

# Intelligence MEMOS



From: John Dillon and Michael Gullo

To: Canada's Policymakers

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Re: **SIX PRINCIPLES TO HELP LEAD CANADA TO A NET-ZERO ECONOMY**

Climate change represents one of the most urgent public policy challenges facing Canadians today. Fortunately, we have the expertise, the resources and the know-how to achieve the government's goal of net-zero emissions by 2050.

It won't be easy. Absolute emissions have dropped just 1.1 percent since 2005, while [Canada's GHG intensity](#) per capita is among the [highest](#) in the OECD. Meanwhile, other nations are seizing the moment to build strategies that will create a comparative advantage in climate-friendly technologies.

Canada's net-zero ambitions provide an important opportunity to build strategic advantage in areas such as clean electricity, carbon capture, utilization and storage (CCUS), hydrogen, critical minerals, and nuclear energy. Governments and the private sector need to be fully aligned to make this happen, and will require a growing economy for both to make the unprecedented levels of investment we need.

Last November the federal government formalized its commitment to net zero by 2050 with the [Canadian Net-Zero Emissions Accountability Act](#), and, a month later, published its [roadmap](#) to reduce GHG emissions by 40 to 45 percent from 2005 levels by 2030. Specific strategies were also launched for new and emerging initiatives such as hydrogen, small modular reactors, and cleaner fuels. And last month's budget contained tax-measure support for investment in clean technologies while also earmarking \$5 billion for large emissions-reducing projects.

For its part, the Business Council of Canada last month released [Clean Growth 3.0](#) – its third major climate change policy paper. It set out six principles to inform public policy and bring together a common vision for achieving net zero while growing the economy.

1. **Close cooperation between the public and private sectors.** Countries such as the United Kingdom, Germany, and the United States are pursuing ambitious transition strategies designed to create comparative advantage. They are prioritizing their work with the private sector to fund high-risk high-reward research and see innovation as the solution to overcoming complex challenges like climate change. The UK's new [Advanced Research and Innovation Agency](#), for example, has been tasked with conducting ambitious, cutting-edge research to solve complex problems like clean energy.
2. **Policy predictability.** Federal and provincial governments must work more closely to create a predictable policy environment that transcends short-term political cycles and supports long-term investments.
3. **Recognize the role for Canada's energy and resource sector.** Neither a healthy economy nor a healthy environment is achievable without a strong and vibrant energy and resource sector. Canada's leading companies have the people, the technological know-how and financial capacity to drive our transition. Rather than seeking to divest from them, we should be bolstering their ability to invest in climate solutions and grow their market share through ambitious industrial strategies.
4. **Full transparency on costs.** Few Canadians understand the scale of change required. The government must be transparent about how much this will cost and weigh those costs against the consequences of inactivity. Full disclosure can help optimize the use of capital and ensure Canadians understand how the transition will effect everyday life.
5. **Partnerships with Indigenous communities.** This low-carbon transition is also an opportunity to advance Indigenous reconciliation through responsible resource development. Yet access to a stable and consistent stream of risk capital for Indigenous peoples is lacking and needs to be created so they can contribute to net-zero outcomes.
6. **Embracing climate resilience and adaptation strategies.** This means becoming better at working with all levels of government, the private sector and other stakeholders to develop a robust climate change adaptation framework supported by appropriate funding.

Deep engagement with the US will also be critical. Both governments should develop a policy statement that recognizes the continuing need for a secure and stable supply of energy to flow across borders to meet domestic energy demand and to ensure that the private sector can generate the revenues required to support investments in net-zero technology.

Even though more than 80 percent of Canada's electricity comes from non-GHG emitting sources, achieving net zero will require a massive scale-up of low-emissions electricity. To build on its strengths, Canada must focus on four interdependent goals: generating clean electricity at scale; maintaining reliable electricity systems as new generating technologies become operational; delivering clean electricity efficiently to support existing and new applications; and keeping electricity a cost-competitive form of energy in all regions of the country.

And lastly, the race to develop cleaner forms of energy and low-carbon products and technologies will require an adept and well-trained Canadian workforce. Governments will need to partner with the private sector, universities and colleges to ensure that Canadian workers have the skills necessary to support the transition to net zero.

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