

Federal Budget 2022

## Making the transition



Brief submitted by Équiterre

to the House of Commons Standing Committee on Finance as part of the 2022 pre-budget consultations

**August 2021**

## Recommendations

### Agriculture

That the government:

- Provide direct assistance to farmers to help them accelerate the adoption of practices that promote soil health;
- Develop a Canada-wide soil health strategy;
- Develop a Canada-wide network to share information and resources related to soil health;
- Finance research into cost-effectiveness to identify the economic benefits of best soil health practices on various production systems; and
- Provide funding for training and hiring 1,000 additional advisory services officers.

### Energy and climate

That the government:

- Publish a roadmap for eliminating ineffective fossil fuel subsidies by 2025 to meet Canada's G20 and G7 commitments.
- Adopt robust legislation and a fair transition plan that supports workers and communities that depend on fossil fuel development.

### Mobility

That the government adopt a clear, thought-out action plan to achieve its 100% ZEV sales target by 2035.

### Circular economy

That the government adopt a national circular economy strategy by working with the provinces, territories and municipalities.

## Agriculture

### New strategic framework

This is a critical time for the future of Canadian agriculture. The COVID-19 pandemic has shown us how fragile our system really is. This year, heat waves and drought have forced some municipalities to declare "agriculture disasters."<sup>1</sup> We need to make Canadian agriculture more resilient. The \$270 million investment in Budget 2021 to help farmers adopt sustainable agriculture practices sets the stage for further government ambition.

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<sup>1</sup> The Energy Mix, [Two Manitoba Municipalities Declare Agriculture Disaster](#), 2021.

The next agricultural policy framework must feature a bold vision for sustainable agriculture, including targets for reducing greenhouse gas (GHG) emissions, adapting to climate change and extreme weather events, and building resilience, especially through diversification. The new partnership should include a strategy to earmark an increasing share of funding over five years for sustainable agriculture programs. Soil health should be a priority because of its known economic and environmental benefits.

### **Regenerative agriculture and soil health**

Climate and agricultural policies must help tens of thousands more farmers to implement better practices to protect soil health, resulting in both environmental and economic benefits.<sup>2</sup> Budget 2022 should build on the investments in green agricultural solutions that were announced in 2021 and lay the foundation for ambitious Canada-wide programs that prioritize improving soil health as part of the next policy framework.

### **Recommendations**

#### **That the government:**

- **Provide direct assistance to farmers to accelerate the adoption of practices that promote soil health (\$50 million in 2022).**

The 2022 budget is expected to test programs on cover crops, nitrogen management, rotational grazing and land conservation. Additional support should cover organic amendments, crop diversification, buffer zones, soil compaction prevention and integrated pest management. The above should be included in a new Agri-resilience program to support farmers in the transition to sustainable practices that reduce climate risks.<sup>3</sup>

- **Develop a Canada-wide soil health strategy (\$6 million over three years).**

This strategy would galvanize all agriculture stakeholders into action and include an assessment of the state of Canada's soil with a mechanism for monitoring and continuous improvement.

- **Develop a Canada-wide network to share information and resources related to soil health (\$2 million in 2022).**
- **Finance research into cost-effectiveness (\$3 million in 2022).**

This research would identify the economic benefits of best soil health practices on different production systems, regions and farm types (\$3 million in 2022).

- **Provide funding for training and hiring 1,000 additional advisory services officers (\$100 million per year).**

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<sup>2</sup> Équiterre, [An Assessment of Best Approaches to Improving Agricultural Soil Health in Canada](#), 2021.

<sup>3</sup> Équiterre, [Towards the Creation of an Agri-resilience Program](#), 2020.

This would create more opportunities for training on soil health through education, farmer-to-farmer training and non-partisan expert advisory services.

## Energy and climate

Once again in summer 2021, devastating forest fires ravaged Western Canada and the Prairies, two regions that were experiencing extreme drought. With climate change, these once exceptional weather events will become more frequent.

A logical response would be to stop funding the well-documented cause of global warming, i.e., the fossil fuel industry, which emits the most GHG emissions in Canada. Yet, among OECD G20 countries, Canada remains the slowest to stop funding fossil fuels.<sup>4</sup> In fact, federal subsidies have increased from \$600 million in 2019 to \$1.9 billion in 2020, excluding subsidies for the Trans Mountain project and those resulting from credit support, particularly from Export Development Canada.<sup>5</sup>

### Recommendations

**That the government:**

- **Publish a roadmap for eliminating ineffective fossil fuel subsidies by 2025 to meet Canada's G20<sup>6</sup> and G7 commitments.<sup>7</sup>**

Fulfilling this commitment that was made 12 years ago would allow Canada to successfully deploy its strengthened climate plan and achieve its 45% GHG emissions reduction target as identified in its Nationally Determined Contribution, as well as freeing up capital for transitioning to a low-carbon economy.<sup>8</sup>

Although we must stop publicly funding the oil and gas industry, we must also help its workers to fairly transition to other jobs so that they can contribute their expertise to the immense challenge that lies ahead. In summary, Canada can take the funding for fossil fuels and use it to help workers throughout the transition.

- **Adopt robust legislation and a fair transition plan that supports workers and communities that depend on fossil fuel development.**

Canada will need to fundamentally transform its entire energy sector, rather than just the coal industry, if it is to meet its climate commitments and achieve net zero emissions by 2050. In 2019, oil and gas development projects were responsible for 26% of Canadian GHG emissions.<sup>9</sup>

<sup>4</sup> Anna Geddes et al, [Doubling Back and Doubling Down: G20 scorecard on fossil fuel funding](#), 2020.

<sup>5</sup> Vanessa Corkal, [Federal Fossil Fuel Subsidies in Canada: COVID-19 edition](#), 2021.

<sup>6</sup> G20, [Leaders' Statement: The Pittsburgh Summit](#), 2009.

<sup>7</sup> G7, [Ise-Shima Leaders' Declaration](#), 2016.

<sup>8</sup> Canada, [A Healthy Environment and a Healthy Economy](#), 2020.

<sup>9</sup> Government of Canada, [Greenhouse gas emissions](#), 2021.

The only way to achieve net zero emissions quickly is for all stakeholders to envision a prosperous future beyond fossil fuels. That is why the industry's workforce must be involved and supported during this process of economic diversification.

Fair transition legislation would allow this dialogue to take place and start a fundamental shift for the oil and gas industry. The government must also present a targeted action plan that includes investments in training, skills transfer and business start-up support for a green, circular economy.

## Mobility

In 2021, in addition to adopting a new climate target, Canada announced the end of gasoline vehicle sales by 2035, or five years earlier than expected. However, in 2020, zero-emission vehicles (ZEVs) accounted for only 3.5% of new vehicle sales, while light trucks accounted for a record 79%, which is doing little to reduce GHG emissions from transportation.

As the impacts of the climate crisis become increasingly obvious, the government must accelerate the electrification of light-duty vehicles and ensure that its targets are met. With a federal ZEV standard, this industry could be valued at \$152 billion and create 1.1 million jobs in Canada by 2040.<sup>10</sup>

### Recommendation

**That the government adopt a clear, thought-out action plan to achieve its 100% ZEV sales target by 2035 by:**

- Establishing interim targets by 2035 and setting out measures to achieve them;
- Reforming its green levy program and iZEV program to establish a self-funding bonus-malus system and reduce the tax burden associated with ZEV purchase subsidies; and<sup>11</sup>
- Implementing a Canada-wide standard to increase and level the supply of ZEVs across the country.

A bold, far-reaching strategy is needed for quickly transitioning to ZEV light vehicles, both in terms of supply and demand. This strategy would include regulatory and fiscal solutions that combine a Canada-wide ZEV standard, a bonus-malus system and other measures such as a gasoline vehicle retirement program and additional investments in charging infrastructure, stricter regulations for automobile advertising and so on.

## Circular economy

Our linear economic system is based on the extraction of raw materials, the massive production of goods, accelerated consumption and lastly disposal. More than 90% of materials extracted from the

<sup>10</sup> ICCT, [Stimulating zero emission vehicle adoption and economic impacts in Canada](#), 2020.

<sup>11</sup> For more information on a tax-neutral bonus-malus system tailored to the Canadian context, see *La route vers la mobilité à faible empreinte carbone : un système de redevance-remise pour les véhicules légers au Canada*. [available in French only]

planet are used only once.<sup>12</sup> The weight of products manufactured by human beings recently exceeded the weight of all life forms on Earth in 2020.<sup>13</sup>

This linear economy produces an unsustainable amount of GHG emissions. The near monopolization of land for extraction and production activities is taking a deadly toll; it is imperative to reform this practice of producing single-use goods. In addition, we must innovate to reduce the pressure on our natural resources and living environments.

Canada does not have a strategy for moving toward a circular economy, which would play a fundamental role in ensuring a sustainable recovery, for example by developing an industry to repair domestic goods in a perspective of fair transition, especially for workers in sectors that are destined to disappear, such as the fossil fuel industry.

The workforce transition must reflect both the high-tech component, which is already being targeted by the government, and the low-tech one. Low tech, especially for food, energy, agriculture, mobility and waste management, is not sufficiently utilized in Canada and deserves special attention.

#### Recommendation

**That the government adopt a national circular economy strategy by working with the provinces, territories and municipalities, including:**

- Developing circularity indicators for the economy and industry;
- Creating a 2050 target for each of the circularity indicators, with intermediate targets in 2030, 2035, 2040 and 2045;
- Reviewing legislation and regulations to remove barriers for developing the circular economy;
- Including circularity criteria in procurement;
- Developing a circularity incubator to help existing circular economy businesses thrive and new ones start up; and
- Linking a circular economy jobs strategy with a fair transition plan for the oil and gas workforce.

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<sup>12</sup> Circle Economy, [The Circularity Gap Report 2021](#), 2020.

<sup>13</sup> Elhacham, E., Ben-Uri, L., Grozovski, J. et al. [Global human-made mass exceeds all living biomass](#). Nature 588, 442–444, 2020.