



SUBMISSION AND RECOMMENDATIONS: JUST TRANSITION LEGISLATION

INTRODUCTION

The Canadian Association of Energy Contractors (CAOEC) appreciates the opportunity to provide a submission and share recommendations on proposed 'Just Transition' legislation to Natural Resources Canada. CAOEC represents Canadian energy service companies operating close to the wellhead who employ tens of thousands of energy workers in the oil and gas industry and emerging sectors such as hydrogen, helium, geothermal, and carbon capture utilization and storage (CCUS).

Natural Resources Canada has indicated 'Just Transition' legislation is intended to help workers and communities thrive in a net-zero carbon economy. Canada's Energy Contractors recognize that governments and industry leaders from across the country, and around the world, have issued a challenge: net zero. Through partnership and collaboration with the Canadian oil and gas industry, meeting the net zero goal is well within our grasp.

The International Energy Agency (IEA) continues to project growing demand for oil and natural gas in the coming decades. Canada is home to the world's third largest oil reserves and 18th largest reserves of natural gas. With a record of over \$3.5 billion invested since 2018 in technologies to reduce greenhouse gas emissions, Canada's energy industry continues to be the largest investor in clean technology and environmental protection in the country. Our industry is committed to lowering emissions and producing the cleanest forms of energy in the world so that our resource communities and the Canadians who work in them can continue to prosper throughout an energy transition.

By producing cleaner oil and gas, developing alternate energy sources such as hydrogen and geothermal, and perfecting CCUS techniques, Canada's valuable oil and gas resources, and Canada's energy services sector can help Canada achieve net-zero. CAOEC thus believes that there is no need for a federal 'people-centered just transition' initiative. Given the Canadian energy industry's willingness and proven record of lowering emissions, and the strong global demand for responsibly developed oil and gas, it is difficult to understand in what context legislation would be needed, or how transitioning to lower emissions must leave any workers and resource communities behind.

Canada's energy sector can play a major role by producing needed net-zero energy for global markets while doing our part to reduce global emissions. The Canadian energy industry has the tools, technology, and knowhow to help Canada meet emissions targets, and can play a meaningful role in satisfying global demand for low-carbon energy if there are continued opportunities and appropriate policies put in place to support the success of the industry, its workers, and resource communities.

It is within this context that the CAOEC provides the following submission and recommendations on the proposed 'Just Transition' legislation discussion paper including our perspectives on the People-Centred Just Transition Principles and the Just Transition Advisory Body.

PEOPLE-CENTRED JUST TRANSITION PRINCIPLES

Natural Resources Canada has proposed that ‘Just Transition’ legislation include “people-centred just transition principles that put workers and communities at the centre of the government’s policy and decision-making processes on climate change action.”

The principles the department has developed to guide the Government of Canada’s decision-making when taking action to reduce emissions and combat climate change include:

- Adequate, informed and ongoing dialogue on a people-centred, just transition should engage all relevant stakeholders to build strong social consensus on the goal and pathways to net zero.
- Policies and programs in support of a people-centred, just transition must create decent, fair and high-value work designed in line with regional circumstances and recognizing the differing needs, strengths and potential of communities and workers.
- The just transition must be inclusive by design, addressing barriers and creating opportunities for groups including gender, persons with disabilities, Indigenous Peoples, Black and other racialized individuals, LGBTQ2S+ and other marginalized people.
- International cooperation should be fostered to ensure people-centred approaches to the net-zero future are advancing for all people.

CAOEC is in support of principles that reaffirm the need for robust dialogue and engagement with all relevant stakeholders on pathways to reach net zero and further supports inclusion and consideration of creating opportunities for Indigenous Peoples, people of colour, persons with disabilities and for LGBTQ2S+ Canadians. Of note, the principles do not account for economic performance and regional contexts which are paramount considerations for Canadian workers – specifically in the energy sector.

Canadians from coast to coast to coast are employed by the energy sector to the tune of 282,000 direct and 550,500 indirect jobs (NRCAN, 2019). Canadian workers employed in the energy sector earn significantly more in wages than the average across all other industries including Indigenous Peoples and newcomer Canadians. Careers in the energy industry, in particular, have a large role in leveling the playing field with respect to diversity and access to high-value, life-building careers for individuals who may not have academic credentials or the ability to pay for post-secondary education and defer income.

2019 Annual Wages	Average Wage	Indigenous Wage	Newcomer Wage
All Industries	\$52 766	\$48 701	\$48 277
Energy Sector	\$130 226	\$129 223	\$131 974

In total, energy’s direct and indirect contribution to Canada’s nominal GDP is 10.2% (NRCAN, 2019). The tax revenue, resource revenue, high-value jobs, and affordable energy the industry provides contributes to the standard of living in Canada in a significant way. These economic and regional considerations must not be ignored in the establishment of people-centred just transition principles.

The discussion paper released by Natural Resources Canada poses the following questions for stakeholder feedback on the people-centred just transition principles. CAOEC is pleased to provide responses:

How important is it for the federal government to assess potential impacts on workers and communities when considering climate change action?

CAOEC believes it is critically important that impacts on workers and resource communities are assessed as the federal government develops and implements climate policies. In their current form, CAOEC believes the draft principles do not adequately account for potential economic impacts on worker wages, employment and social benefits produced by Canada's resource industries.

Are the draft just transition principles meaningful to you?

CAOEC believes it is important to approach energy transition thoughtfully and supports principles to establish equity and inclusion into the just transition principles. CAOEC strongly supports a balanced and pragmatic approach to net zero and believes the principles can be strengthened to affirm the continued success of Canada's resource workers and communities.

Are the draft just transition principles broad enough to be flexible to unique and differing needs but specific enough to be effective?

CAOEC believes the draft principles are high-level and more specificity is required to be effective in implementation and ensure that Canadian workers can thrive in a net zero transition (see our recommendations below).

Are there other actors who need to commit to such principles?

CAOEC and its member companies are already committed to lowering emissions and producing the cleanest forms of energy in the world so that our resource communities and the Canadians who work in them can continue to prosper throughout an energy transition. We believe it is important that the Government of Canada also affirm this commitment in the people-centred just transition principles.

CAOEC makes the following recommendations to strengthen the people-centred just transition principles drafted by Natural Resources Canada:

1. Establish within the draft principles that the Government of Canada in partnership with provinces and territories, municipalities, Indigenous Peoples, and industry, will account for economic performance during just transition implementation and commit to ongoing economic and resource community prosperity as a key principle of energy transition.
2. Affirm within the draft principles that the Government of Canada:
 - Does not intend to phase-out natural resource development;
 - Will support Canada's resource workers, industries, and communities through energy transition by focusing on supports to develop cleaner energy including policies that assist industry to reach net zero emissions targets.

JUST TRANSITION ADVISORY BODY

Natural Resources Canada has proposed that ‘Just Transition’ legislation establish a “permanent advisory body to provide independent advice to the government on regional and sectoral just transition strategies.”

The discussion paper released by the department indicates the Just Transition Advisory Body would:

- Engage in ongoing consultations with Canadians and stakeholders; and
- provide independent advice to the government, with practical, realistic and affordable recommendations.

The discussion paper poses the following questions for stakeholders on the proposed Just Transition Advisory Body. CAOEC is pleased to provide the following responses and recommendations:

Who should be on the advisory body?

CAOEC recommends the advisory body include broad and diverse representation including representatives from provinces and territories, municipalities, Indigenous Peoples, industry, local chambers of commerce and labour unions. Consideration should also be given to include agencies and organizations such as Emissions Reductions Alberta that are dedicated to supporting technological solutions to reduce emissions and produce cleaner energy.

CAOEC further recommends that advisory body include strong regional representation to ensure resource communities and their workers have an effective voice on sectoral strategies related to energy transition.

CAOEC further recommends that provincial governments play a role in selecting advisory body representatives.

CAOEC finally recommends that representation from our Association be included on the advisory body given the distinct resource communities and workers our member companies operate in and employ.

What should be mandate of the advisory body?

The advisory body’s mandate should include discussion of opportunities and appropriate policies to ensure the continued success of workers and resource communities through an energy transition.

CAOEC recommends that the mandate of the advisory body should be as follows:

- To support workers and resource communities to succeed through a net zero energy transition via providing advice to the Government of Canada on how best to utilize clean energy technologies to reduce emissions while protecting employment, investment, and promoting low-carbon energy exports from Canada to the world.

Whom should the advisory body’s recommendations be aimed at?

CAOEC believes that recommendations from the advisory committee should primarily be aimed at the Government of Canada and be designed to advise the government on policy frameworks that will assist

Canada in achieving net zero targets in a manner that preserves employment, investment and ensures a bright future for the country's resource communities.

There may also be value in the advisory body to recommend partnerships between governments, Indigenous communities, industry, and other governmental and non-governmental organizations.

What is the best way to ensure that regional and local views are heard?

CAOEC recommends that the advisory body include strong regional representation to ensure resource communities and their workers have an effective voice on sectoral strategies related to energy transition. The Government of Canada should consider regional and sectoral sub-councils to the advisory body in addition to local resource community and industry representation on the main advisory body.

How should the advisory body engage Canadians?

CAOEC believes Canadians deserve to be consulted on policies that may have an impact on their lives and livelihoods. CAOEC recommends that the advisory body engage with workers, resource communities, and industry on any sectoral and regional strategies to reach net zero and include online, in-person, and survey engagement to ensure the perspectives of Canadian workers and resource communities are included in all activities of the proposed advisory body.

What role should the federal government play in supporting the work of the advisory body?

CAOEC recommends the Government of Canada provide administrative and secretariat support to the advisory body. CAOEC further recommends that this support include expertise from various federal departments, including Natural Resources Canada, Innovation, Science and Economic Development Canada, Employment and Social Development Canada, Indigenous and Northern Affairs Canada, regional economic development departments, and Intergovernmental Affairs.

ADDITIONAL CONSIDERATIONS FOR NATURAL RESOURCES CANADA

The discussion paper released by the department includes a number of questions for stakeholders to consider that provide additional context and perspectives on proposed 'Just Transition' legislation and climate policy generally. CAOEC believes these questions are particularly relevant and is pleased to provide responses.

What do you see as the main economic opportunities and challenges associated with the transition to a low-carbon economy?

CAOEC believes the need for cleaner, modern energy solutions in a world of growing demand is an economic opportunity for the country. Canada has a demonstrated track record of successfully lowering emissions and can position itself as a global leader in the production of net zero energy which can ensure continued prosperity for Canada's natural resource workers and communities.

The world's demand for energy is growing, and the global marketplace has set a mandate for not only low carbon, renewable, clean alternatives, but for responsible and ethical processes throughout the production life cycle. Higher environmental, social, and governance (ESG) performance expectations from both the market and government means Canada's energy services sector, and the entire upstream oil and gas industry, can develop a unique competitive advantage moving forward. By producing cleaner oil and

gas, developing alternate energy sources such as hydrogen and geothermal, and perfecting carbon capture, utilization, and storage techniques, Canada's valuable oil and gas resources, and the Canadians employed in the sector can prosper through a net zero transition.

Main economic opportunities associated with the transition to a low-carbon economy include:

- Development of alternative energy sources including hydrogen, geothermal, liquified natural gas (LNG), and helium.
- CCUS technology which can help Canada's energy industry reach net zero targets by 2050.

Challenges associated with the transition to a low-carbon economy include:

- Restrictive regulatory policy that unnecessarily escalates costs, prevents market access for Canadian producers, and/or prioritizes less efficient, more expensive energy sources.
- The perpetuation of the sentiment that Canada's oil and gas industry must be phased out if we are to achieve a low carbon future.

What would a successful transition to net-zero emissions look like for your sector or community?

CAOEC supports a regulatory and policy environment that is committed to utilizing emissions reduction technologies, carbon capture and storage techniques, and offset programs to support the production of net zero forms of energy.

Which government policies or programs have been successful in supporting workers and/or businesses in your community/sector?

- The federal Site Reclamation Program grant for orphan wells.
- Green technology funding programs such as NRCAN's Clean Growth Program.
- The Trans Mountain Expansion pipeline project.
- Costal Gas Link pipeline project approval.
- LNG Canada project approval.

What gaps in government policies and programming exist to adequately prepare workers for future "green" employment opportunities? Which, if any, anticipate and react to employment disruptions.

CAOEC asserts that policies that prevent or delay oil and gas development simultaneously prevent and delay green/clean energy development and jobs. Conversely, policies that create continued opportunity for oil and gas development and investment will simultaneously create jobs in clean energy development as the industry moves to invest in technologies that will reduce emissions to meet 2050 net zero targets.

Are there specific groups or communities that may be at greatest risk of being adversely affected on the path to net-zero? What steps can be taken to ensure they are in a position to benefit from this transition?

Provided a 'Just Transition' is not intended to phase out the fossil fuel industry, the outcome for specific groups and communities can be more jobs and economic opportunity by developing Canada's energy resources for a net zero context.

Through a supportive and collaborative regulatory environment that embraces development, national

energy security, and the export of our premium products, the Canadian energy industry can have a bright future as we innovate and participate in one of the greatest energy transformations in over 150 years. The transition will need to be planned thoughtfully, and take time, but through partnership industry and government can support resource workers, and the businesses that employ them, to succeed in a net zero energy environment.

How do we go about ensuring that just transition policies are nationally cohesive, regionally driven, and locally delivered?

Regionally driven and locally delivered policies will require robust sectoral and regional strategies that preserve employment, attract investment, and promote low-carbon energy exports from Canada to the world.

CONCLUSION

Canada's energy industry has a decades' long and well documented track record of lowering and capturing carbon emissions, and this work will continue regardless of 'Just Transition' legislation. With respect to the pace of progress however, if the goal of the Government of Canada is to increase its speed to meet international agreements, there are a number of proven incentives to achieve this without jeopardizing Canadian jobs, investment or resource and tax revenues.

Proven incentives to accelerate transition to a lower carbon energy industry include:

- Promotion of Canadian energy (and specifically oil, natural gas, and LNG) internationally as the world's premium product to encourage investment and development.
- Continued incentives to energy companies to invest in clean technologies.
- Support CCUS technology, geothermal, hydrogen and other forms of low-carbon fuels.

Canada's energy services sector is a willing partner in helping Canada to achieve net-zero emissions. We believe this transition is a technical challenge but also a great economic opportunity. The production of cleaner oil and gas, development of alternate energy sources such as hydrogen and geothermal, and support for CCUS can set Canada's resource workers and communities up for long-term success through the energy transition.

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