Submission to the Standing Committee on Finance (FINA)

Recommendations in response to 2024/25 Pre-Budget Consultations

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Submission on behalf of:

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Summary Recommendations:

1. Accelerate the launch of the permanent public transit fund from 2026 to 2024 to move more quickly on climate action and housing affordability, and expand its role to include funding transit operations.

2. Eliminate all subsidies, public financing, and other fiscal supports provided to the oil and gas sector, and ensure that oil and gas companies do not pass on the costs of reducing emissions or environmental clean-up onto the public.

3. Provide $100 million to scale up local reuse systems.

4. Invest an additional $350 million of the pledged $1 billion in fresh water health. Fast track the amount to a 5 year time period and renew the investment on a 5 year time frame.

5. Invest in sustainable jobs and vibrant communities.

6. Create the infrastructure to align private finance with the Paris Agreement.

7. Invest to renew the Chemicals Management Plan and implement new legislative requirements.

1. **Accelerate the start date of the permanent public transit fund to 2024 to move quicker on climate action and housing affordability, and expand its role to include funding transit operations.**

Canada's infrastructure funding programs are in a state of renewal.[1] Next generation, long term infrastructure funding agreements with provinces and municipalities must be negotiated following the sunset of the Investing in Canada Infrastructure Program (ICIP), which began in 2016.

This renewal presents a historic opportunity to tackle car dependency through fostering better urban planning and investing in making transit, walking and cycling convenient and attractive. This renewal is also an opportunity to unlock more housing supply and curb urban sprawl. However, if the Permanent Public Transit Fund doesn't include funding for public transit operations, this program's ability to support housing, equity and climate goals are at risk.

Cities across the country are currently not allowed to use federal public transit funding to run additional public transit service. But additional public transit service is the most effective policy tool to increase public transit ridership.[2,3] This is critical at a time when transit systems are still struggling financially as a result of pandemic-induced losses in fare revenues.[4]

As Canada aims to significantly expand housing supply to tackle the affordability crisis, it is of crucial importance to the climate that new housing supply supports dense, walkable and transit-oriented complete communities, rather than further carbon-intensive urban sprawl. However, it will be difficult to drive these changes in land-use without robust levels of public transit service.

Environmental Defence Canada's full submission on the design of this program can be read below.[5]

Summary Recommendations:

- **Require 'Supportive Policies Agreements' with municipalities to be signed as part of business cases for all major capital projects** to increase housing supply and transit ridership by setting land-use standards around federally funded major transit projects.
- **Make the federal government's role in funding public transit operations permanent** to support greater housing supply, shift travel demand towards sustainable modes of transportation and ensure value for money of capital investments.

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[1] Canadian Press (2023) LeBlanc says plans for new infrastructure funding program on track for the fall. Globe and Mail. https://www.theglobeandmail.com/politics/article-leblanc-says-plans-for-new-infrastructure-funding-program-on-track-for/

[2] Boisjoly et al (2018), Invest in the ride: A 14 year longitudinal analysis of the determinants of public transport ridership in 25 North American cities, Transportation Research Part A: Policy and Practice, Volume 116, 2018, Pages 434- 445, https://doi.org/10.1016/j.tra.2018.07.005.

[3] Diab et al (2020) The rise and fall of transit ridership across Canada: Understanding the determinants, Transport Policy, Volume 96, 2020, Pages 101-112, https://doi.org/10.1016/j.tranpol.2020.07.002.

[4] Wallace, Nate (2023) "Stopping the Public Transit Death Spiral." Media Backgrounder. Environmental Defence. https://environmentaldefence.ca/report/stopping-the-public-transit-death-spiral/

[5] Wallace, Nate (2022) "Public Transit and the Path to Net Zero: Submission to consultations on permanent public transit funding in Canada." Environmental Defence, Equiterre, Canadian Centre for Policy Alternatives, Conservation Council of New Brunswick, Ecology Action Centre and the David Suzuki Foundation. https://environmentaldefence.ca/report/public-transit-path-to-net-zero/

- **Set clear targets for an increased mode share of sustainable transportation** and reduction of vehicle kilometres travelled in Canada's Emissions Reduction Plan.
- **Accelerate permanent transit funding by two fiscal years (from 2026 to 2024)** to make quicker progress on housing supply and emissions reductions.

2. **Eliminate all subsidies, public financing, and other fiscal supports provided to the oil and gas sector.**

The Government of Canada has taken important steps to eliminate some forms of financial support provided to the oil and gas sector, including ending new international public financing for fossil fuels[6] and inefficient fossil fuel subsidies.[7] If applied with integrity, these new rules would effectively end all financing for international fossil fuel projects and ensure government spending measures are consistent with limiting global heating to 1.5°C.

However, the bulk of Canada's support to the fossil fuel sector is public financing delivered through Export Development Canada. In 2022 Environmental Defence tracked over $20 billion in federal support to oil and gas companies. [8] Of that, around $18 billion was provided by Export Development Canada to domestic oil and gas companies. **The Government of Canada can eliminate this support by expanding the Guidelines for Canada's International Support for the Clean Energy Transition to include domestic public financing.** Minister Guilbeault promised this financing would be addressed through a new plan to be released in Fall 2024. There is no justification for a delay. The Government of Canada must end all forms of financing to the oil and gas sector by the release of the next federal budget.

Furthermore, loopholes that allow for new or continued financial support to oil and gas companies to reduce their emissions (including through speculative technologies such as carbon capture and storage (CCS), and fossil-based hydrogen) must be closed.[9] Subsidies for CCS and fossil-hydrogen are opposed by hundreds of leading experts and academics, as well as dozens of civil society organisations.[10]

Providing federal support to fossil fuels – even for emissions reductions – diverts government resources away from climate solutions and a just transition. The government must implement strong regulatory frameworks that ensure oil and gas companies are doing their fair share, while investing in the activities that put us on a safe climate–aligned pathway.

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[6] Natural Resources Canada (2022) Guidelines for Canada's International Support for the Clean Energy Transition. Available: https://natural-resources.canada.ca/home/guidelines-for-canadas-international-support-for-the-clean-energy-transition/24797

[7] Government of Canada (2023) Inefficient Fossil Fuel Subsidies Government of Canada – Guidelines. Available: https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/inefficient-fossil-fuel-subsidies/guidelines.html

[8] Environmental Defence (2023) 2022 Federal Fossil Fuel Subsidies
. Available: https://environmentaldefence.ca/federal-fossil-fuel-subsidies-tracking/

[9] Anderson, K. & Peters, G. (2016) The trouble with negative emissions. Science, 354(6309). Available: https://www.science.org/doi/full/10.1126/science.aah4567

[10] Letter to Minister Freeland from scientists, academics, and energy system modellers: Prevent proposed CCUS investment tax credit from becoming a fossil fuel subsidy. (2022) Available: https://www.researchgate.net/publication/363485567_Letter_from_scientists_academics_and_energy_system_modellers_Prevent_proposed_CCUS_investment_tax_credit_from_becoming_a_fossil_fuel_subsidy;
Letter to Minister Freeland: Prevent proposed hydrogen investment tax credit from becoming a fossil fuel subsidy (2023) Available:
https://environmentaldefence.ca/wp-content/uploads/2023/02/Letter-to-Min.-Freeland_-Hydrogen-Tax-Credit_Feb-2023.pdf

3. **Commit $100 million to support the scaling up of local reuse systems for products and packaging that enable the elimination of single-use plastics.**

Local, small-scale systems are currently in place in a range of Canadian cities for return and refill of takeout beverage and meal containers, bottled beverages, and some grocery items. However, these services are not yet widespread and convenient for a majority of Canadians. Federal funding would support the mandate of the Environment and Industry Ministers to develop a fund to support made-in-Canada innovation to scale up reuse, which is an essential tool to achieve the goal of eliminating plastic waste by 2030. Federal support will enable these job-generating local services to improve adoption of reuse and refill options and expand services to markets currently lacking reuse options. Funding can include grants and loan guarantees to small businesses, municipalities and non-profit organizations that provide reuse services, including reverse logistics, sorting/washing facilities and public awareness.

4. **Invest an additional $350 million of the pledged $1 billion in fresh water health. Fast track the amount to a 5 year time period and renew the investment on a 5 year time frame.**

In 2021, the Government of Canada pledged $1 billion over ten years for a strengthened Freshwater Action Plan. Budget 2023 included $650 million over ten years with a focus on the Great Lakes and Lake Simcoe. While significant, the investment still fell short of the pledged $1 billion by $350 million. Budget 2024 should make up the shortfall.

While the Great Lakes watershed received a historic investment of $420 million over ten years — a welcome step — this investment still falls short. A 2021 survey of 241 cities, villages, and other jurisdictions along the Great Lakes and St. Lawrence River showed that coastal damage from climate change alone will cost at least $1.94 billion over the next five years (2021-2026),[11] with shoreline communities having already spent $878 million from July 2019 to July 2021.

Furthermore, watersheds across Canada, outside of the Great Lakes and Lake Simcoe need for adequate freshwater investments far beyond what the current commitment of $230 million over ten years will provide.

Freshwater advocates across Canada recommend that the investment of $1 billion over ten years be fast tracked to **five** years[12] in order to more adequately provide the resources needed to effectively reduce the risk of climate-related disasters, improve health outcomes, protect nature and biodiversity, build and maintain resilient infrastructure, and support a strong economy and workers.

5. **Invest in sustainable jobs and vibrant communities**

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[11] Great Lakes - St. Lawrence Cities Initiative. (2021). Great Lakes and St. Lawrence communities to spend nearly $2 billion over next five years combating coastal damages from climate change. Available at https://glslcities.org/wp-content/uploads/2021/07/Damages-Survey-Final-7.8.21.pdf

[12] Canadian Coalition for Healthy Waters.(2022). Our Asks. Available at https://healthywaterscoalition.ca/our-asks/

Budget 2024 must build on last year's investment tax credits, the Sustainable Jobs interim Plan, and the proposal from the recently tabled Sustainable Jobs Act to provide impacted workers and communities with the support they need.

The precise investments required to carry out a just transition must be informed by the Partnership Council's social dialogue with affected workers, communities, and direct engagement with Indigenous nations. Special attention is needed to ensure that Budget 2024 supports youth, racialized communities, women, migrant workers, and other groups facing workforce barriers in the transition to low-carbon industries.

1. **Ensure sufficient funding for staffing and resourcing** of the Sustainable Jobs Secretariat and Sustainable Jobs Partnership Council to carry out their planning, consultative and advisory duties. This must include a sufficient budget to expand data collection.
2. **Ensure regional and sub-national planning mechanisms are created and fully resourced**, by establishing a fund[13] with an initial investment of $60 billion[14] to be put toward major economic diversification projects in regions confronting the transition away from fossil fuels.
3. **Invest in workforce development, training, and upskilling**, **and support workers facing job loss and transition.** Commit to an initial investment of $5 billion to be accessed by workers who need programs for training, certification, relocation, career development, financial counseling and mental health support, as well as revenue as a bridge-to-reemployment or a bridge-to-retirement. This also requires evaluating and addressing shortcomings in the current EI system.
4. **Ensure all federal funding dedicated to developing low-carbon industries and sectors has labour and climate conditions** to ensure it advances the goals of the Sustainable Jobs strategy and Canada's climate commitments.

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[13] See the European Union's Just Transition Mechanism fund: https://commission.europa.eu/funding-tenders/find-funding/eu-funding-programmes/just-transition-fund_en

[14] In line with recommendations from Lee, M., Brouillette, C. & Mertins-Kikrwood, H. (2023) *Spending What it Takes: Transformational climate investments for long-term prosperity in Canada.* Canadian Center for Policy Alternatives and Climate Action Network. Available at: https://climateactionnetwork.ca/wp-content/uploads/Spending-What-It-Takes.pdf

6. Create the infrastructure to align private finance with the Paris Agreement.

Aligning Canadian private finance with the Paris Agreement is essential for a safe climate and a stable economy. It requires new types of regulation and legislation.[15] Budget 2024/25 should deliver the infrastructure that would enable Canada to regulate private financial institutions to deliver climate transition plans.

1. The government should provide a mandate and funding to renew the Sustainable Finance Action Council (SFAC)'s mandate, but expand its composition to include formal representation and expertise from civil society. The SFAC's current mandate ends on March 31, 2024 and its mandate includes "mobiliz[ing] private capital in support of the Government of Canada's climate goals''[16].

The current composition results in a Council that is insufficiently transparent, lacks climate and environmental expertise, and is composed of members whose organizational mandates could create a policy conflict of interest. Civil society ENGO appointees should be given the opportunity to participate as equal members in each of the Technical Expert Groups. Other similar councils globally include civil society as an equal stakeholder on sustainable finance policy, including in the United States[17], the United Kingdom[18], and Germany[19].

The SFAC's renewal and expansion would require funding for the appropriate support.

2. A sustainable finance taxonomy should be implemented by the government with a clear commitment to implement a 1.5-degree-aligned taxonomy into legislation or regulation, with a budget dedicated for a multi-stakeholder taxonomy council.

Its categories and parameters must be based on what's scientifically required to keep global warming below 1.5°C. Canada should initiate a broader consultation for a taxonomy with input from climate experts including civil society.

7. **Invest to renew the Chemicals Management Plan and implement new legislative requirements.**

The legislative framework for chemicals management under the Canadian Environmental Protection Act was updated in June 2023, recognizing for the first time in federal law the right to a healthy environment and requiring chemical assessments to consider cumulative effects and effects on vulnerable populations.[20]

To build and maintain scientific capacity for this important, legally mandated work, CMP renewal must invest in prioritizing prohibition of carcinogens, mutagens, reproductive toxins and other harmful

[15]https://environmentaldefence.ca/report/roadmap-to-a-sustainable-financial-system-in-canada/
[16]https://www.canada.ca/en/department-finance/programs/financial-sector-policy/sustainable-finance/sustainable-finance-action-council.html
[17]https://home.treasury.gov/news/press-releases/jy0987
[18]https://transitiontaskforce.net/people/
[19]https://sustainable-finance-beirat.de/en/members/
[20] CEPA defines ***vulnerable population*** as "a group of individuals within the Canadian population who, due to greater susceptibility or greater exposure, may be at an increased risk of experiencing adverse health effects from exposure to substances."

chemicals; cumulative effects and class assessment; addressing exposures to toxic chemicals in consumer products; protecting vulnerable populations; and developing the framework to implement the right to a healthy environment in the administration of CEPA.

Recommendation: move the CMP budget to A-base and invest $200 million in 2024, and $300 million per year starting in 2025 to renew the Chemicals Management Plan and implement new legislative requirements.