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Roadmap to a Canadian Just Transition Act

A path to a clean and inclusive economy

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Executive summary

CANADA HAS COMMITTED to achieving net-zero greenhouse gas emissions by 2050. Among other implications, "decarbonizing" the Canadian economy will require the winding down of coal, oil and natural gas projects across the country with potentially harmful effects for the hundreds of thousands of workers and dozens of regional economies currently dependent on fossil fuel production.

In recognition and anticipation of the socioeconomic impacts of its climate policies, Canada's federal government committed in 2019 to introducing a Just Transition Act to "support the future and livelihood of workers and their communities in the transition to a low-carbon global economy." Although it has yet to be tabled, the promise of "just transition" legislation has strong support from labour unions, environmental groups and social justice movements that have long called for stronger federal leadership in this area.

Taking the federal government's commitment as its starting point, this report explores the potential for a Just Transition Act to achieve a managed transition to a lower-carbon economy that minimizes the potential harms and maximizes the potential benefits for workers and their communities.

The report begins by reviewing the robust and growing literature on the concept of a just transition. We find that for a just transition policy to be sufficiently ambitious and comprehensive it must:

- Recognize and enshrine basic rights, including labour rights and human rights;

- Include the participation of affected workers and communities;
- Expand the social safety net;
- Create new economic opportunities; and,
- Drive inclusive workforce development.

The report then turns to an analysis of international precedent and best practices in the transition away from fossil fuels. Several countries, such as Denmark and New Zealand, are further ahead than Canada in the winding down of their respective fossil fuel industries. We find that where government transition policies have been most effective they:

- Prioritize proactive, economy-wide measures;
- Engage stakeholders to produce regional transition strategies; and,
- Include substantial public investments.

Drawing on these fundamental principles and international best practices, we propose a framework for a Canadian Just Transition Act that is sufficiently ambitious and comprehensive, given the scale of Canada's decarbonization challenge. Our proposed legislation would:

- Enshrine fundamental just transition principles, rights and definitions;
- Establish a Just Transition Commission to oversee and guide the government's transition agenda;
- Establish a Just Transition Benefit to support workers in affected communities;
- Establish an Economic Diversification Crown Corporation to invest in job-creating projects in affected communities;
- Establish a Just Transition Training Fund that ensures access for historically marginalized groups to employment in the lower-carbon economy; and,
- Establish a new federal-provincial/territorial Just Transition Transfer to deliver funding for these new social programs.

Our proposal does not make specific budgetary recommendations, but we estimate that adequate federal funding for our proposed legislation is in the order of $16.5 billion per year (declining over the lifetime of the transition).

Spending on that scale is necessary to ensure workers and their communities aren't left behind as Canada scales up alternative clean industries to fill the gap left behind by the phase out of fossil fuel production.

We conclude that the principles and policies that underlie a just transition can ensure the Canadian economy is productive, inclusive and sustainable now and into the future. To realize these benefits, Canada's federal government cannot afford to advance just transition legislation that is unduly narrow or inadequately funded.

Introduction

THE FEDERAL GOVERNMENT has committed to dramatically reduce greenhouse gas (GHG) emissions to do its part in avoiding catastrophic climate change. In addition to a modest GHG reduction target of 32–40% below 2005 levels by 2030, Canada has adopted a target of carbon neutrality (net-zero emissions) by 2050. To meet that ambitious long-term goal, the country must accelerate its transition away from the production and consumption of fossil fuels, including coal, natural gas and oil, and ramp up its transition into lower-emission alternatives. This process of decarbonization necessarily includes winding down most oil and gas extraction while scaling up measures to transform transportation networks, improve the energy efficiency of homes and buildings, and regulate carbon emissions from every part of the economy.[1]

For Canada, as in every other country making these changes, the economic consequences of decarbonization will be dramatic. Between 150,000 and 200,000 people work directly in fossil fuel production and hundreds of thousands more depend on the sector.[2] Consequently, while the transition to a net-zero-carbon economy is both necessary and desirable in the long run, there is no guarantee it will be an inclusive, productive or fair transition for workers and communities across Canada. Labour unions, environmentalists and social justice advocates alike are concerned that in the absence of proactive government policies to ensure inclusivity the burden of moving away from fossil fuels may fall disproportionately on marginalized communities and exacerbate existing inequities. This concern has spurred calls in Canada and elsewhere for a just transition to a cleaner economy.[3]

States and institutions have started to respond to those calls. Just transition principles were included in the 2015 Paris Agreement and have since become official policy in a number of countries around the world, including in some parts of Canada. Looking ahead, the growing popularity of Green New Deal policies and other transformative visions for the future suggest the idea of a just transition will play a key role in future climate policy development, both internationally and domestically. Indeed, in 2019 Canada's federal government committed to "advance legislation to support the future and livelihood of workers and their communities in the transition to a low-carbon global economy."[4]

The promise of legislation in this area expands on the tangible transition policies put in place by Canadian governments in recent years; however, it remains to be seen what this new legislation will include, if and when it is tabled. Will the Canadian Just Transition Act be a narrow, reactive policy or the ambitious, proactive strategy it needs to be to play a pivotal role in the long-term success of Canada's decarbonization project?

This report investigates the potential for Canadian legislation to achieve the goals of a just transition. The first section provides an overview of the core principles that should guide policy in this area, by drawing on the robust international just transition literature. The second section evaluates precedents and best practices for just transitions based on the plans and experiences of governments around the world. The third section applies these principles and lessons in the Canadian context to propose a framework for new federal legislation. The fourth section discusses how this legislation could be implemented, with an emphasis on the essential role of the public service. The concluding section summarizes the findings and recommendations of the report.

Ultimately, we find that federal just transition legislation presents an enormous opportunity for accelerating Canada's transition to a net-zero carbon economy in a manner that protects and improves the well-being of workers and communities across the country. However, in order to realize these benefits, the Canadian government must expand its existing understanding of what a just transition entails.

Guiding principles for a just transition

AS A CONCEPT, just transition refers to a framework for minimizing the potential harm to workers and communities caused by the shift away from fossil fuels while maximizing the potential benefits that decarbonization entails.

The first part of this framework—minimizing harm—can be described more specifically as a reactive just transition. It refers to the transition out of a carbon-intensive economy, with an emphasis on protecting those currently employed in vulnerable sectors.[5] This traditional understanding of the term, which has its roots in the organized labour movement, has also been described as a worker-focused transition.[6]

The second part of this framework—maximizing benefits—can be described as a proactive just transition. It refers to the transition into a lower-carbon economy, which encompasses not only fossil fuel workers and their communities but, also, the broader economy and labour market. A proactive just transition is similar, in principle, to a Green New Deal insofar as it envisions a transformation beyond the phase out of fossil fuels and toward a vibrant, inclusive and sustainable economy. This understanding of a just transition is increasingly championed by environmental and social justice movements.

Ultimately, a comprehensive just transition strategy requires both reactive and proactive elements. However, the emphasis should be placed on the latter. A sufficiently proactive, managed transition will largely obviate the need for reactive policies.

As a process for change, a just transition encompasses a set of general principles, which are universal, and a set of practices, which are grounded in the particular contexts in which the transition occurs. To ensure Canada's just transition legislation is appropriately ambitious and comprehensive, it must begin by articulating these general principles before turning to any specific policy solutions.

Fortunately, the federal government need not start from scratch in developing guiding principles for its proposed just transition legislation. A review of the robust and growing literature on just transitions around the world offers a coherent set of fundamental principles for Canada to build upon. Those principles can be grouped into the following broad categories, organized from the most general to the most specific: recognition of rights, participation of affected workers and communities, expansion of the social safety net, creation of new economic opportunities, and inclusive workforce development.

1. Recognition of rights

By definition, a just transition requires justice. In the context of legislation, justice requires a recognition of rights, including not only basic human rights but also labour rights, Indigenous rights and migrant rights.

Labour rights include employment standards and collective bargaining.[7] Workers must be respected and protected even as they are displaced by necessary decarbonization policies. Indigenous rights include self-determination and free, prior and informed consent.[8] First Nations, Inuit and Métis communities must determine their own unique path forward in the shared global project of decarbonization. Migrant rights include residency for displaced workers and asylum for climate refugees.[9] The forced movement of people due to climate policies and climate change itself must not result in migrants being pushed out of Canada or otherwise marginalized.

Encapsulating all of the above are basic human rights, which include "clean, healthy and adequate air, water, land, food, education and shelter" for all.[10] Gender equity is essential, given the disproportionate impacts of climate change on women and the underrepresentation of women in many clean economy industries.[11] Likewise, a right to non-discrimination is essential, given Canada's history of environmental racism and the ongoing marginalization of racialized communities.[12]

In the absence of a broad, rights-based framework, Canadian legislation intended to support the transition to a lower-carbon economy may further exacerbate existing inequities.[13] The disproportionate impact of the COVID-19 pandemic on already disadvantaged groups further highlights the need for greater legal heft behind equity imperatives. As many advocates for a just transition argue, "an equitable transformation of the economy must be an inherent right of all workers and communities, rather than an economic privilege afforded to some."[14]

Finally, a just transition recognizes the rights of future generations who will be most impacted by the effects of climate change, including today's youth.

2. Participation of affected workers and communities

The principle of participation in a just transition has been described variously as a social dialogue,[15] a social consensus,[16] public consultation[17] and democratic accountability.[18] In any case, it is imperative that the people who are affected by decarbonization are consulted in the development and implementation of any transition policies intended to support them.

Traditionally, the most important voice in the just transition dialogue has been that of organized labour. Unions play a critical role in ensuring that the real needs of workers are met while also communicating the imperative of transition to their members. In Canada, that means unions such as Unifor and the United Steelworkers, which represent workers in the oil and gas industry, as well as umbrella organizations like the Canadian Labour Congress, must have a seat at the table. Organizations representing non-unionized workers should be similarly engaged.

However, to be truly just, the definition of "affected" must go beyond fossil fuel workers to include anyone indirectly impacted by climate policies. For example, the phase out of major extraction projects will also affect the people who provide food, health care and other services to resource workers as well as to workers employed by firms in these industries' supply chains.[19] Organizations representing affected workers more broadly, whether they are labour unions, citizen lobbies or community associations, must be consulted in the creation of just transition legislation and any policies or programs it entails.[20]

In addition to representation from affected workers, a just transition requires the participation of affected communities. Municipalities and First Nations face distinct challenges, such as the erosion of their tax bases, that must be considered and addressed on their own. They should be key stakeholders in any participatory process.

3. Expansion of the social safety net

A just transition requires a robust social safety net to ensure policies intended to reduce emissions do not leave people behind. Generally speaking, the social safety net must include compensation, retraining and career support, job transfers, and pension bridging for affected workers.[21] The definition of affected workers must be broad enough to include indirect employment from carbon-intensive industries and not just those workers who are directly employed in fossil fuel production.

To the extent that the existing social safety net is inadequate for this purpose—the preponderance of new social programs in response to the COVID-19 pandemic highlights its failings—targeted policies to support workers who are impacted by climate policies may be necessary. Just transition policies to enhance the social safety net can be described as reactive insofar as they are intended to minimize the potential harm caused by decarbonization in the short term. However, an expansion of the social safety net more broadly would achieve the same ends for fossil fuel workers and communities, with the added benefit of preparing the economy for other disruptions on the horizon. Specifically, job displacement from automation and artificial intelligence will overlap with and exacerbate job losses from climate policies, so policies that are too narrowly targeted may miss the bigger picture.[22]

4. Creation of new economic opportunities

A just transition cannot merely be a transition out of a high-carbon economy; it must also be a transition into a low-carbon economy. Supporting workers who are displaced by the phase out of the fossil fuel industry will ultimately fail if there are no new jobs created in their place. For communities dependent on the fossil fuel industry to drive the local economy, a just transition will only succeed where it includes the scaling up of alternative, greener industries.

Some economic diversification can be achieved through incentives to the private sector, but as long as decarbonization is driven primarily by policy, and not by market conditions, the state must be the key driver of new economic opportunities.[23] There is a clear need for industrial strategy to guide investment in key industries in regions previously dependent on fossil fuels and in other regions where new investments are needed most.[24] The public sector must be a major source of direct investment, in addition to playing a broader market-steering role.[25]

5. Inclusive workforce development

Canadian just transition legislation must not only support today's workers but also anticipate the needs of the future low-carbon workforce. Based on present trends in Canada, "considerable workforce development is needed to ensure that there will be enough environmental professionals with the right skills to meet future demand."[26]

In contrast to reactive just transition policies, proactive just transition policies are intended to maximize the potential benefits of decarbonization over the long term. Policy approaches that fall under the proactive label include labour market modelling (to anticipate future job needs) and targeted skills training for new workers in key occupations and industries.[27] Active labour market policies are especially necessary where economic changes are driven by regulations (e.g., policies to reduce emissions) and not by market conditions. Where such programs have been most effective internationally, they were delivered through well-funded public education and training programs.[28]

Consistent with the broader goal of social equity, "green jobs should also be actively linked to gains for traditionally disadvantaged populations," including women, racialized people, immigrants and Indigenous people, as well as low-income households in general.[29] This is especially true in those regions of the country that are not dependent on fossil fuels but are still making major investments in a lower-carbon economy. Most people who will work in low-carbon industries in the future will never have worked in the fossil fuel sector.

Where the Canadian government stands on just transition

The five principles outlined in this report provide a high-level framework for advancing just transition legislation in Canada and they form the basis

Box 1: Seven principles for a just transition from Canada's Task Force on Just Transition

1. Respect for workers, unions, communities, and families;
2. Worker participation at every stage of transition;
3. Transitioning to good jobs;
4. Sustainable and healthy communities;
5. Planning for the future, grounded in today's reality;
6. Nationally coherent, regionally driven, locally delivered actions; and,
7. Immediate yet durable support.

for the policy recommendations to follow. How do they compare to the government's own understanding of a just transition? Recent government actions in this area offer some indication.

In 2017, the Canadian government announced the creation of a Task Force on Just Transition for Canadian Coal Power Workers and Communities. In the task force's terms of reference, just transition was defined as "an approach to economic and environmental policy that aims to minimize the impact on workers and communities of this relatively rapid transition to a low carbon economy, to identify and support economic opportunities for the future, and to involve affected workers and their communities in discussions that would affect their livelihoods."[30] That definition generally aligns with our own understanding of a just transition, including both reactive and proactive elements.

The task force was specifically mandated to plot a path forward for the transition of workers and communities "directly impacted by the accelerated phase out of coal fired electricity in Canada." It conducted cross-country consultations and provided its final report to the government in early 2019. The federal government formally accepted the report and began to implement its recommendations in its 2019 budget, which included policies to support coal workers and communities as they "prepare for, find and act on new opportunities."[31]

In addition to specific recommendations, the report included its own set of seven principles for a just transition (see Box 1).[32] To the extent that the principles outlined in the task force report underlie the government's current approach to just transition, it is generally aligned with the fundamental principles of a just transition described in this report. However, there are two important differences.

First, the task force principles do not include the protection of specific rights. Although the report does make passing reference to workers' rights, it does not explicitly mention human rights, Indigenous peoples' rights, women's rights nor migrant rights, all of which are essential in a truly just transition. The government has not yet acknowledged a connection between a just transition and a rights framework.

Second, the "good jobs" envisioned by the task force are explicitly limited to former coal workers. Similarly, the 2019 budget makes commitments to "workers in the sector" but not to workers indirectly affected by the coal phase out. A comprehensive just transition must recognize the impacts of decarbonization on workers outside of the fossil fuel sector and extend social support and job creation measures accordingly.

In part, these limitations are a product of the task force's narrow mandate—it was not asked to propose legislation and its scope was limited to the phase out of coal power. As the federal government moves forward with a Just Transition Act in the context of economy-wide decarbonization, it will need to expand its understanding of a just transition. Fortunately, the mandate letter to the Minister of Natural Resources is more open-ended. It tasks the minister with developing legislation to "support the future and livelihood of workers and their communities in the transition to a low-carbon global economy" with no specific reference to coal.[33] A more comprehensive and ambitious just transition is imperative, not only from a social and environmental perspective but, also, a practical one. Canada has a poor historical record of transitioning out of resource industries, typified by inadequate support for workers and communities that have never fully recovered.

In the next section we turn our focus outward to see how the principles of a just transition have started to be realized internationally through legislation and other policies. We then return to the Canadian context to merge our fundamental principles with international best practices to propose a framework for Canadian just transition legislation.

International precedent and best practices for a just transition

SINCE THE ADOPTION of the Kyoto Protocol in 1997, the total number of climate change laws and policies around the world has doubled every four to five years, from approximately 60 in 1997 to over 2,000 in 2021.[34] In conjunction with these efforts, there has been a growing recognition that a shift toward a low-carbon economy will have consequences for regions with high rates of employment in carbon-producing sectors. At both the grassroots and state level, movements and policies inspired by just transition and Green New Deal frameworks are taking shape globally.

Some of the earliest examples of just transition principles being applied by governments are in the context of coal phase out initiatives.

Between 1958 and 2018, coal mining in Germany saw significant declines due to increased international competition within the sector. This particularly impacted the country's Ruhr Valley, home to most of its coal plants, although economic conditions allowed miners to move to other industries within the region. Early retirement packages and retraining programs were also provided by the government. As such, not a single miner became unemployed due to the transition. However, these benefits were not provided to workers in downstream and upstream industries, which resulted in periods where unemployment rates exceeded 15% in the region.[35]

The United Kingdom also saw a substantial drop in coal production during this time, particularly from the 1970s onward. This has had lasting negative impacts on communities once dependent on the sector. As coal employment has fallen rapidly, well-paying industrial jobs have been replaced with relatively low-paying, precarious work within the service sector, while state support for workers has been inadequate. While the UK government did conduct a consultation regarding the planned closure of its remaining coal plants in 2016, the process was criticized by environmental advocates and trade unions for its lack of focus on anticipated impacts on communities where these plants are located, as well as non-plant workers who would be affected due to coal supply chain linkages.[36]

In 2016, Australia's Latrobe Valley began undertaking a transition when one of its key employers, a coal power station, announced it would be shutting its doors within a matter of months. A worker transition service was put in place to provide workers with resources for skills training, financial advice, and employment assistance. The federal and state governments' funding to support the transition totalled just over $300 million AUD. While the sudden closing of the plant came as a surprise to many, initial analyses of the program found it to be generally successful at keeping unemployment in the region low by providing adequate assistance to those in need of new work because of the disruption, including power station workers' families, as well as associated contract and supply chain employees. Much of this success has been credited to union organizing in the area, which had been engaging community stakeholders on the issue of low-carbon alternatives for the region prior to the announcement.[37]

More recently, in 2018 Germany established the Commission on Growth, Structural Change and Employment, aimed at ensuring a just transition for those employed within Germany's remaining coal regions as it works toward meeting its climate mitigation targets through a nation-wide phase out of its nuclear and coal-based power generation systems. The commission recommended that Germany provide direct investment in employment opportunities for affected communities through the modernization of alternative energy systems, transportation infrastructure, and research institutes.[38] Taking these inputs into account, Germany's federal and state parliaments adopted legislation in 2020 securing up to €40 billion (approx. $60 billion CAD) in funds by 2038 for regions affected by the transition.[39]

In a deal struck with trade unions, Spain agreed to invest €260 million (approx. $400 million CAD) in its coal regions over a 10-year period when it shut down most of its mines in 2018. These funds will provide early retirement packages for the sector's aging workforce and employment opportunities via environmental restoration work and reskilling programs for younger miners.[40]

In 2009, a similar reskilling program was set up by Denmark's government and unions following the closure of various shipyards in the region to provide workers with the skills needed for the production of offshore wind technologies.[41] This effort was part of a broader strategy, spearheaded in large part by the country's organized labour movement, to transition its energy sector away from coal and toward wind, creating thousands of green jobs in the process. Since the 1970s, Denmark has cut coal production in half and increased the role of wind power in its energy sector by 40–50%.[42] In 2019, the Danish wind power sector employed about 34,500 people, a figure equal to more than 1% of the country's total workforce. This is more than 25 times the amount of jobs provided by Canada's wind energy sector relative to total employment during this period.[43]

More recently, many jurisdictions have begun applying the just transition approach in their attempt to reduce carbon emissions produced by all sectors as part of a broader push toward net-zero carbon emissions. For example, in 2020, the European Union unveiled its European Green Deal, which aims to turn its economy carbon-neutral by 2050. As a part of this strategy, the EU has introduced a Just Transition Mechanism to address the socioeconomic impacts that the plan will have on regions with high rates of employment in carbon-intensive sectors including coal, oil shale and peat production.[44] Notably, the mechanism includes at least €150 billion (approx. $230 billion CAD) in financial support for affected areas via a mix of direct funding and the mobilization of private-sector investment. A key pillar of the mechanism is its Just Transition Fund, comprised of €40 billion aimed to mobilize €89–104 billion in investment.[45]

In Ireland, a just transition plan has been established for its Midlands Region following the government's decision in 2019 to accelerate its exit from peat production. The plan establishes a fund aimed at reskilling workers and helping communities adjust to the transition. As of January 2021, the fund has generated €27.8 million (approx. $43 million CAD) in provisional funding offers for 47 projects in the region.[46]

In 2018, Scotland formed its Just Transition Commission, which aims to ensure that workers will be given a fair deal as the country works toward meeting its emission-reduction targets. The Scottish commission's mandate is proactive in nature, aiming to "[maximize] the economic and social opportunities that the move to a net-zero economy by 2045 offers."[47] In line with this vision, the country's 2020–21 government program includes £1.6 billion (approx. $2.8 billion CAD) in direct funding for sustainable infrastructure development to support up to 5,000 jobs, as well as the allocation of £100 million (approx. $175 million CAD) for a Green Jobs Fund.[48]

France's 2015 Energy Transition Law aimed to produce more than 75,000 new jobs by retrofitting the country's housing supply to reduce overall rates of energy consumption. Likewise, the Philippines' 2016 Green Jobs Act was designed to generate green jobs through the creation and implementation of skills training programs for workers entering sustainable sectors.[49]

New Zealand formed a Just Transition Unit in 2017 to support communities within the Taranaki region, where the country's offshore oil and gas industry is predominantly based, as a part of its recent commitment to phase out the sector by 2050.[50] In 2019, the New Zealand government released the Taranaki 2050 Roadmap, which includes a strategy and action plan to develop key sectors of the region's economy as the country makes its green transition. The roadmap aims to foster sustainable employment opportunities for those both directly and indirectly affected by the nation's move to a green economy.[51]

In the North American context, a number of American states have started to implement just transition policies of their own. In 2019, New York passed legislation that requires a minimum of 35% of all state investments in climate and clean energy projects be dedicated to communities most susceptible to the impacts of climate change or the phase out of fossil fuels.[52] Also in 2019, Colorado created an Office of Just Transition to assist workers and communities affected by that state's coal phase out.[53] In 2020, California promised to design and deliver a Just Transition Roadmap by July 2021.[54]

Although the U.S. federal government has not historically played a major role in these initiatives, the 2020 election of President Joe Biden has potentially significant implications for the future of just transition initiatives on the continent. Responding to pressure applied by environmental justice activists, such as the Sunshine Movement and the left flank of the Democratic Party, Biden has moved to support a transition away from the oil industry and toward achieving a net-zero carbon economy by 2050.[55]

The Biden environment and energy plan pledges support for those directly impacted by the transition to net-zero emissions by ensuring that those who lose their jobs in carbon-intensive industries do not forfeit their retirement package, providing federal support to help these communities diversify their economies, as well as creating a Task Force on Coal and Power Plant Communities to facilitate private-sector investment in affected areas.[56] While Biden has rejected calls from climate activists for a Green New Deal, his Build Back Better plan aimed at tackling the economic and health impacts of the COVID-19 pandemic shares many of its core tenets, including an ambitious investment of $2 trillion USD (approx. $2.5 trillion CAD) over four years to create “millions” of unionized green jobs through sustainable infrastructure development programs.[57]

Best practices

Every jurisdiction’s approach to a just transition is shaped by its own unique circumstances, but many of the examples provided in this section share a set of key themes. In pursuing its own national just transition strategy, Canada can learn from its peers as it works toward developing and implementing just transition initiatives that ensure a healthy climate does not come at the expense of workers and communities.

Specifically, the most effective strategies involve (1) proactive, economy-wide measures to meet targets, (2) regionally specific plans developed in partnership with all impacted stakeholders and (3) significant public investments.

Meeting targets with proactive, economy-wide measures

Rather than being narrowly focused on one industry or region, governments are increasingly applying just transition principles in the context of the broader, long-term shift toward a net-zero-carbon economy. Jurisdictions—including the EU, Germany, Ireland, Scotland, New Zealand, and the United States—have expressed support for actions inspired by a just transition and/or the Green New Deal that are in line with a vision for a carbon-neutral economy by mid-century. Such strategies align with the United Nations Intergovernmental Panel on Climate Change’s 2018 call to maintain the global temperature increase since the industrial revolution below 1.5°C in the coming decades.[58]

Canada’s federal government has also committed itself to a target of net-zero emissions by 2050. If the government is serious about meeting its long-term emission-reduction goals, a move away from carbon-producing sectors beyond coal will be required.[59] Consequently, the scope of Canada’s just transition framework must extend to serve workers in these sectors as well, as has been the case in Ireland and New Zealand. This expanded mandate would also be consistent with the U.S. federal government’s re-energized decarbonization strategy.

Engaging stakeholders to produce regionally specific strategies

Nearly all the countries that have advanced a just transition agenda have done so based on regionally specific plans produced in consultation with a wide variety of stakeholders.

The New Zealand government's decision to stop issuing permits for offshore oil and gas exploration was of particular significance to the country's Taranaki region, as 28% of the area's economic activity takes place within the energy sector. New Zealand created the Taranaki 2050 Roadmap to facilitate the transition: a bottom-up approach that considers perspectives from a wide range of stakeholders to determine how to best diversify and expand the region's economic base during the phase out process. Through this co-designing method, community members, as well as representatives from business, trade unions and the government, were tasked with facilitating a series of workshops to gather feedback on how the planning process should be implemented. Surveys on what residents hoped Taranaki would look like by 2050 were also conducted.[60]

Like New Zealand, Germany relied on active participant engagement to produce a roadmap to inform its approach to a just transition for workers in the phase out of its coal sector by 2038. After deliberations with relevant stakeholders, the country's coal commission released its roadmap containing several recommendations on how to move forward in achieving a just transition, which the government has since committed to following. Likewise, Scotland's Just Transition Commission consulted with stakeholders from across the country to determine how to best achieve its mandate. Findings from these consultations demonstrated significant support among respondents for investments in public transportation, ecosystem restoration, renewable energy and poverty reduction as elements of a transition toward net-zero emissions.[61]

These cases highlight the importance of governments taking an active role in ensuring new industries are developed as carbon-producing ones are phased-out and the need for targeted actions to address the needs of particularly impacted regions. Likewise, it also demonstrates the benefits of active participation from community members and other relevant stakeholders in the implementation of regionally focused strategies.

Notably, organized labour has played a decisive role in the rollout of just transition policies across the board. In the case of the German commission, trade unions were key in making sure workers were not left behind in negotiations between environmental advocates and employers regarding coal phase out strategies. In the Spanish and Danish cases, trade unions were important in ensuring a fair transition for workers. Likewise, community members in Australia were able to respond quickly to the sudden closure of one of their plants due to stakeholder dialogues facilitated by organized labour that had been taking place beforehand. Canada's own Just Transition Task Force emerged as a result of calls from the Canadian Labour Congress to ensure the voices of workers were heard in the wake of the federal government's 2016 announcement that it would be phasing out coal by 2030. The Canadian labour movement must continue to play a key role in transition planning moving forward.

Substantial public investments

The most successful coal transitions to date have generally been those with the most comprehensive and generous public financial support. In Australia's coal plant closures, for example, support was offered to coal workers and to their broader communities, which ultimately led to better economic outcomes for everyone. In contrast, Germany's Ruhr Valley experienced higher rates of unemployment, when compared to the rest of the country, during its transition—in part due to a narrow focus on direct employment in the coal sector. Likewise, former coal communities in the U.K. have felt the long-term negative consequences of insufficient government support during its industrial decline.

Looking ahead, international recognition of the urgent need to tie policies that support workers and communities to a broader move toward a carbon-neutral economy has led to large-scale public investments in such efforts. Several countries have allocated billions of dollars to achieve these objectives. These figures are significant in their scale relative to their respective economies. The Biden platform's green jobs program pledge is equal to nearly 10% of the U.S. economy.[62] Scotland's allocation toward its own sustainable work program over one year is equivalent to about 1% of the country's economic output and comprises 3% of the government's 2020–21 budget.[63] If Canada is to reach its target of net-zero emissions by 2050 while ensuring that workers and communities thrive in the process, similarly ambitious levels of public funding will be required.

Framework proposal for a Canadian Just Transition Act

THE PURPOSE OF a Canadian Just Transition Act is to implement a robust legislative framework for facilitating the transition to a lower-carbon economy in a manner that minimizes the harm and maximizes the benefits of decarbonization for workers and communities across the country. To be truly just, this legislation must recognize rights; ensure the participation of the full breadth of affected workers and communities; expand the social safety net; create new economic opportunities; and prepare the workforce for the inclusive, low-carbon economy of the future.

In service of those principles, and guided by international precedents and best practices, this section proposes a six-part framework for Canada's prospective just transition legislation. We argue that the Just Transition Act should:

1. Enshrine just transition principles, rights and definitions;
2. Establish a Just Transition Commission to oversee and guide the transition;
3. Establish a Just Transition Benefit to support workers in affected communities;

4. Establish an Economic Diversification Crown Corporation to invest in affected communities;
5. Establish a Just Transition Training Fund that prioritizes the inclusion of historically marginalized groups; and,
6. Establish a new federal-provincial/territorial Just Transition Transfer to deliver funding for the social programs created under the act.

We recognize that, to varying degrees, each of the policies outlined in this section overlap with existing Canadian social, economic and environmental policies. We also recognize that the measures described here, on their own, can only get Canada so far toward an inclusive and productive zero-carbon economy. While the Just Transition Act should be understood as a comprehensive strategy that raises the floor for social policy and fills the gaps for industrial policy in the context of decarbonization, it must be supplemented by an ambitious climate plan that drives the entire economy to net-zero emissions.

As a final caveat, we present this framework with the understanding that it is not the only way forward for the federal government. There may be alternative avenues for meeting the objectives of a just transition. However, those alternatives should be at least as broad in scope and as ambitious in scale as the framework proposed here.

1. Enshrine fundamental just transition principles, rights and definitions

The imperatives of a just transition should not supersede the necessity of reducing greenhouse gas emissions. Although specific climate policies are outside the scope of this legislation, the Just Transition Act must begin by acknowledging the necessity of decarbonization. It should reinforce Canada's legislated greenhouse gas emission reduction target of net-zero emissions by 2050 and acknowledge that decarbonization will require the managed wind down of fossil fuel production and consumption across the country. The Just Transition Act should clarify that its provisions are not intended to delay or disrupt necessary climate action. If those policies have negative consequences for workers and communities it is the role of the Just Transition Act to minimize them.

The end goal of a just transition is an inclusive, zero-carbon economy. In defining justice and a just transition, the Just Transition Act should recognize how the negative consequences of climate change (and the climate policies intended to mitigate and adapt to climate change) often fall disproportionately on already marginalized people and communities. Likewise, the benefits of policies intended to help workers and communities through the transition often exclude marginalized people. Justice in this context should mean a deliberate and concerted effort not simply to support workers and communities in the abstract but to address and redress inequities between and among different workers and communities in order to raise the overall level of well-being. The act should specifically seek to improve social and employment outcomes for Indigenous peoples, women, racialized Canadians, immigrants and youth, while acknowledging that the greatest immediate costs of decarbonization will largely fall on current workers in the fossil fuel industry who are disproportionately white, Canadian-born men.

At a technical level, the Just Transition Act must establish a framework definition for what constitutes a fossil fuel community and/or a community that is substantially negatively affected by climate policies. The legislation should be broad enough to ensure that no worker is left behind, but not so broad as to dilute support for the most vulnerable communities. Jim Stanford has identified 18 Canadian communities that are moderately or strongly dependent on the fossil fuel industry, which is a reasonable place to start.[64] The definition should also include nearby communities that are substantially implicated in fossil fuel extraction, which includes many Indigenous communities, even if they are not the direct site of employment.

The provisions of the Just Transition Act should respect and reinforce the self-determination of First Nations, Métis and Inuit communities and the broader provisions of the United Nations Declaration on the Rights of Indigenous Peoples. It is not the role of the federal government to dictate transition strategies for Indigenous communities, nor to unilaterally embark on rights-denying economic diversification initiatives. Instead, First Nations, Métis and Inuit communities must be supported on their own terms and in a manner appropriate to their individual circumstances.

2. Establish a Just Transition Commission

One of the clearest, tangible commonalities among countries that have advanced a concrete just transition agenda is the creation of a durable, independent body to oversee and manage the transition process. Germany's Commission on Growth, Structural Change and Employment, New Zealand's

Just Transition Unit, and Scotland's Just Transition Commission all offer useful models for this kind of work.

Canada's Just Transition Task Force, which operated from 2017 to 2019, was a step in the right direction, but the capacity of that body to advance a meaningful just transition agenda was hampered by a narrow, time-limited mandate and inadequate resources. The task force folded after the submission of its final report, leaving Canada without any dedicated government body to advance a just transition agenda.

The Just Transition Act should establish a permanent, independent Just Transition Commission to oversee and coordinate the federal government's just transition agenda.[65] Actual implementation of the Just Transition Act will largely fall to federal departments, including Innovation, Science and Economic Development Canada, Environment and Climate Change Canada, and Employment and Social Development Canada, as well as provincial and territorial governments. The commission's primary role would be to ensure that governments are working aggressively and coherently to advance the priorities laid out in the act.

Unlike the previous task force, this commission's mandate should not be restricted to particular industries or regions. It should instead encompass the entire Canadian economy and workforce. The commission should include representation from—and conduct ongoing engagement with—a wide variety of stakeholders, including labour unions, civil society groups, Indigenous peoples, business associations, independent experts, and public servants from governments of all levels.

Beyond its coordinating function, the commission should be responsible for a number of specific tasks. It should lead the development of regionally specific roadmaps for Canada's transition away from fossil fuels—plans that map out a timeline for the wind down of fossil fuel production and the scaling up of alternative industries for affected provinces and communities. It should propose and monitor policies related to decarbonization and workforce transition to ensure the principles of a just transition are respected at all stages of implementation. The commission should play a role in developing skills inventories and recommending investments in training for affected regions and workers. It should also work with employers and workers to facilitate job shifting and job bridging to avoid layoffs wherever possible.

Aspirational principles and a federal commission alone will not change the lives of workers and communities across the country. The meat of the Just Transition Act must be a serious financial commitment to implementing a just transition in practice.

Money allocated under the Just Transition Act should fall into three broad categories. First, funds to support displaced workers in fossil fuel-dependent regions transitioning to a cleaner economy. Second, investments in economic diversification to create new economic opportunities for those same regions. Third, funds to build a more inclusive, low-carbon economy across the entire country. The first priority is consistent with our definition of a reactive just transition, while the latter two follow from our definition of a proactive just transition. We propose three distinct policies to address these three priorities.

3. Establish a Just Transition Benefit

The gaps and inadequacies of the Canadian social safety net were laid bare by the COVID-19 pandemic. Millions of workers were suddenly laid off or unable to go to work, yet many did not qualify for any or enough support under existing programs like Employment Insurance (EI), prompting the federal and provincial governments to introduce sweeping new programs, such as the Canada Emergency Response Benefit (CERB), to fill in the gaps. The federal government has already communicated that these enhanced social supports will not become a permanent fixture of the social safety net, but they do provide a useful model for the delivery of new programs.

The Just Transition Act should create a Just Transition Benefit designed to offset the loss of income from the closure of fossil fuel facilities and ancillary businesses in those regions most impacted by climate policies. Unlike some existing transition supports, eligibility for this benefit should not be conditional on direct employment in an emissions-intensive industry.[66] Instead, anyone suffering a significant drop in income due to the wind down of fossil fuel production in a qualifying region should be able to claim it. The benefit should be available, for as long as necessary, to help displaced workers to seek re-training and/or re-employment. Income bridging, a useful policy for supporting workers who are near retirement and cannot reasonably retrain for a new career in the interim, should be covered by the benefit as well.

The actual value of the benefit may be subject to different variables, such as the pace of transition and whether workers are already covered by programs like EI. Ultimately, program design should be determined by the federal and provincial governments, based on the advice of the Just Transition Commission. However, the $2,000 per month granted by the CERB provides a compelling benchmark for what amounts to a regionally specific, time-limited basic income. The Just Transition Benefit should ensure that everyone whose livelihood is affected by necessary climate action has government income support in some form. That includes migrant workers and their families, regardless of residency status, if they are displaced by climate policies.

The total cost of such a program would depend on its design and the rate of uptake over the full timeline of Canada's transition to a net-zero carbon economy. A conservative estimate, based on a large proportion of workers in fossil fuel communities requiring support for an extended period of time, would be in the order of $100 million per year (see Appendix for costing).

4. Establish an Economic Diversification Crown Corporation

Income support, while essential, is a reactive policy. The transition will fall flat without proactive policies that create new economic opportunities. The Just Transition Act must, therefore, facilitate economic diversification to ensure the communities that were previously dependent on fossil fuel production remain economically vibrant and sustainable into the future.

The federal and provincial governments have already committed some funding to lower-carbon infrastructure around the country, including in those regions transitioning away from coal, oil and gas production. In fall 2020, the federal government announced $15 billion in new climate spending and, in winter 2021, it announced an additional $15 billion specifically for public transit.[67] Those commitments supplement tens of billions of dollars in green infrastructure and transition spending announced in previous budgets.[68] Some of that money has been used, for example, to help build a new geothermal facility in the traditional coal power region of Estevan, Saskatchewan.[69]

However, by any measure, the amount spent by Canadian governments on economic diversification in the context of decarbonization is woefully inadequate. For context, total federal commitments for public transit, green infrastructure and other climate initiatives currently amount to around $6 billion per year, far short of the 1–2% of GDP—closer to $25–50 billion per year—recommended by World Bank chief economist Nicholas Stern to meet the scale of the climate change threat.[70] For another benchmark, the European Union has allocated 37% of its COVID-19 recovery fund specifically to climate initiatives.[71] Canada's federal and provincial governments must be prepared to make significantly greater investments to diversify the economy away from fossil fuels, especially in those regions disproportionately at risk due to the transition.

Fortunately, spending on green infrastructure and other climate initiatives, while crucial to the broader project of decarbonization, is not the only path to economic diversification for fossil fuel-dependent regions.[72] Places like Estevan, Saskatchewan, Fort McMurray, Alberta or Come By Chance, Newfoundland and Labrador, must move away from producing and burning coal, oil and natural gas, but they do not need to become renewable energy producers. Industries like agriculture, manufacturing and technology, to name just a few examples, remain essential in a low-carbon economy and may be viable for former fossil fuel regions, depending on the local context. Embracing a broader definition of a low-carbon economy opens the door to diversification in a manner most appropriate to each community's individual circumstances.

To that end, the Just Transition Act should create a new federal Economic Diversification Crown Corporation, with a mandate to invest in alternative industries—including, but not limited to, retooling the energy industry and other investments that directly reduce greenhouse gas emissions—specifically in those regions transitioning away from fossil fuel production. This new corporation should not unnecessarily reproduce the work of other parts of government. Western Economic Diversification Canada, for example, already spends a quarter billion dollars per year to attract, coordinate and scale up private investment.[73] The Canada Infrastructure Bank also leverages public money to facilitate investment, with a growing focus on green infrastructure.[74] However, this new crown corporation can play a crucial and distinct role in accelerating economic diversification away from fossil fuels through direct public ownership of new infrastructure.

The particular value of a public ownership model is explored in more detail below, but one key advantage is that public projects can prioritize job creation over profitability. The Economic Diversification Crown Corporation should be in the business of creating good, green jobs for anyone who wants or needs them in affected communities. It can play a key role in employing people in industries that might not otherwise be economically viable, such as the clean up and reclamation of oil wells, coal mines and other extraction projects. It can also directly acquire legacy infrastructure to facilitate the greening of operations where private sector owners are unable or unwilling to do so. No existing crown corporation is well-positioned to play such a direct role across the country.

How much funding should be allocated to the corporation depends on a number of factors, such as the ambition of relevant climate policies (e.g., the timeline for the wind down of fossil fuel projects). Ultimately, the figure will be determined by the federal government, based on the advice of the Just Transition Commission. However, funding for this new crown corporation must be substantial enough to make diversification realistic and to make it politically and economically appealing.[75] Funding in the hundreds of millions of dollars is an unconvincing replacement for emissions-intensive projects that provide billions of dollars worth of economic benefits to their communities. At least initially, new public investments in economic diversification must be on the scale of the industries being phased out—in the order of $15 billion per year at first and declining as the transition unfolds (see Appendix for costing).

To provide a strong incentive for local and provincial governments to aggressively diversify their economies, the corporation should prioritize its investments in regions that are making the most ambitious changes. For example, the corporation may consider the pace of total emissions reductions in each region, perhaps over the previous five-year period and/or based on projections for the next five-year period. When determining where to invest for maximum social impact, the corporation may also consider the number of jobs at risk in a given region. Under such a program, the highest-emitting regions with the greatest share of fossil fuel-dependent employment, which are both the highest priority targets for climate change mitigation and the most vulnerable to decarbonization, would receive the greatest financial support. Communities should not be punished for their historical role in fossil fuel production.[76] Instead, communities should be rewarded for embracing decarbonization with significant investments in alternative industries.

Consistent with the principles of a just transition described above, any money spent or mobilized under the Just Transition Act should be conditional on reducing emissions and on ensuring equitable outcomes. Community benefit agreements are one tool for ensuring historically excluded groups are involved in the decision-making process around new projects and also share in the economic benefits.[77] For example, a community benefit agreement may require that a certain proportion of the labour on a project be sourced from the local community and/or that a certain proportion of labour come from historically marginalized groups. Community benefit agreements could be required for any projects funded under the Just Transition Act.

5. Establish a Just Transition Training Fund

Canada's transition to a zero-carbon economy will ultimately create many more jobs and economic opportunities than are lost due to the phase out of fossil fuels.[78] However, without proactive planning and active management, many of the potential benefits risk being squandered. Two problems are paramount. First, Canada currently lacks the skilled workforce across all parts of the country to pursue a decarbonization agenda on the necessary scale.[79] Second, the industries poised for growth in the clean economy have historically excluded marginalized people and may continue to do so, thereby exacerbating inequality.[80]

The Canadian government has acknowledged the first of these issues and introduced some policies to address it. The Canada Training Benefit, introduced in 2019 with a budget of $1.7 billion over five years, provides credits, income support and job security to workers seeking training.[81] In 2020, the government introduced $15.8 million in funding specifically to train youth for green jobs.[82] Also in 2020, the federal employment minister was tasked with making "the largest investment in Canadian history in training for workers"—including efforts to build new skills, improve access to training and connect workers with employers—as part of a plan to create one million jobs.[83] Whether these investments put Canada on track to meeting its looming skills shortage is unclear, especially without stricter accountability and conditionality measures for training providers to ensure productive outcomes for workers.

The second issue, the exclusion of marginalized people from key green industries, remains largely unaddressed. Indeed, this is one important area of a just transition in which international precedent at the central government level is lacking, despite a growing body of research and advocacy related to climate justice and environmental racism.[84]

Proactively building a larger and more diverse workforce should be a focus of the Just Transition Act. Specifically, the Just Transition Act should create a Just Transition Training Fund that has the explicit purpose of training new workers from historically marginalized groups for good, green jobs in a lower-carbon economy. Offering preferential support to certain groups, including women, Indigenous peoples, disabled people and people from racialized communities, is consistent with the principle of employment equity and protected by the Canadian Charter of Rights and Freedoms.[85]

This new fund can complement the raft of other training programs offered by the federal and provincial governments in two ways. First, by limiting eligibility to marginalized groups, the benefit available to each individual can be made more generous for the same overall program cost. For many economically marginalized people, anything less than full tuition plus income support is an insufficient incentive to attend or return to school. The Just Transition Training Fund can ensure support is sufficient by topping up any funding available from other public sources. Narrowing eligibility has the additional benefit of helping governments better tailor marketing and recruitment efforts.

Second, whereas most existing federal training funds are available exclusively to workers (e.g., to reimburse tuition or provide income support during the training period) or to employers (e.g., to compensate for training taken by employees), a significant portion of the Just Transition Training Fund should be allocated directly to expand training infrastructure, including through public colleges, labour union training centres and on job sites across the country. This funding should be specifically allocated to build the capacity to recruit, train and place workers from historically marginalized groups. To improve accessibility for marginalized people who cannot easily relocate for economic or social reasons, the fund should prioritize building new training infrastructure (e.g., satellite campuses or remote training centres) in rural, remote and Indigenous communities, in partnership with local and Indigenous governments. Building up community training capacity should involve the recruitment of peer mentors to help break down cultural barriers in the workplace.

This two-pronged approach of building demand while expanding capacity can accelerate the recruitment and training of people from historically marginalized groups and put them on the path to good, green jobs for the long-term. Diversifying the clean economy workforce will address inequality and help Canada meet its clear and growing need for skilled workers in industries of strategic importance.

The total cost of this program depends, again, on policy design and other variables. A high estimate for a program that trains 75,000 new workers per year from historically marginalized groups for high-skill jobs in a low-carbon economy is $1.4 billion per year (see Appendix for costing).

6. Establish a new federal–provincial/territorial Just Transition Transfer

Broadly speaking, the federal government has two options for delivering the new social programs outlined above. First, it could deliver them directly. Our proposed Just Transition Benefit, like the CERB, could be administered by the Canada Revenue Agency through the existing federal tax system. The Just Transition Training Fund could be delivered through direct federal grants to workers and training institutions.

However, the second option, to transfer most or all of this funding to the provinces and territories, is preferable for a number of reasons. First, social spending, such as training and education, falls under provincial jurisdiction. Second, regional governments are often better equipped to deliver social spending and economic stimulus that is responsive to local conditions. Third, decentralizing authority can increase the democratic legitimacy of new programs and win political support.

Funding for the Just Transition Benefit and Just Transition Training Fund could be distributed through one of the four existing federal-provincial/territorial transfer programs: the Canada Social Transfer (CST), the Canada Health Transfer (CHT), the equalization payment system and/or Territorial Formula Financing. The CST, in particular, is a "federal block transfer to provinces and territories in support of post-secondary education, social assistance and social services, and early childhood development and early learning and childcare" and could reasonably incorporate these new programs. However, because the CST is a block transfer payment, it is difficult to monitor or enforce how the funds end up being divided within each province. Post-secondary education funding through the CST has long exemplified this lack of transparency and accountability.[86] In the context of a just transition, a block payment may permit recalcitrant provincial governments to redirect just transition money toward other purposes or not spend it at all.[87]

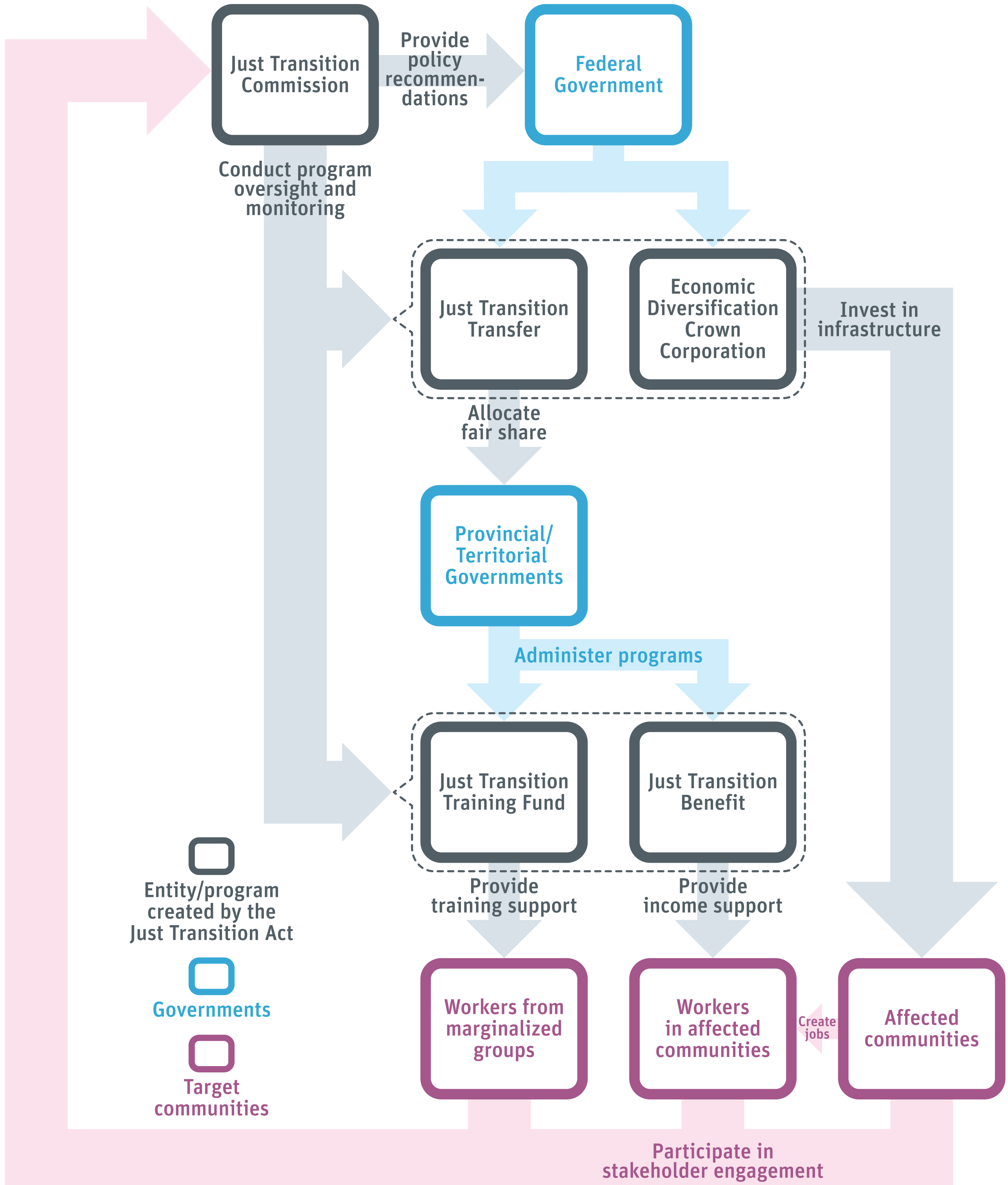
In contrast, funding provided through the Canada Health Transfer is conditional on provinces respecting the criteria outlined in the Canada Health Act.[88] Although the CHT is not an appropriate vehicle for just transition spending, it offers a useful model for program delivery. A new federal-provincial/territorial Just Transition Transfer that is conditional on criteria defined in the Just Transition Act is a reasonable path forward. Creating an entirely new transfer program is also sensible because federal just transition funding will be neither stable nor permanent. In fact, as Canada makes its transition to a net-zero-carbon economy—to the point where fossil fuel communities no longer exist as such—spending on just transition programs will no longer be needed. A stand-alone Just Transition Transfer offers a flexible tool for moving a significant amount of conditional funding—in the neighborhood of $1.5 billion per year—on a recurring, but not permanent, basis without displacing or disrupting other federal transfers for social spending.

A reasonable case can be made for delivering economic diversification funding through a similar transfer. Instead of a new federal Economic Diversification Crown Corporation, a variety of new provincial crown corporations could be created. These entities might be more responsive to local conditions and have greater democratic legitimacy. We recommend a central entity for simplicity—federal legislation cannot create provincial crown corporations, so additional provincial legislation would be necessary—and to give the federal government more leverage to support those regions decarbonizing most aggressively. Of course, the creation of a new federal crown corporation does not preclude the provinces from creating and funding similar bodies of their own.

Figure 1 illustrates the relationships between the various elements of our proposed Just Transition Act. The federal government provides funding to a new Economic Diversification Crown Corporation and to the provinces via a Just Transition Transfer. The provincial money is used to administer a Just Transition Benefit, which supports workers in communities substantially affected by decarbonization policies, and a Just Transition Training Fund, which supports workers from historically marginalized groups, within each province. The crown corporation operates in parallel by investing in affected communities to create new jobs in alternative industries. The Just Transition Commission oversees the entire framework by conducting ongoing monitoring and stakeholder engagement and providing recommendations to the government departments responsible for implementation. Every entity is responsible for upholding the fundamental principles, rights and definitions of a just transition enshrined in the act.

We estimate our proposed legislation would require new federal spending in the order of $16.5 billion per year, depending on program design and other variables. While insufficient on its own for ensuring a just transition to a net-zero carbon economy, investments in infrastructure and workforce development on this scale, when considered in the context of Canada's existing commitments to green infrastructure and climate initiatives, would significantly accelerate the transition already underway while ensuring vulnerable workers and communities are not left to fend for themselves.

FIGURE 1 Overview of program delivery under proposed framework for a Canadian Just Transition Act



Considerations for the role of the public service

WE ENVISION A Just Transition Act that establishes a framework for the government-led decarbonization of fossil fuel communities as well as the distinct (but related) expansion and diversification of the national clean economy workforce. Public ownership and the public service will play a central role in the successful implementation of all aspects of the act.

Although this approach diverges from the market primacy that has characterized the federal government's economic management of the past few decades, strong public leadership on economic transformation is not without successful historical precedent. Seth Klein notes that during the second world war, for example, Canadian public servants "planned the overall effort, orchestrated the supply chains, regulated economic conduct including prices and profits, and directed massive public investments into realizing this economic transformation."[89] Climate activists such as Klein and Bill McKibben have argued that a similar level of centrally coordinated action is necessary in the face of climate change.[90]

Facilitating public ownership of economic diversification initiatives in fossil fuel communities serves a number of purposes. First, it acts as a bulwark against capital flight in the wake of fossil fuel facility closures. If left purely to market forces, the closure of one major project risks a domino effect of smaller businesses closing and larger corporations relocating. Second, publicly owned infrastructure can better prioritize social benefits and long-term sustainability over short-term profitability. Governments need not invest where the most money can be made but, rather, where the investment is most needed. Third, public ownership can ensure that the maximum benefits of investment, including jobs, tax revenues and spin-off industries, stay in the community. In comparison to public-private partnerships, for example, publicly owned and operated projects tend to have lower costs and provide greater public returns over the long term.[91]

More broadly, the public sector is well-placed to manage the competing priorities of reducing greenhouse gas emissions while ensuring social and economic well-being. Incentive-based, market-steering measures, such as carbon pricing, may reduce emissions but they cannot ensure the sustainability of individual communities. Likewise, the social safety net alone cannot create new jobs where they're needed most. The public sector can keep workers and communities afloat during times when regional economies would not otherwise be economically viable until alternative industries are scaled up and those workers and communities can sustain themselves once again.

To realize the full potential of the Just Transition Act to minimize the harm and maximize the benefits of a transition away from fossil fuels, public servants must be empowered to implement a just transition agenda using all of the levers and mechanisms of government. Anthony Perl and Joshua Newman note that when it comes to environmental policy in the transportation sector, for example, public servants "generally do what elected leaders demand of them, and require political leadership to validate policy decisions" within "an entrenched policy paradigm in which private sector competition is promoted and government intervention is discouraged."[92] Democratically elected leaders should, ultimately, have control over the direction of government, but public servants can be encouraged and supported to take greater initiative in developing innovative policies that advance a government-led just transition agenda. Whether through representation in the Just Transition Commission or in government departments responsible for the act's implementation, public servants should play a strong technical and advisory role.[93] The ultimate success of the Just Transition Act, like any policy, depends "on the combined analytical capacity of thousands of policy workers in multiple levels of government."[94]

To that end, Canada must strengthen its bureaucratic capacity. Since the 1980s, the federal government has systematically outsourced its internal expertise and capacity to consultants.[95] Some essential functions for delivering a just transition, such as the ability to conduct rigorous social equity analysis, remains beyond the capacity of the public service to execute.[96] The federal government's own project of public service renewal acknowledges some of these limitations, but the pace of change does not reflect the urgency of the climate crisis.[97] In applying lessons from the effectiveness of Norway's public service in implementing climate policies, Nathan Lemphers argues that Canada should move more aggressively to increase flexibility in hiring to attract and retain high-skilled employees, hire and promote those from more diverse professional backgrounds, and strengthen government-based energy and climate policy analytics.[98] However, simply creating more space for public servants to develop policy without fear of reprisal from senior management or the government of the day may have the biggest impact.

Specific reforms to the public service are beyond the scope of the Just Transition Act, but it is essential that the public service have the capacity to deliver the programs and administrative bodies established by the act. More broadly, public servants must be trained and encouraged to apply a climate lens to all government work. The scope of this challenge cannot be met without a strong, innovative and climate-conscious public service.

Conclusion

DECARBONIZING THE CANADIAN economy—i.e., phasing out the production and consumption of fossil fuels across all sectors and industries—is a monumental technical and economic challenge made all the more difficult by its potential negative impacts on the workers and communities that depend on the fossil fuel industry for their well-being. An unplanned transition to a cleaner economy will leave many of those people behind. Furthermore, the productive low-carbon economy of the future will not necessarily be an inclusive one if current patterns of training and employment supports continue. Instead, many of the people who are already marginalized by the current economy will fall even further behind as we move toward a net-zero future.

The promise of a just transition is a promise to bridge the gaps between decarbonization and the well-being of workers and communities across Canada. The principles and policies that underlie a just transition can ensure the economy of the future is productive, inclusive and sustainable.

This paper takes as its starting point the commitment by the current federal government to introduce just transition legislation. We have reviewed the just transition literature and evaluated the just transition policies of countries around the world to inform our proposal for an ambitious, comprehensive and progressive Canadian Just Transition Act that meets Canada's unique set of challenges.

In addition to enshrining the fundamental principles of a just transition in Canadian law, our proposal for the act lays out a practical policy framework for achieving a just transition to a lower-carbon economy in practice. First, the act creates a Just Transition Commission to oversee and guide the government's transition agenda. Second, the act establishes a Just Transition Benefit to support workers in affected communities. Third, the act establishes an Economic Diversification Crown Corporation to invest in job-creating projects in affected communities. Fourth, the act establishes a Just Transition Training Fund to ensure historically marginalized groups gain access to employment in the lower-carbon economy. Fifth, the act creates a new Just Transition Transfer to deliver funding for these social programs to the provinces and territories.

Our proposed framework is not necessarily the correct way to transition. Canada has options for ensuring the principles of a just transition are realized in practice. However, our proposal captures the scope and scale of the challenge, including the amount of financial support necessary to realistically diversify the economies of fossil fuel-dependent regions. As the federal government moves ahead with its legislation, it, too, must reckon with the scale of the challenge. Overly narrow transition policies or inadequate funding for diversification will fail to minimize the harm or capture the enormous potential benefits of the shift away from fossil fuels.

Appendix

Program costs estimates

THE FOLLOWING ESTIMATES are intended to give a general indication of the scale of proposed spending. These figures depend on a variety of assumptions and should not be interpreted as a definitive costing exercise.

Just Transition Benefit

Estimates for the number of fossil fuel workers in Canada vary, but most fall in the range of 150,000–200,000 for the year 2019.[99] Those jobs, in turn, support a number of indirect and induced jobs. According to Statistics Canada, "for each job lost in the oil and gas industry, 6 jobs are lost in other industries (4 through indirect effects and 2 through induced effects)."[100] Therefore, the total pool of potential beneficiaries is approximately 1.2 million workers.

However, typical job churn in the fossil fuel industry—the share of workers who retire, leave the labour market, or find work in another industry in a given year—exceeds 10%.[101] Over the course of a decades-long wind down of the fossil fuel sector, and assuming no significant additional hiring, the majority of fossil fuel workers will retire or move into new positions and industries without requiring any government support at all. Moreover, as alternative industries are scaled up to replace the lost output from coal, oil and natural gas production, the impact on indirect and induced jobs in fossil fuel communities will be significantly diminished.

Nevertheless, if we make the conservative assumption that half of direct fossil fuel workers and one quarter of workers in indirect or induced jobs will require extra support at some point, the potential pool of beneficiaries is approximately 350,000 people. In 2019, the average duration of an unemployment spell was 18 weeks.[102] If we assume each of these people receives a $500 per week benefit (consistent with CERB) for an average duration of 18 weeks, total payouts from the program are $3.15 billion. Over the course of a 30-year phase out of fossil fuel production, that amounts to slightly more than $100 million per year (plus administrative costs).

Making the benefit taxable would mitigate the total cost of the program significantly, since most workers would receive EI during the same period. Clawing the benefit back above a certain income threshold would have a similar effect. On the other hand, offering a more generous income top up (e.g., as a proportion of previous income rather than a flat amount) could increase the cost significantly. A study of Pennsylvania's coal transition estimates that a generous transition program (including compensation insurance, retraining, and relocation support) would cost U.S. $115,000 per worker.[103] Applied to Canada's fossil fuel workforce that would mean a total program cost of well over $1 billion per year.

Economic Diversification Crown Corporation

The total contribution of fossil fuel production to the Canadian economy is approximately $140 billion per year, or 7% of nominal GDP.[104] Some analysts dispute this figure and estimate the figure at closer to 3% of real GDP.[105] Either way, the economic contribution of fossil fuels is too large to be replaced through direct government spending alone.

However, given the extremely capital-intensive nature of fossil fuel production, the number of jobs that the industry supports in a given region can be replaced at a much lower cost. An investment of $1 million in oil and gas production creates only four jobs, compared to 10 jobs for the same investment in the economy as a whole.[106] Industries such as agriculture, professional services and education produce 12, 17 and 23 jobs, respectively, for the same $1 million investment. Consequently, investments in a basket of sustainable, labour-intensive industries could theoretically replace all fossil jobs in Canada for closer to $50 billion per year.

Even still, we should not expect direct federal spending to replace every single job lost during the transition away from fossil fuels. In a normal year, federal government program spending accounts for upward of 15% of national GDP.[107] To reflect the urgency of a just transition, we might expect the federal government to shoulder twice that share here. The federal government should employ other tools, including regulations and incentives, to mobilize provincial budgets and private capital to fill the gap.[108]

A 30% stake in an ambitious diversification strategy amounts to $15 billion per year in direct federal spending, which can be delivered through the Economic Diversification Crown Corporation. That figure is significant enough to drive serious economic changes in the communities that need it, while making a meaningful contribution to Nicholas Stern's recommendation for Canada of 1–2% of GDP (about $25–50 billion per year) in total climate spending.

Just Transition Training Fund

The number of people from historically marginalized communities who could be trained or re-trained for work in a low-carbon economy is difficult to measure for a variety of reasons, including the pace of job creation, levels of immigration and population growth, and shifting cultural expectations around the skilled trades.

One approach is to work backward from job creation projections. At the high end, which represents an upper bound for our estimate, the Columbia Institute projects that 3.9 million jobs will be created in the building trades by 2050 to meet Canada's climate commitments.[109] That works out to about 130,000 jobs per year. As of the 2016 census, nearly a quarter of the Canadian population are non-white, a fifth are immigrants and 5% are Indigenous, with all of these proportions trending upward.[110] Women, who account for half the population, are also approaching gender parity in the labour market. For a representative workforce, we might aim to specifically train 75,000 skilled workers per year from these historically marginalized groups.

Tuition and other training costs for a skilled trade are considerably lower than for a university degree. In fact, due to the high demand for skilled tradespeople, there are a wide variety of public and private programs that reimburse some or all of the cost of pursuing an apprenticeship.[111] Apprentices are also paid while they learn, although not during the classroom portion of their training. The Just Transition Training Fund could make the biggest impact by providing income support during the four to 12 months of unpaid time that apprentices spend in classes over the course of their training. A program that provided cheques of $1,250 per month during these times (akin to the Canada Emergency Student Benefit) would increase accessibility for economically marginalized students at a cost of roughly $750 million per year. The net cost could be reduced significantly if these payments did not stack with other benefits or if they were made taxable.

To build out the training capacity envisioned by this program, the Just Transition Training Fund must also allocate a significant amount of funding to infrastructure and recruitment efforts. For context, the federal government currently spends $15.7 billion per year on post-secondary education, of which $4.6 billion is transferred to the provinces and $3.2 billion is distributed as loans, grants and employment support for students.[112] Indeed, for every dollar spent on tuition in Canada, the federal and provincial governments spend an additional $1.50 on educational infrastructure and programs.[113] To build the capacity to train 75,000 new students every year, including in communities that don't currently have the requisite infrastructure, may cost another $650 million per year in government funding. That figure assumes new training capacity will continue to be funded at roughly the same cost per student as the current post-secondary system. It also assumes the federal government covers the provincial governments' share of new spending, though, in practice, the provinces could be called on to contribute a portion.

Altogether, a Just Transition Training Fund that built out the capacity to train 75,000 workers per year from historically marginalized communities while offering generous income support to students along the way may cost in the order of $1.4 billion per year.

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