October 7, 2022

Pre-Budget Submission for the Federal Government 2023 Budget

Summary of Recommendations

1. Accelerating Canada's economic growth agenda

Recommendation: Accelerate action on the following Budget 2022 commitments:
- Establishing a Council of Economic Advisors;
- Creating a Canadian Innovation and Investment Agency; and
- Modernizing and simplifying tax support for research & development and intellectual property, including a review of the Scientific Research and Experimental Development tax incentive program.

Recommendation: Take steps to increase labour force participation among Canadians aged 55+, including by:
- Providing more funds to provincial targeted training programs;
- Gradually increasing the age of eligibility for Canada Pension Plan (CPP), Old Age Security (OAS), and Guaranteed Income Supplement (GIS) from 65 to 67; and
- Reducing the GIS clawback rate from 50% to 25%.

Recommendation: Provide funding to modernize the immigration processing system to reduce backlogs and expedite the acceptance of new permanent residents into Canada, including processing of student visas.

Recommendation: Commit money to the proposed Futures Fund for regional economic diversification, with a strong commitment to developing the fund in consultation with impacted Albertans.

Recommendation: Reform the Employment Insurance (EI) program, shifting its focus towards supporting individuals who use their period of unemployment to upgrade their skills.

Recommendation: Begin making a direct financial contribution to the EI program, with the additional funds over and above existing employer/employee contributions being used to support individuals who undertake self-directed training and skills upgrading during the tenure of their unemployment.

2. Enabling businesses to make long-term climate investments in Canada

Recommendation: In consultation with potential investors, strengthen the carbon capture, utilization, and storage investment tax credit to be competitive with the US's recently enhanced 45Q, which may include:
- increasing the tax credit rates;
- pushing the timelines out for rate reductions;
- allowing use of CO_2 for enhanced oil recovery to be eligible for the tax credit; and
- swiftly implanting a measure that guarantees the price of carbon to provide policy certainty for investors.

Recommendation: Capitalize on the opportunity created by the Inflation Reduction Act's (IRA) sourced-in-North America electric vehicle battery content requirements by:

- rapidly developing our battery mineral production and securing our share of the global market;
- injecting substantial investment in the infrastructure—roads and power—needed to operationalize remote critical mineral mines and their supply chains;
- shortening lengthy permitting times for new mining projects to reduce timelines between exploration and production; and
- directing government investment to build out Canada's midstream chemical production capacity to support an integrated supply chain.

Recommendation: Given the introduction of the IRA, move quickly to eliminate disparate incentives for wind, solar, hydrogen, and other clean energy sources and technologies between Canada and the US to ensure Canada continues to attract net-zero-aligned investment.

3. Accelerating investments: Regulatory reform to advance major project proposals

Recommendation: Create a permanent, independent oversight agency responsible for providing advice to the government on reducing unnecessary regulatory burden modelled after Germany's National Regulatory Control Council.

Recommendation: Reform regulatory processes to prioritize efficiency, certainty, and depoliticized final decisions without compromising essential health, safety, and environmental protections.

Recommendation: Re-introduce a modernized and improved version of the Major Projects Management Office (MPMO) to guide project proposals through the various federal regulatory processes. The renewed MPMO should be mandated to expedite project approval timelines, coordinate across government departments, and advocate on behalf of the project proponent throughout the process.

4. Indigenous economic reconciliation: Increasing access to capital

Recommendation: Expand the eligible project categories for the Indigenous Community Infrastructure Initiative through the Canada Infrastructure Bank to include resource-based projects, including non-renewable resources.

Recommendation: Create a federal-level Indigenous loan guarantee program similar to the Alberta Indigenous Opportunities Fund and the Ontario Aboriginal Loan Guarantee Program.

Pre-Budget Submission for the Federal Government 2023 Budget

The Business Council of Alberta (BCA) is pleased to provide ideas and recommendations to the Government of Canada in advance of its 2023 budget.

We are a non-partisan, for-purpose organization composed of the province's largest enterprise chief executives and leading entrepreneurs. 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. To that end, we released our flagship project—Define the Decade—a vision that sees Alberta delivering much-needed solutions to Canada and the world, and we hope to work with the federal government in Budget 2023 and beyond to realize this vision.

While Canada and the world are moving on from the worst of the pandemic effects and associated economic and social restrictions, a new set of challenges has appeared. Canada, and much of the world, is facing the highest inflation in a generation. Businesses are struggling with acute labour and skills shortages. Russia's invasion of Ukraine has contributed to soaring food prices. Much of Europe is facing a cold winter with severe energy shortages expected. And on top of all that, Canada's post-pandemic economic recovery will be dampened by rising interest rates as the Bank of Canada works to tamp inflation.

All this is taking place as the federal government continues prioritizing climate action and meeting its 2030 and 2050 emissions targets.

In that context, we believe that, in its 2023 Budget, the federal government should prioritize policies that improve the delivery of basic government services and address competitiveness fundamentals in the short term and position Canada for economic success in the long-term. That means addressing labour shortages, making Canada a more attractive place to invest—including, but not limited to, efforts to reduce emissions—and ensuring that Indigenous peoples have access to economic opportunities. All this must be done without excessive short-term spending that risks further fueling inflation.

In this context, we have proposed several recommendations (listed above) for consideration as the Government of Canada prepares its 2023 budget. Below, we provide context to support those recommendations, grouped into five overarching themes.

1. **Accelerating Canada's economic growth agenda**

The way to secure long-term prosperity for Canadians is through a competitive, productive, and sustainable economy.

Productivity growth matters today more than ever. It sustainably increases wages and living standards. It plays an important role in addressing labour shortages. It helps to control inflation. And it's how Canada stays competitive in global markets. And all those things help boost government revenue to pay for important services for Canadians.

Unfortunately, Canada's record on productivity is poor. Not only do we lag countries like the US by a wide margin, but Canada has effectively seen zero productivity growth since 2017.

The federal government announced several initiatives in Budget 2022 to address this issue. However, six months later, there is little evidence of progress on those proposed initiatives.

In addition to taking action on outstanding proposals, there are two other areas where action is needed. First, Canada needs to address lagging business capital investment—in part by reforming and accelerating the regulatory and approvals process for major projects. Recommendations in this area are included in sections 2 and 3 of this submission.

Second, Canada needs to address labour shortages. There are about 1 million vacant jobs across the country and about 100,000 in Alberta. When businesses cannot find the workers they need, output suffers and the economy grows well below its full potential.

There are two main factors driving labour shortages today:

- Labour force participation is falling because a growing share of Canadians are entering their retirement years;
- There is a mismatch between the skills businesses are looking for and those held by unemployed Canadians.

The federal government has taken important steps to address labour shortages, most notably by increasing immigration targets and addressing processing backlogs. However, much more needs to be done.

2. **Enabling businesses to make long-term climate investments in Canada**

Signed into law in August, the US Inflation Reduction Act is one of the world's most powerful pieces of climate legislation. It invests aggressively in domestic clean energy production, with US$369 billion dedicated to direct investments and tax credits.

The IRA is awash with climate 'carrots' and puts Canada in an uncompetitive position – playing catch-up with the US when it comes to implementing climate-related policies and attracting investment in decarbonization.

The magnitude of the IRA's financial support and the long-sought policy certainty it provides gives businesses the confidence they need to make the kind of large, transformative investments required to make progress on decarbonization. As a result, for companies looking to build a carbon capture plant or hydrogen facility, the US has become the no-brainer jurisdiction for these investments.

The federal government has consistently stated that the energy transition creates significant economic opportunity for Canadians and Canadian businesses. Indeed, Canada has all the ingredients it needs to become a world leader in the development of clean energy—including low-carbon fossil fuels—and environmental technologies. However, without a strong, ambitious response to the IRA, that opportunity will be lost.

The federal government has consistently stated that the energy transition creates significant economic opportunity for Canadians and Canadian businesses. Indeed, Canada has all the ingredients it needs to become a world leader in the development of clean energy—including low-carbon fossil fuels—and environmental technologies. However, without a strong, ambitious response to the IRA, that opportunity will be lost.

The IRA presents an opportunity for Canada to strengthen its approach to supporting climate action. We must not only make Canada *as* attractive as the US is, but ensure Canada is the *most* attractive jurisdiction for investors.

3. Accelerating investments: Regulatory reform to advance major project proposals

Canada has many of the essential ingredients needed to build a prosperous, industrious, and sustainability-focused society. We have an abundance of natural resources, geographic proximity to major global markets, stable institutions, and the workforce expertise needed to attract capital and build major projects responsibly. Despite these advantages, Canada has a growing reputation as a place where major projects cannot get built within a competitive timeframe—especially for major linear infrastructure projects.

Project review processes are long, expensive, and onerous for businesses. Moreover, in the case of projects falling under the *Impact Assessment Act*, businesses are being asked to spend hundreds of millions of dollars on a lengthy, uncertain process subject to a political decision at the end. This approach not only deters investment in resource projects, but in building the infrastructure needed to support a low-carbon energy future. The result is lost or foregone investment, often without any mitigating environmental or social benefit.

Done well, however, regulatory processes can attract business investment and encourage economic activity while protecting key environmental and social outcomes. Efficient, transparent, and predictable project approval processes help create the certainty needed to attract large investments and enhance access to capital, while also building public trust in sustainably developed infrastructure. Canada's economic growth and climate change mitigation goals will require tens-of-billions of dollars invested in major projects within a short timeline. Unless regulatory processes enable this investment, key government policy objectives will fall by the wayside.

The Business Council of Alberta is in the early stages of assembling a Task Force of member companies and outside experts to provide recommendations to the federal government on ways to improve the speed, transparency, and predictability of Canada's multi-faceted regulatory and approvals processes. The recommendations presented in this submission represent our preliminary assessment of how those processes can be improved in the short term. We will share more detailed recommendations with the federal government upon release of our final report.

4. Indigenous economic reconciliation: Increasing access to capital

Canada's vision of prosperity and opportunity for all can only be achieved when Indigenous people can fully participate in the national economy.

For many Indigenous nations, resource development is the best, and perhaps only, economic opportunity that allows nations to be self-determining, improve community well-being, and address on-reserve poverty.

Many First Nations are interested in participating in major resource projects through equity positions and partnerships. However, Indigenous nations are often excluded from ownership opportunities due to the difficulty of accessing competitive capital – including barriers stemming from the *Indian Act.*