

# INTEGRATING CLIMATE AND NATURE ACROSS GOVERNMENT FISCAL POLICY, BUDGETING, AND SPENDING DECISIONS



## Transforming Canada's economy through a net-zero industrial policy

As the world transforms and moves towards net-zero, some countries are taking the lead in developing domestic industries that will support future consumption needs that are compatible with 1.5-degrees while also strengthening energy and supply chain security.

Canada has a lot at stake due to the high carbon intensity of its primary exports: crude oil and bitumen. As Canada's Net-Zero Advisory Board put it, "A net-zero industrial policy would provide certainty about the transformations required, increase accountability in the transition to net-zero, ensure Canadians benefit from emerging global economic opportunities, reduce risks in an uncertain world, and build coalitions of support for climate action."<sup>35</sup> But Canada's provinces and territories are diverse, so net-zero industrial policy should be too.

Partly in response to the U.S. Inflation Reduction Act, Canada's Budget 2023 made significant

investments in climate mitigation and industrial policy. The federal government should do more to use its substantial procurement spending to buy clean materials and act on its Greening Government Strategy objectives by 2025. These include procuring 100% clean electricity for government properties and structural materials with 30% lower embodied carbon.<sup>36</sup> Investments that improve the government's ability to buy clean would help to create low-carbon product markets and industries in Canada while having limited impact on Canada's fiscal framework. Products from agriculture and forestry should be included. These are working, land-based industries that, with the right practices, have the potential to sequester carbon, and grow in a net-zero world.

<sup>35</sup> Compete and Succeed in a Net Zero Future: First Annual Report to the Minister of Environment and Climate Change, January 2023, Net-Zero Advisory Body. <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/net-zero-emissions-2050/advisory-body/first-annual-report-to-minister.html>

<sup>36</sup> Government of Canada, "Greening Government Strategy: A Government of Canada Directive." <https://www.canada.ca/en/treasury-board-secretariat/services/innovation/greening-government/strategy.html#toc3-5>

Consistent with advice from the Buy Clean Industry Alliance,<sup>37</sup> the Green Budget Coalition recommends **\$845 million over five years, starting in 2023–24, including:**

- **\$500 million over five years** for the Clean Infrastructure Incentive Fund to activate the Canadian market for commercially-viable low-carbon building materials and practices by offsetting the incremental costs of using commercially viable low-carbon materials and practices in public infrastructure. [INFC]
- **\$15 million over five years** to build capacity across the broader public sector to increase adoption of Buy Clean practices, develop tools to increase capacity and education on Buy Clean and federal support staff to provide training. [NRCan, PSPC, ISED]
- **\$300 million over five years** to invest in Canadian innovation to decarbonize industry, ensure governments are ready to procure emerging technology, develop, test, demonstrate and deploy pre-commercial and innovative low-carbon building materials. [NRCan, ISED]

- **\$30 million over five years** to fund non-profit and non-partisan organizations to design and host inclusive, well-informed, and healthy conversations on energy and climate. [NRCan, ECCC]
- **Deploy a Futures Fund for regional economic development agencies** to help design regional-specific industrial policies that align with national-level policy.<sup>38</sup> [ISED, NRCan]

Consistent with advice from the Net-Zero Advisory Body, the Green Budget Coalition recommends improved real-time reporting on: Canada’s emissions data, modeling, and climate risk assessments; impacts of major government spending on Canada’s climate goals; and performance metrics important to a robust net-zero aligned sustainable jobs plan. [ECCC, NRCan, ISED, CER, CCEI]

*Please also refer to these other recommendations in this document: Advancing sustainable jobs for a net-zero Canada (earlier); Moving towards a more circular economy through reuse and repair (later); and Re-orienting domestic public finance and subsidies away from fossil fuels (later).*

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<sup>37</sup> Clean Energy Canada, “2023 Federal Pre- Budget Consultations.” <https://cleanenergycanada.org/report/submission-2023-pre-budget-consultations/>

<sup>38</sup> Potentially modelled on this proposal <https://liberal.ca/our-platform/ensuring-workers-and-communities-prosper-as-we-move-to-net-zero/>