

Pre-Budget Submission for the Federal Government 2022 Budget

The Business Council of Alberta (BCA) is pleased to provide ideas and recommendations to the Government of Canada in advance of its 2022 budget. We are a non-partisan, for-purpose organization composed of the province's largest enterprise chief executives and leading entrepreneurs. Our members represent the majority of Alberta's private sector investment, job creation, exports, and research and development. We are dedicated to building a better and more prosperous Alberta within a strong Canada.

Like the rest of Canada, Alberta had an exceptionally difficult 2020 due to the devastating impacts of the coronavirus. Multiple years of depressed oil prices since 2014 compounded the challenges, leading to economic, social, and health headwinds that upended our lives and threatened our businesses.

However, 2021 saw a strong rebound due in large part to higher-than-expected oil prices, driving economic growth, boosting provincial and federal revenues, and improving unemployment rates.

That said, headwinds remain. The rampant spread of Omicron and continued virus disruptions impeded progress to a full recovery in early 2022, disproportionately impacting supply chains, downtown office occupancy rates, and in particular, vulnerable industries such as hospitality, tourism, dining, retail, and more. High oil prices are not translating into the same rate of oil services jobs growth as in the past because investors and shareholders are demanding strong balance sheets and returns rather than production growth. Furthermore, Canada's pursuit of emissions reductions is expected to rapidly change Alberta's employment landscape.

The future of inclusive economic growth and prosperity is expected to look different than it did in the past, even as Alberta's traditional strengths—its resource base, talented workforce, and innovative spirit—remain vitally important for a strong, prosperous Canada.

In this context, we offer the following ideas for consideration as the Government of Canada prepares its 2022 budget.

1. Pandemic Recovery: Balancing economic recovery with continued uncertainty

While the rapid spread of the Omicron variant reminds us that the public health situation can change quickly, BCA and its membership are hopeful that the pandemic will enter a manageable endemic state in the near future. Omicron has proven to be less virulent than past variants despite its increased transmissibility. The time may be approaching where Canadians learn to live with the virus, while maintaining vigilance about the possibility of new or unforeseen threats.

Given that the pandemic remains a fluid situation, government must strike a balance between protecting those at risk from COVID without causing excess economic and mental

health hardship on the broader population. Where this balance lies is a difficult question to answer, and the appropriate policy response may change as time passes. That said, Omicron's decreased severity is building confidence around the world that finding this balance is compatible with carefully easing restrictions. BCA and its membership believe that Budget 2022 can strike this balance through several measures.

First, we believe that Budget 2022 should redeploy resources currently being used for ineffectual travel restrictions and arrival testing toward supporting measures proven to create safer schools, workplaces, and healthcare facilities. Interprovincial and international mobility restrictions on federally regulated transportation have a profound impact on the psychological wellbeing of Canadians, serving to separate families and deepen the already disproportionate impacts on the pandemic's hardest-hit sectors.

Second, it is critical that the government continues to provide targeted supports to Canadians and businesses during this pandemic if future waves risk healthcare capacity and restrictions become unavoidably necessary. The economic and social impacts of the pandemic have not been experienced uniformly. While some have enjoyed job stability and increased savings, others have faced precarious work for more than two years. Government supports should reflect this.

And finally, BCA believes the upcoming budget's priorities should promote national unity built firmly on the values of mutual respect, understanding, and tolerance. The pandemic has exposed many new and pre-existing societal divisions. We implore the government to use every tool at its disposal—including the budget—to build bridges across these divides.

2. Environment: Enabling businesses to make long-term climate investments now

The shift to a low-carbon economy will create many opportunities, but significant costs as well. Massive amounts of private sector investment will be needed to fund this transition. Alberta's difficult-to-decarbonize, trade-exposed industrial base will require a transformative buildout of major decarbonization technologies if Canada is to achieve its climate goals. To make the investments necessary, businesses require a regulatory environment that preserves their competitiveness and creates long-term policy clarity. Requiring businesses to deploy billions of dollars on a 28-year time horizon to 2050 without policy clarity over that same timeframe will not drive private sector investment at the pace and scale needed.

To these ends, BCA believes Budget 2022 must create long-term, market-based policy clarity. This includes:

- a. providing carbon pricing certainty well beyond 2030 and indexing increases to a predictable metric such as CPI or GDP growth;
- b. integrating carbon markets for compliance purposes across Canada and internationally;
- c. preserving competitiveness for energy-intensive trade-exposed businesses;

- d. replacing opaque, inefficient regulations with carbon pricing, to the extent possible; and
- e. funding the adoption of an outcomes-based approach to major project permitting/approval processes to speed up their timelines, including a process to fast-track approvals of decarbonization projects.

3. Environment: Supporting Alberta as a global leader in clean tech RD&D and exports

Federal climate change mitigation and economic harm reduction spending needs to be allocated on a regional basis in proportion to the required level and cost of emissions that need to be cut. Canada's 2030 GHG target is less than 8 years away. Without significant government support for the deployment of proven clean tech in Alberta – notably carbon capture, utilization and storage (CCUS) infrastructure – national climate targets and prosperity creation ambitions will not be met.

Furthermore, Alberta's workforce expertise and industrial base make it the natural home for researching, developing, deploying (RD&D), and exporting globally relevant clean tech solutions and low-carbon energy. The global transition to a low-carbon economy opens a once-in-a-lifetime window for Canada to position itself as a global clean tech and low-carbon energy export leader.

BCA believes Budget 2022 should leverage Alberta's existing expertise and natural advantages, propelling it into an industrial clean tech RD&D and low-carbon energy export hub by:

- a. scaling CCUS project development by providing significant near-term financial support as modeled through [best practices in the Netherlands](#); and by creating more value for carbon captured;
- b. providing a clear path forward to enable investment in CCUS and other clean technologies, including through investment tax credits that are competitive with other jurisdictions such as the United States' 45Q tax credit;
- c. expanding the class of assets eligible for 100% immediate capital cost deductions to include technologies across the entire value chain that contribute to significant decarbonization, including green retrofits and for renewable energy and storage;
- d. providing stable, long-term funding for a world-class clean tech innovation hub in Alberta in support of hydrogen, biofuels, battery storage, bitumen beyond combustion, geothermal, direct air capture, critical minerals extraction, and small modular reactors;
- e. increasing Canada's capacity to export lower-emissions energy and industrial clean technology solutions to the world, including by supporting Alberta companies that seek to export LNG that verifiably reduces global GHGs through fuel switching; and
- f. helping position Edmonton and its nearby industrial clusters as Canada's first major hydrogen hub and a proof-of-concept for future expansion.

4. Long-Term Growth Strategy: Creating an innovative, sustainable, and growing economy to support vital services

Even before the pandemic, Canadian productivity and competitiveness had been lagging many of our OECD peers. This concerning trend undermines business confidence; stagnates wage and income growth; discourages innovative, entrepreneurial Canadians from scaling their ideas in Canada; and undermines the nation's fiscal standing and ability to pay for vital public services. While a focus on inclusive economic growth is important, it should not come at the expense of growth itself. To solve these issues, spending priorities outlined in Budget 2022 need to drive forward a long-term economic growth agenda.

First, Budget 2022 should elevate Canada's status as a place where innovators can take risks and successfully commercialize and scale up their ideas. While last year's budget included some enhancements to the Strategic Innovation Fund, Canada continues to lack a cohesive and coordinated approach to innovation and commercialization. Budget 2022 should implement promises outlined in the Prime Minister's mandate letters to ministers, including: establishing a Council of Economic Advisors; increasing the allowable expense amount for Canadian businesses making growth-enhancing investments; and making the SR&ED Program more generous to risk-taking companies. The budget should also make progress towards establishing a Canadian Advanced Research Projects Agency modeled after the United States' DARPA.

Second, this year's federal budget must address Canada's dwindling global reputation as a place in which to do business. Canada's inefficient and slow regulatory environment has contributed to a lack of investment confidence. Major projects face great difficulty moving from concept to completion in a timely, competitive manner—including projects that will contribute to Canada's climate goals and advance Indigenous economic reconciliation. Budget 2022 should emphasize reforming Canada's regulatory malaise—especially its major project assessment and approval processes—to increase their speed, agility, transparency, and accountability. To these ends, Budget 2022 should:

- a. create an independent oversight agency mandated to assess the challenges of, and propose policy solutions to, burdensome business regulation on the economy;
- b. commit to an outcomes-based permitting and approval regulatory frameworks, streamlining processes through legislated decision-making timelines that align with top-performing high-income OECD countries;
- c. grant a “regulatory Nexus card” for fast-track project approval times to trusted operators with proven operational and environmental performance; and for the deployment of innovative clean technologies; and
- d. fully adopt the [recommendations](#) of the Industry Strategy Council's “Restart, Recover and Reimagine Prosperity for All Canadians” report.

Third, Budget 2022's long-term growth agenda must complement clear plans to maintain Canada's fiscal stability. The pandemic has led to an historic level of federal spending to bridge Canadian workers and businesses through the negative impacts of public health

measures. Budget 2022 should outline how Canada will preserve a competitive business environment while maintaining its fiscal capacity to pursue its key long-term priorities, including the substantial financial outlays that will be necessary to reach net-zero targets; and providing vital public services despite the inevitability of future economic shocks.

However, the federal budget does not exist in a vacuum; many factors impact the overall fiscal stability of the country. For example, Canada's constitutional distribution of powers means that provincial debt levels can have federal implications. Similarly, [household debt levels](#) are high and pose a risk to government revenues. And finally, the prospect of rising interest rates will have an impact on each level of government's debt servicing costs and consumers' spending, investing, and household debt carrying capacity. Considering these factors, Budget 2022 should establish a clear fiscal anchor and a path towards national fiscal stability.

5. Jobs and Training: Workforce development for the economy of tomorrow

The nature and distribution of work is changing. Forces such as automation, technology, and the transition to a low-carbon economy have been magnified by pandemic impacts, to create persistently high long-term unemployment rates in Alberta. While this situation is not unique to Alberta, it is felt more acutely here. And these forces risk creating significant economic and social costs if left unaddressed.

A long-term growth agenda must combine with a workforce development focus so that Canadians have the skills they need for the economy and opportunities of tomorrow. Budget 2022 should help deliver on this focus through a more coordinated and strategic approach to unemployment, skills training, and workforce development supports. Federal supports should provide incentives for the workforce to pursue retraining and upskilling while also supporting business hiring and private sector training initiatives.

To these ends, Budget 2022 should incorporate the following workforce retraining initiatives:

- a. Employment Insurance (EI) reform that incentivizes unemployed individuals to pursue skills upgrades, including direct federal contributions to supports this retraining and upskilling;
- b. A \$30 million annual contribution increase to the Canada-Alberta Workforce Development Agreement;
- c. Consolidating and simplifying programs with provinces, including funding a one-stop window for individuals, businesses, and community organizations to access all third-party and federal and provincial government upskilling and training supports.

Furthermore, the transition to a low-carbon economy will have significant implications for Alberta's existing workforce. Federal just transition supports should be allocated not based on population size but rather on the people, regions, and communities most impacted by employment disruption. It should also be funded in proportion to the magnitude of the transition that is required. To these ends, Budget 2022 should follow through with the

promise in the Prime Minister's mandate letters to ministers to create the Futures Fund for regional economic diversification. The Alberta component of this initiative should be developed in broad consultation with Albertans, community leaders and the businesses whose investments will drive that diversification and transition.

However, federal just transition legislation and programs require a more holistic approach. Just transition must be viewed as part of an evolving future of work that includes technological disruption, changing workforce needs, and reducing emissions in traditional sectors. Rather than pivoting workers out of the energy sector and into clean energy or tech jobs for which they may not be well-suited, just transition programs should provide workers with a suite of options that enables them to choose their own pathway forward. Budget 2022 should ensure that just transition measures incorporate the following considerations:

- a. The business community must play a central role in informing policies;
- b. Supports should reflect workers' preferences, skills, and age;
- c. Policy design should consider historically disadvantaged groups;
- d. Just transition should not preclude a vibrant and growing Canadian energy sector;
- e. Better information is needed about labour market development and skills demand;
and
- f. Programs should incorporate clear, outcomes-based success metrics.

The federal government faces many challenges as it prepares its 2022 budget, including ongoing pandemic uncertainty; shrinking windows for meeting Paris Agreement climate targets; inflationary pressures on consumers and businesses; and deepening societal discord. We are at a pivotal junction in Canada where we must take steps that flip these challenges into opportunities, doing so in a manner that builds bridges and finds common ground across society. We believe that investments in the priorities outlined above can help Alberta contribute to a strong, united, and prosperous Canada for years to come.