successful innovations have the potential to not only lower emissions nationally but also increase Canadian competitiveness and prosperity through scaling and export.

### Recommendation 7: Enhance Alberta's reputation for innovation by celebrating the province's business-sector innovation successes, including in the energy sector

Alberta businesses are leaders in innovation – including in clean energy and climate change. The oil and gas sector conducts an estimated 75% of all clean technology research in Canada. Similarly, BCA members have invested more than $20 billion into reducing emissions. However, this message is not getting out. In part this is because the federal government has not been vocal in its support of the innovation and ingenuity coming out of Alberta.

Alberta could be a global leader in clean energy technology and innovation. While achieving that goal would require a detailed and committed strategy, reputation also matters. Public federal support of Alberta's innovative businesses would help change the conversation in the rest of the country and around the world. This, in turn, would help attract new investment and new opportunities to the province and to Canada as a whole.

### Recommendation 8: Double existing support payments to provincial governments under the Canada-Alberta Workforce Development Agreement for 2020 and 2021.

Through its network of workforce development agreements (WDAs) with the provinces, the Government of Canada provides $722 million annually, as well as an additional $900 million over six years (ending in 2023) for the development and delivery of programs and services that help Canadians get training, develop their skills and gain work experience.

Skills development and training is critical to creating a prosperous, innovative and inclusive Canada that delivers opportunity and shared prosperity for all. In light of the post-COVID-19 recovery, we believe the federal government should provide a temporary but significant cash injection into the WDA to complement existing levels of provincial funding. Doubling federal WDA support would allow provincial governments to deploy half of the additional funds towards supporting training and work experience programs specifically for youth, while the other half would go towards enhancing Canada Job Grant (CJG) supports.

This additional CJG money should be devoted exclusively to workplace training programs for unemployed Canadians. Businesses are in the best position to anticipate their future skills needs. As such, this employer-led program is an excellent tool to allow businesses to train present and future workers in the skills they will need when the economy fully recovers and employment demand picks back up.