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defence

Submission to
House of Commons Standing Committee on Finance
Pre-Budget Consultations in Advance of 2021 Budget

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List of Recommendations

This submission outlines Environmental Defence Canada's recommendations for recovery and budget actions in 2020-2021, addressing the Committee's theme of restarting the Canadian economy as it recovers from the COVID-19 pandemic.

- **Recommendation 1:** Ensure government spending, including relief, recovery and stimulus measures, does not further entrench or introduce new subsidies to the oil, gas or petrochemical industry. This includes ensuring that support for hydrogen is directed to green, not blue, hydrogen.
- **Recommendation 2:** End Export Development Canada's support for fossil fuels (including through the Canada Account) and ensure their new climate change policy aligns EDC's entire portfolio with Canada's climate commitments.
- **Recommendation 3:** Invest in climate solutions that will create jobs and stimulate Canada's economy. Canada's recovery from COVID is an opportunity for this country to invest in climate solutions and advance the transition to a clean economy.
- **Recommendation 4:** Invest \$1.2 billion over five years to implement the recommendations of the Great Lakes-St. Lawrence Action Plan 2020-2030

In addition, Environmental Defence endorses the submission and recommendations put forth by the Green Budget Coalition as well as the International Institute of Sustainable Development.

Background

The COVID-19 crisis has put the livelihoods of millions in Canada at risk, and the federal government is preparing historic levels of public finance in response. Since the stimulus money will shape our economy for decades to come, the government should use this opportunity to build resilience to future crises and invest in a clean recovery that maximizes job creation. Our response to this crisis must advance action on tackling the other massive challenges that we faced before this crisis began and will still exist after it's over: fighting climate change, ending plastic pollution, keeping our water clean, and removing toxic chemicals from the products we use.

Recovery efforts from this health and economic crises offer many challenges but also an important opportunity to accelerate the transformation of Canada's environmental, social and health infrastructure – supporting how we work, live, travel, generate and use energy, and enjoy our recreational time – to be more supportive of a healthier, cleaner, just future with a stable climate and thriving ecosystems.

Phasing out fossil fuel subsidies

Eliminating fossil fuel subsidies is a critical step to ensure a climate-safe future and transition to a low-carbon economy. Canada has a longstanding commitment to phase out inefficient fossil fuel subsidies under the G20. Despite these commitments and strong public support for phasing out subsidies¹, Canada remains the largest provider of subsidies to oil and gas production per unit of GDP in the G7 and the second largest provider of public finance to oil and gas in the G20.² In addition, Canada's progress on the G20 subsidy peer review with Argentina has been slow and largely not transparent.³

In the wake of COVID-19, calls from international leaders, such as the Executive Director of the International Energy Agency⁴, have urged countries to remove fossil fuel subsidies and put clean energy at the heart of stimulus plans.

¹ Environmental Defence. (2018). #StopFundingFossils: New poll shows Canadians want to end public subsidies for oil and gas companies. Retrieved from <https://environmentaldefence.ca/report/stopfundingfossils/>

² Whitley et al. (2018) G7 fossil fuel subsidy scorecard. Retrieved from: <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12222.pdf>

³ Office of the Auditor General of Canada. (2019). 2019 Spring Reports of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada: Report 4— Non-Tax Subsidies for Fossil Fuels—Environment and Climate Change Canada. Retrieved from http://www.oag-bvg.gc.ca/internet/English/parl_cesd_201904_04_e_43310.html

⁴ Birol, F. (2020) Put clean energy at the heart of stimulus plans to counter the coronavirus crisis. Retrieved from: <https://www.iea.org/commentaries/put-clean-energy-at-the-heart-of-stimulus-plans-to-counter-the-coronavirus-crisis>

The response to COVID-19 requires unprecedented support for workers in industries such as the oil and gas sector, but this support should neither introduce nor entrench subsidies that hinder our urgently-needed transition away from fossil fuels. COVID-19 recovery must not respond with further public backing of oil and gas, which is entirely incompatible with the Paris Agreement's goal of limiting warming to well below 2°C. It is critical that the government impose strict polluter pay conditions on any environmental remediation aid in order to maximize jobs and ensure industry pays for the cleanup of its operations.

As the government rolls out its national hydrogen strategy, critical decisions about the future shape of Canada's role in the emerging hydrogen economy must be made. The oil and gas sector is pushing for governments to invest in fossil fuel derived blue hydrogen, as a way to search for a new market for their products as the world transitions away from oil. Blue hydrogen is not free of carbon emissions. There is no time for a "later" transition to green hydrogen. Climate change impacts are mounting at such a rate that all new government investments must be focused on rapid transition to carbon-free energy systems. In addition, the economic crisis created by COVID-19 means that the ability of governments to invest "later" in green hydrogen is likely to be severely compromised.

Ending Export Development Canada's support for oil and gas

Export Development Canada (EDC) already provides on average nearly fourteen billion dollars in support to oil and gas companies each year.⁵ This year, EDC's total contribution to supporting oil and gas will likely be much higher, given its role in the COVID-19 response.⁶ To enable these and any forthcoming programs, the *COVID-19 Emergency Response Act* made important changes to EDC's governing legislation. It expanded EDC's domestic mandate, suspending prior conditions placed on EDC's domestic powers. It also increased the total liability that EDC can incur, from its previous limit of \$45 billion to \$90 billion as well as limits on the Canada Account's liability, from \$20 billion to \$75 billion.

There is little clarity on the conditions attached to these loans, for example whether companies will be required to align with Canada's target to achieve zero emissions by 2050 or whether assessments will include consideration of stricter polluter-pay requirements regarding future inactive well and tailings ponds clean up. Finally, it is unclear how assessment of companies' economic viability will be made. Many

⁵ Tucker, B. and DeAngelis, K. (Oil Change International and Friends of the Earth U.S.), *Still Digging: G20 governments continue to finance the climate crisis* (2020) at p 20: <http://priceofoil.org/content/uploads/2020/05/G20-Still-Digging.pdf>

⁶ Hamilton, K., Levin, J. & Tucker, B. (2020) Export Development Canada's role in bailing out the oil and gas sector. Retrieved from: https://environmentaldefence.ca/report/exportdevelopmentcanada_oil_bailout/

companies in the oil and gas sector were struggling before the COVID-19 pandemic, and the sector as a whole faces systemic financial risks that have only been exacerbated by recent events.⁷ Guaranteeing loans to these companies is a risky proposition that may end up putting taxpayer dollars on the line.

Invest in climate solutions that will create jobs and stimulate Canada's economy.

Canada's recovery from COVID is an opportunity for this country to invest in climate solutions and advance the transition to a clean economy.

A green recovery makes sense economically. Economists have [studied](#) the impacts of over 700 stimulus programs funded across the world in response to the 2008 economic collapse. They found that green stimulus projects created more jobs, and delivered a better return on government investment, in both the short and long term.⁸ Stimulus funds should go toward projects that will protect Canadians' health and advance our transition to a clean economy.

The European Union has committed nearly 550 billion euros to green projects over the next seven years and has put climate action at the core of its recovery plans.⁹ Canada should invest similarly.

There are numerous carbon reducing projects in need of greater investment that would create considerable employment in every region across the country. The Canadian government recently committed to go further on fighting climate change – COVID shouldn't change that. Canada should invest in projects that create jobs, boost our clean economy, drive energy efficiency retrofits, support more renewable power, build out electrified public transportation, and get more electric vehicles on the road, among other things.

⁷ Felt, S. and Muffett, C. (Center for International Law), *Pandemic crisis, systemic decline: Why exploiting the COVID-19 crisis will not save the oil, gas, and plastic industries* (2020) at pp 9-10: <https://www.ciel.org/wp-content/uploads/2020/04/Pandemic-Crisis-Systemic-Divide-April-2020.pdf>

⁸ <https://www.theguardian.com/environment/2020/may/05/green-stimulus-can-repair-global-economy-and-climate-study-says>

⁹ <https://www.reuters.com/article/us-eu-summit-climate-change/eu-makes-worlds-biggest-green-recovery-pledge-but-will-it-hit-the-mark-idUSKCN24N231>

Investing in Communities by Protecting Canada's Freshwater

There is compelling evidence that adding a shade of blue to a green recovery can deliver significant economic benefits. Investing in projects associated with freshwater protection, coastal restoration and water infrastructure can create jobs on a competitive basis to "traditional" stimulus projects at a rate of 13-17 jobs per million dollars invested.¹⁰ Furthermore, evidence from a decade of investments into the Great Lakes Restoration Initiative (GLRI) - a federal U.S. funding program, demonstrates an impressive 300% return on investment. The GLRI coordinates funding among 15 federal agencies and funds projects to reduce algal bloom causing phosphorus pollution, control invasive species, create and restore habitat as well as address toxic contamination in the lakes. The benefits of these projects have generated \$3 USD of additional economic activity per dollar invested and have created or supported 5,180 jobs per year in the Great Lakes states.¹¹ Not only are environmental outcomes improving for the lakes, communities in the region are adding jobs, creating business opportunities and thriving in a healthier environment.

Investments in Canada, although on a much smaller scale, have also shown significant spin-off benefits. In Hamilton, Ontario for example, the restoration of the Hamilton Harbour and remediation of Randle Reef is contributing hundreds of millions to the local economy through to 2032. This includes an estimated \$600 million in value to local businesses, \$496 million in benefits realized by recreational users of the Harbour, and \$338 million in revenue to the federal government.¹²

Furthermore, capital improvements to drinking water and wastewater infrastructure are significant job creators and economic drivers. The environmental and human health benefits of water and wastewater infrastructure upgrades can include: more access to safe drinking water, addressing contamination from plastic pollution, and reduced instances of combined sewer overflows leading to fewer beach closures and bacteriological contamination. These are only a few examples of how water investments create societal benefits as well as boost economic activity. To that end, Environmental Defence supports Great Lakes mayors in their call for stimulus efforts to include water infrastructure investments. The Great Lakes-St. Lawrence

¹⁰ Edwards et al (2013) Investing in nature: Restoring coastal habitat blue infrastructure and green job creation. *Marine policy* 38:

<https://www.sciencedirect.com/science/article/pii/S0308597X12001182>

¹¹ Assessing the Investment: The Economic Impact of the Great Lakes Restoration Initiative (2018): <https://www.glc.org/wp-content/uploads/GLRI-Project-Summary-Report-20180924.pdf>

¹² O'Connor and McLaughlin, 2019. Economic Benefits of Remediating Contaminated Sediments at Hamilton Harbour's Randle Reef: <http://iaglr.org/aocdocs/CS5-HamiltonHarbour.pdf>

Cities Initiative points out that every job added in the water and wastewater industry is projected to create an additional 3.68 jobs in the national economy, and every million dollars invested will generate \$2.95 in economic activity.¹³

With impressive statistics and multiple environmental and human health benefits, water-related investments have proven themselves to be worthy economic initiatives. Clean water and watersheds are key to a functioning ecosystem and healthy communities. Therefore, investing in water restoration, protection and infrastructure makes for an excellent stimulus initiative. In order to realize the potential of investing in freshwater, Environment and Climate Change Canada should implement the recommendations of the Great Lakes-St. Lawrence Action Plan 2020-2030 with an initial investment of \$1.3 billion over the next five years to support the four key priorities of nutrient reduction, reducing bacteriological contamination, remediating toxic sites and adapting to the impacts of climate change.¹⁴

¹³ GLSLCI Press Release, July 2020: <https://eriemedia.ca/glslici-calls-for-additional-stimulus-efforts-to-include-water-restoration-priorities/>

¹⁴ Great Lakes-St.Lawrence Action Plan 2020-2030: <http://www.glfc.org/pubs/pdfs/2020%20Great%20Lakes%20and%20St.%20Lawrence%20Collaborative-ENG-Web.pdf>