

March 29, 2022

The Honourable Jonathan Wilkinson P.C., M.P.

Minister of Natural Resources

Submitted to: [nrcan.justtransition-transitionequitable.nrcan@canada.ca](mailto:nrcan.justtransition-transitionequitable.nrcan@canada.ca)

Re: Just Transition Consultation

Dear Minister:

Chartered Professional Accountants of Canada (CPA Canada) is pleased to submit this brief to federal government consultations on a People-Centred Just Transition. We also applaud the government for beginning this dialogue and showing leadership on this critical issue, including by signing the Declaration Supporting the Conditions for a Just Transition Internationally at the recently concluded COP26 conference in Glasgow.

CPA Canada works collaboratively with the provincial, territorial and Bermudian CPA bodies, as it represents the Canadian accounting profession, both nationally and internationally. This collaboration allows the Canadian profession to champion best practices that benefit business and society, as well as prepare its members for an ever-evolving operating environment featuring unprecedented change. Representing more than 220,000 members, CPA Canada is one of the largest national accounting bodies worldwide.

This submission is informed in part by a series of roundtables conducted by CPA Canada through the autumn of 2020 and spring of 2021 in support of Canada's Transition to Net Zero project. This project brought together various stakeholders from the energy, transportation, buildings and materials, agriculture and forestry products sectors. The roundtable discussions offered various perspectives to examine the challenges and opportunities for Canada's just transition to a net zero economy. More detail from this project is provided later in this submission, which will address:

- Support for the People-Centred Just Transition Principles
- Comment on the proposed Just Transition Advisory Board
- The importance of communication and culture, including:
  - The valuable contribution of the Alberta Narratives Project
  - The need for a commonly understood definition of just transition
  - The need to proactively seek out input from those who may not have a voice
  - The importance of creating an understanding that not acting would create significant economic risk, and
  - The importance of utilizing the right messengers

- The critical need for an integrated national plan for a just transition

The tragic events unfolding over recent weeks in Ukraine should remind us of the critical importance of energy security. While energy security may be seen as somewhat outside the scope of this consultation, it should not be overlooked. A transition cannot be considered “just” if populations are left without access to the energy upon which they depend.

Concerns about energy security will not disappear with the transition to net zero, and these consultations should be mindful of the role Canada can or should play in meeting the energy needs of its allies, trading partners and, of course, its own population. The oil and gas resources with which Canada has been blessed will continue to be in demand for years to come. As a global good citizen, Canada can play an important part in securing energy stability in the world. This includes encouraging responsible energy production that meets the highest environmental, social and governance (ESG) performance standards.

Other countries will have their own challenges in transitioning to a net zero emission future, challenges that may be complicated by unanticipated geo-political developments. Canada should be able to help in such situations. As this war demonstrates, we cannot know with certainty what the world will look like in 2030, in 2050, or beyond.

Sincerely,



Charles-Antoine St-Jean, FCPA, FCA  
President and CEO

## Introduction

Change is seldom easy and not always welcome. Whether change is seen as positive, inevitable or imposed on us, it is often human nature to resist making changes. It is worth keeping this in mind as we discuss the topic of just transition legislation. For some individuals and communities, even though they may recognize the necessity and value of such legislation, there may be strong resistance to it. For that reason, in addition to the two subjects raised in the discussion paper, *People-Centred Just Transition*, we are offering some comments on the subject of communication and culture. How this proposed legislation is discussed with stakeholders will be critical to its success and acceptance.

The International Labour Organization (ILO) and the United Nations Framework Convention on Climate Change (UNFCCC) have both given considerable thought to the principles and guidelines for conducting a just transition, but neither offers a concise high-level definition of what they mean by the term.<sup>1</sup> The Paris Agreement references the “imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities”, though it too does not attempt to define just transition.<sup>2</sup> The United Nations Research Institute for Social Development appears to come closest to a definition when it refers to just transition as “the idea that justice and equity must form an integral part of the transition towards a low carbon world.”<sup>3</sup>

The government’s Just Transition consultation page builds on the Paris Agreement wording by indicating that a just transition involves:

- “preparing the workforce to fully participate in the low-carbon economy while minimizing the impacts of labour market transitions;
- identifying and supporting inclusive economic opportunities to support workers in their communities; and
- including workers and their communities in discussions that affect their livelihoods.

We need a people-centred transition to our net-zero future, which includes supporting Canadians and equipping them with the skills and training they need to continue to thrive.

Just transition legislation presents an opportunity to build on the government’s existing efforts so that Canada’s transformation to a low-carbon future protects and improves the lives of workers and communities across the country.”<sup>4</sup>

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<sup>1</sup> See from the International Labour Organization, *Guidelines for a just transition towards environmentally sustainable economies and societies for all*, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/documents/publication/wcms\\_432859.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf), and from the United Nations Framework Convention on Climate Change, *Just Transition of the Workforce, and the Creation of Decent Work and Quality Jobs*, <https://unfccc.int/sites/default/files/resource/Just%20transition.pdf>.

<sup>2</sup> [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf)

<sup>3</sup> United Nations Research Institute for Social Development, *Mapping Just Transition(s) to a Low-Carbon World*, [https://www.unrisd.org/80256B3C005BCCF9/\(httpPublications\)/9B3F4F10301092C7C12583530035C2A5?OpenDocument](https://www.unrisd.org/80256B3C005BCCF9/(httpPublications)/9B3F4F10301092C7C12583530035C2A5?OpenDocument).

<sup>4</sup> Government of Canada, Just Transition, <https://www.rncanengagenrca.ca/en/collections/just-transition>.

From our discussions with employers and stakeholders, it is apparent that there are different understandings of what is meant by the term “just transition”. Forward looking businesses are already preparing for a net zero emission future, but their assumptions of a just transition may differ from the government’s vision. For that reason, **we recommend that the Government of Canada clearly articulate its definition of just transition so that all parties are operating under a common understanding.**

On a similar note, the discussion paper published by Natural Resources Canada does not define the scope of just transition legislation. The emphasis appears to be, as it is with the work of the ILO and the UNFCCC, on transitioning displaced workers to new jobs. This is obviously the critical objective, but we would argue that a truly just transition goes beyond jobs to include quality of life. It includes sustaining communities and preserving or transitioning ways of life. While the proposed legislation may not be this broad in scope, the advice we offer in this brief is intended to keep that broader perspective of a just transition uppermost in the minds of the legislation’s drafters.

## 1. People-Centred Just Transition Principles

Given the size and importance of Canada’s energy sector, it is critical that the federal government assess potential impacts on workers and communities and other sectors when considering climate change action. However, it is important to keep in mind that climate change is not the only disruptive force that is reshaping our economy and our society. Globalization and technological disruption are affecting many sectors, including the knowledge-based service industries that are expected to be part of the solution to our resource dependency. We must also consider how these additional drivers of change impact workers and communities when considering climate change action.

To transition a population of diverse stakeholders toward a desired future state, a set of guiding principles can provide a framework for assessing proposed actions. The four draft principles articulated in the discussion document are:

1. 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.
2. 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.
3. 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.
4. International cooperation should be fostered to ensure people-centred approaches to the net-zero future are advancing for all people.

From our vantage point, **the proposed principles seem to capture the essential considerations, although we note the absence of community culture.** Some communities draw their sense of identity from a way of life, sometimes strongly attached to the industry that led to their establishment in the first place. People want more from a just transition than simply fair, high-value work. They also want to retain their sense of identity and their lifestyle, or at least ensure that these can also transition to a sustainable future. We can look to the manufacturing sector to see how some manufacturing-based communities seemed to lose their way after the town’s main employer closed its doors. In some of

those communities there is a self-fulfilling sense that they offer no hope or opportunity for their citizens. We'll speak more to the subject of culture, both on an individual and community level, in the third part of this brief.

The discussion paper asks whether the draft principles are broad enough to be flexible to unique and differing needs while being specific enough to be effective. **Our reading of the principles is that they seem to achieve a good balance of breadth and specificity.** The real challenge will be in the implementation. The federal government can only paint the broad strokes of a just transition, while leaving space for community leaders, the private sector and other local stakeholders to fill in the details in a way that works on the local level.

Achieving a just transition will require the collaborative efforts of many actors. The federal government needs to drive the process, but other levels of government and Indigenous leaders, business groups and industry sectors, labour unions and unrepresented workers, education providers and professional bodies, and other groups at both the national and local level will all need to play a part. Whether they choose to accept the draft principles will ultimately be up to them. But the principles do provide a framework for the federal government to exercise inclusive leadership.

## 2. Just Transition Advisory Board

A Just Transition Advisory Board may play a useful role in consolidating input from stakeholders and providing independent advice to the government. However, given the breadth of necessary consultations and the diversity of stakeholders, it should not be the only channel for Canadians to provide input. If it is intended to be the primary point of public contact, it should actively seek input from groups and populations beyond the easily identifiable stakeholders. Perhaps the most valuable role for the advisory board might be to facilitate dialogue between federal departments as a just transition involves many of them to some degree.

**Of great importance is the mandate and terms of reference for the proposed board.** The recently created Net Zero Advisory Body (NZAB) and Sustainable Finance Action Council (SFAC) are pursuing the same broader objective – the transition to a carbon-free economy and society by mid-century. It is not clear if or how these three bodies are intended to work together or complement each other. **This relationship needs to be clarified to ensure that the transition to a net zero emission economy is a just transition and addressed with a whole-of-government approach.**

Perhaps more important than who is included in the proposed Just Transition Advisory Board is to be conscious of who is not represented in it. There are thousands of workers who lack the voice of a union to look out for their interests, small business owners who may lack a trade association to amplify their concerns, family members, social service providers, community members – Canadians – who may have their lives disrupted by the transition to a net zero economy and need to have their concerns heard.

Of course, it will not be possible to achieve consensus between such a broad and diverse group of stakeholders. Action should not be postponed in the hope that a consensus is possible. But Canadians need to feel they have been heard, their concerns have been considered, and to be provided with hope for a positive, realistic, and attainable future. **Developing appropriate measures of success and regularly monitoring and reporting progress would provide further accountability and reassurance.**

### 3. Communication and Culture

As mentioned above, the concept of a just transition will be met with some resistance, even by individuals and communities that recognize the need for it. Communication will be key to acceptance of both the legislation and the actions to follow it.

Over the past year, CPA Canada, through its Canada's Transition to Net Zero project, conducted stakeholder outreach and engagement on the topic of transitioning to a net zero emissions economy.<sup>5</sup> It included a series of roundtables with representatives of the oil and gas sector, the broader energy sector, and other sectors that are heavy users of energy. The energy roundtables included separate consultations with investors, boards of directors, and senior management teams, as well as roundtables that brought these groups together. The project also included a survey of Canadian youth, findings from the First Nations Major Capitals Project's ESG Indigenous Sustainable Investment Conference, and engagement with CPAs and CPA students.

While the roundtables did not explicitly address the concept of a just transition, the discussions were very helpful in gaining an appreciation of how different stakeholders view the subject of transitioning to a net zero economy and where there may be risks and threats. Clearly the oil and gas sector has mapped out two pathways – one to meet net zero emissions targets and the other to transition away from fossil fuels.

In addition to the insight drawn from these roundtables, we highly recommend the work of the Alberta Narratives Project (ANP), an extensive public engagement project that sought to understand how to talk to Albertans about their energy future. The two detailed reports from this project should be considered carefully as the proposed just transition legislation is developed and communicated. Some of the high-level lessons of the ANP may be applicable to other audiences across the country.

The second ANP report tested the subject of a just transition with various groups of Albertans and found that the word 'transition' was seen in the context of positive change. "All groups were prepared to engage in a constructive debate about the pros and cons of transition." However, the project found no strong support for a 'just transition', noting "they were wary of a government-planned transition, saying that it 'sounded like socialism' or 'sounds like it is centrally planned by some government that thinks they know better than everybody else.'"<sup>6</sup> The first ANP report found that Albertans were much more receptive to a "positive, forward-looking vision" that is about "making a steady transition toward something new (rather than away from something old)."<sup>7</sup>

The conflicting narratives and communication challenges raised in these reports were affirmed in the CPA Canada roundtables as well. Participants said **it is important to define and seek agreement on what a just transition means in the Canadian context**. The challenges in European societies, where the concept is well understood and embraced, are very different from Canada where our national economy

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<sup>5</sup> The final report from this project, *Canada's transition to net zero: Accelerating collaboration to meet 2050*, can be downloaded at <https://www.cpacanada.ca/en/business-and-accounting-resources/other-general-business-topics/sustainability/publications/canada-transition-net-zero-meeting-2050>.

<sup>6</sup> Marshall, G. and Bennett, A. (2018). *Communicating climate change and energy with different audiences in Alberta - Alberta Narratives Project: Report II*. Oxford: Climate Outreach.

<sup>7</sup> *Communicating Climate Change and Energy in Alberta*, downloaded from [http://albertanarrativesproject.ca/wp-content/uploads/2021/03/AlbertaNarratives\\_4PageSummary\\_V05\\_editsSept2020.pdf](http://albertanarrativesproject.ca/wp-content/uploads/2021/03/AlbertaNarratives_4PageSummary_V05_editsSept2020.pdf). Both reports and additional resources from the Alberta Narratives Project are available at [albertanarrativesproject.ca](http://albertanarrativesproject.ca).

and the livelihoods of many Canadians depend heavily on fossil fuel production. On the other hand, Canadian investors and, to a certain degree, Canada's corporate community are heavily influenced by the United States where the concept of a just transition is neither well understood nor accepted.

Another important lesson we learned from our roundtable project was that **the process of charting a just transition must involve questioning assumptions and seeking to include all perspectives**. We had initially intended the project to have a concise focus on the oil and gas sector. But we quickly realized that we needed to broaden the focus to include other forms of energy, heavy users of energy, and Indigenous communities. This was not a matter of scope creep, but reflects a gradual understanding of important relationships and interdependencies that needed to be considered if we were to address the full picture. There is a natural tendency to turn to the sources you know when seeking input. For CPA Canada, that means investors, boards of directors, company managers and CPAs. For government, that often means the largest economic players and the most vocal stakeholders. We learned that a just transition involves stakeholders we might not have involved previously. In resource-dependent communities, literally every resident has a direct stake in a just transition.

Another challenge for government to overcome when consulting with stakeholders on this issue is to build trust. Those doing the consulting – government officials, union or business leaders, academics – tend to come from large urban areas where jobs are plentiful and addressing climate change is an urgent priority. The people being impacted by the transition often live in smaller towns or rural areas where jobs are scarce and where resource extraction has paid the bills and built their communities. According to one survey, 72 per cent of rural respondents agree that the government does not care about people like them (compared to 63.9 per cent of urban residents).<sup>8</sup>

Climate change is just one of the issues contributing to a growing rural-urban divide.<sup>9</sup> Of the major drivers reshaping our economy and society – climate change, technological disruption, aging demographics, geo-political tensions – rural areas face greater costs and fewer of the resulting opportunities. Rural Canadians may accept the need to transition to a carbon-free economy, but they are acutely aware of how much of that transition will be borne by them.

Much of the conversation about a just transition is focused on workers and employers, but it must also include communities that depend on the economic spin-offs of the oil and gas industry. In many cases, generations of families are rooted to a community whose initial existence was tied to exploiting a particular resource. Services and supports to the community's residents will have grown up over time that contribute to their quality of life, and the community's identity and sense of pride will be tied to the work that made it all possible.

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<sup>8</sup> Peter Loewen, Sean Speer, Stephanie Bertolo, *Fault Lines and Common Ground: Understanding the State of Canada's Urban – Rural Divide*, Public Policy Forum, 2021, <https://ppforum.ca/publications/fault-lines-and-common-ground/>.

<sup>9</sup> Donald J. Savoie, "Canada's rural-urban divide is getting deeper, and that hurts all Canadians," *The Globe and Mail*, December 10, 2021, [https://www.theglobeandmail.com/opinion/article-canadas-rural-urban-divide-is-getting-deeper-and-that-hurts-all/?utm\\_medium=email&utm\\_source=Politics%20Briefing&utm\\_content=2021-12-13\\_16&utm\\_term=Politics%20Briefing:%20Ottawa%20earmarks%20\\$40-billion%20for%20Indigenous%20child%20welfare%20in%20tomorrow%e2%80%99s%20fall%20economic%20statement&utm\\_campaign=newsletter&cu\\_id=dE4kY%2FixqWrLrCAopdc5xhS010kyTD54zvSwUVCVngg%3D](https://www.theglobeandmail.com/opinion/article-canadas-rural-urban-divide-is-getting-deeper-and-that-hurts-all/?utm_medium=email&utm_source=Politics%20Briefing&utm_content=2021-12-13_16&utm_term=Politics%20Briefing:%20Ottawa%20earmarks%20$40-billion%20for%20Indigenous%20child%20welfare%20in%20tomorrow%e2%80%99s%20fall%20economic%20statement&utm_campaign=newsletter&cu_id=dE4kY%2FixqWrLrCAopdc5xhS010kyTD54zvSwUVCVngg%3D).

Opportunities in the renewable energy sector will help to create employment for some oil and gas workers, but these jobs are likely to be more geographically dispersed because they are not tied to an actual fossil fuel resource. If new economic opportunities cannot be created in the community, it will likely experience a slow decline that will impact many more people than just the displaced oil and gas workers.<sup>10</sup>

The Alberta Narratives Project talked about the importance of presenting a “positive, forward-looking vision”. While a message of positive change is important, another recent study indicates that it needs to be accompanied with a reality check. Published recently in the journal *Environmental Politics*, the study shows that a significant proportion of Albertans believe that the oil and gas sector will continue to provide the province with strong economic benefits for many years to come and that this belief undermines support for a transition to a low-carbon economy.<sup>11</sup> In an op-ed article, some of the authors of the study attribute this to prospect theory which assumes that people are loss averse and tend to respond more to a potential loss than a potential gain.<sup>12</sup> They suggest that “many Albertans don’t want to lose out on the economic gains that can come with extracting the province’s vast oil and gas reserves.” Yet the same research confirms that Albertans worry about climate change and believe it is time to transition away from oil and gas to a more diversified economy. To get around this dichotomy, the authors argue that people must understand that global developments are pressuring the oil and gas industry to fundamentally transform and that failing to do so would create significant economic risk.

This message is unlikely to resonate if it comes from a government that lacks trust among energy workers or if it comes from investors on Wall Street or Bay Street whose interests may not align with those of the oil patch. It will be received more positively if it is delivered by energy sector business leaders, employers, union leaders and local or regional political leaders – people who have a similar stake in the future of the oil and gas industry and the communities that depend on it. **The federal government can best contribute by aligning these various groups of leaders in support of a common narrative that presents both the necessity for change and an optimistic and realistic vision of a positive future.**

To develop such a narrative may require some difficult conversations within various stakeholder groups with conflicting views. For example, there may be conflict between shareholders looking to make short-term gains from fossil fuel extraction and investors who seek to transition a company to a more sustainable long-term future. Unions need to support their members to transition to an economy where the opportunities may not necessarily be unionized. Businesses need to question what obligation they have to invest in reskilling their current employees to meet the business’s future labour needs. All stakeholders and governments need to seriously question how their own interests fit with the national interest.

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<sup>10</sup> As an example, see the CBC documentary *The Town that Coal Built at* <https://www.cbc.ca/radiointeractives/docproject/the-town-that-coal-built-wabamun-alberta>.

<sup>11</sup> Christian Schimpf, Brooks DeCillia, Nikita Sleptcov, Melanee Thomas & Lori Thorlakson (2021): If it ain’t broke, don’t fix it: how the public’s economic confidence in the fossil fuel industry reduces support for a clean energy transition, *Environmental Politics*, <https://doi.org/10.1080/09644016.2021.1978199>.

<sup>12</sup> Brooks DeCillia, Melanee Thomas, Lori Thorlakson, “Many Albertans still fine with an oil-and-gas future,” *Policy Options*, October 29, 2021, [https://policyoptions.irpp.org/magazines/october-2021/many-albertans-still-fine-with-an-oil-and-gas-future/?mc\\_cid=777eb0bfa3&mc\\_eid=ca511f6a82](https://policyoptions.irpp.org/magazines/october-2021/many-albertans-still-fine-with-an-oil-and-gas-future/?mc_cid=777eb0bfa3&mc_eid=ca511f6a82).



## Concluding thoughts: The need for a transition plan

While just transition legislation may be an important step, **Canada also needs an economic strategy or integrated plan to enable a just transition.** Businesses can't facilitate such a transition on their own. Neither can government magically mandate a just transition. It will require a collaborative and coordinated effort between all parties to pursue a commonly held objective. To reiterate an earlier point, **it is important that a Just Transition Advisory Board, the NZAB and the SFAC are coordinated to enable a whole-of-government approach to achieving a just transition to a net zero economy.**

Recommendation 1 of the final report of the Expert Panel on Sustainable Finance is: "Map Canada's long-term path to a low-emissions, climate-smart economy, sector by sector, with an associated capital plan."<sup>13</sup> This is obviously an ambitious recommendation that exceeds the scope of the proposed just transition legislation. However, it is a critical step toward achieving both our 2030 and 2050 commitments, and it too, must reflect the objectives of a just transition.

The expert panel explained that the importance of its first recommendation is to "connect the dots" between government policy and private sector investment. Given the magnitude of investment required and the short timeframes for transitioning our economy, a "concerted nudge" is necessary to speed the process of market adjustments and to ensure climate objectives are met. As the report stated: "Industries and markets need this horizon and visibility – and the certainty brought by reinforcing policy signals – to make sustainable long-term investment decisions and accurately price risk and opportunity." To bring this point closer to the scope of the proposed just transition legislation, this kind of **policy certainty is needed if businesses are to invest in new product lines or business processes or to invest in their employees' development so as to transition to new occupational roles.**

Successfully steering a just transition to a net zero emissions economy presents a complex challenge for the federal government, given the number of stakeholders and different jurisdictions involved and the diverse ways that individual communities may be impacted. In this submission, we have stressed the importance of broad consultation. But that should not result in homogenous, national measures that attempt to balance all interests. On the ground, transition will play out very differently from one community to the next. The goal should be legislation and government programs that are flexible enough to enable communities to access the supports that are most useful to addressing their particular transition challenges.

The transition to net zero is a massive transformation of our economy and our society and will involve all of us – government, the private sector, Indigenous peoples, civil society, workers, consumers. Ensuring that this transition is just will require engaging all of these citizens and stakeholders. We hope this consultation serves as the opening conversation in what must be an ongoing public dialogue.

Once again, thank you for this opportunity to contribute our initial thoughts on the subject of a just transition. If you would like further information about CPA Canada's work related to this topic, please contact James Richardson, Principal, Government Relations at [jrichardson@cpacanada.ca](mailto:jrichardson@cpacanada.ca).

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<sup>13</sup> Final Report of the Expert Panel on Sustainable Finance: Mobilizing Finance for Sustainable Growth, June 2019, <https://www.canada.ca/en/environment-climate-change/services/climate-change/expert-panel-sustainable-finance.html>.