Reports of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada

# Report 1

# Just Transition to a Low-Carbon Economy

## Independent Auditor's Report | 2022

Office of the Auditor General of Canada

Bureau du vérificateur général du Canada

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# Introduction

## Background

**Just transition to a low-carbon economy**

**1.1** The 2015 United Nations' Climate Change Conference in Paris brought Canada and 194 other countries together in adopting the Paris Agreement, a historic international effort to reduce greenhouse gas emissions. Signatories committed to strengthening the effort to limit the global average temperature rise to well below 2 degrees Celsius (°C), preferably to 1.5°C. The Government of Canada updated its commitment to the Paris Agreement in July 2021, to reduce emissions by 40% to 45% below 2005 levels by 2030.

**1.2** The Paris Agreement recognizes the need for "a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities." A just transition would provide equitable support to workers and communities to minimize the impact of a transition to a low-carbon economy while sharing the costs across society. In 2017, the government made an international commitment, as part of the Powering Past Coal Alliance Declaration, to transition workers away from coal in a sustainable and economically inclusive way, with appropriate support for workers and communities.

**1.3** According to the declaration, coal-fired electricity generation produces almost 40% of global electricity, making emissions from coal a leading contributor to climate change worldwide. In November 2016, the federal government announced that it would be amending its existing coal-fired electricity regulations to accelerate the phase-out of traditional coal-fired electricity in Canada by 2030. This phase-out would affect workers and communities in 4 provinces: Alberta, Saskatchewan, New Brunswick, and Nova Scotia. In 2021, Canada also committed to ending exports of thermal coal, which is the type of coal used for generating electricity, by 2030.

**1.4** Moreover, Canada has committed to achieving net-zero emissions by 2050, and governments around the world are making similar net-zero pledges. Also, the Minister of Environment and Climate Change must set national targets every 5 years and

make emission reduction plans, progress reports, and assessment reports for each target available to Parliament and the public. A new, independent Net-Zero Advisory Body also advises the government on achieving net-zero emissions by 2050. While Canada's economy is projected to grow during the transition to net-zero emissions, certain industry sectors that employ hundreds of thousands of Canadians may be affected. For example, about 40 million people globally work in energy-related sectors, and job losses may be most pronounced in communities that are heavily dependent on fossil energy production. Canada has committed to leaving no Canadian behind in this transition to a low-carbon economy.

## Federal roles and responsibilities

**1.5** Natural Resources Canada is the lead department responsible for advancing legislation to support the futures and livelihoods of workers and their communities in the transition to a low-carbon economy. Furthermore, the Minister of Natural Resources is responsible for reporting on 2 coal-transition programs, the Canada Coal Transition Initiative and the Canada Coal Transition Initiative—Infrastructure Fund, which aim to support skills development and economic diversification for coal workers and communities affected by the accelerated federal phase-out of coal-fired electricity.

**1.6** Employment and Social Development Canada is responsible for supporting Natural Resources Canada in advancing legislation to support the future livelihood of workers and their communities in their transition to a low-carbon economy. The department is also responsible for providing support to workers affected by the accelerated federal phase-out of coal-fired electricity. This includes support related to skills development, employment, training, and other measures.

**1.7** Prairies Economic Development Canada is one of the 2 regional development agencies responsible for designing and delivering on the 2 coal-transition programs, to support affected coal workers and communities in Alberta and Saskatchewan. Created in 2021, the agency assumed the responsibilities of the former Western Economic Diversification Canada in Alberta, Saskatchewan, and Manitoba.

**1.8** The Atlantic Canada Opportunities Agency is the other regional development agency responsible for designing and delivering on the 2 coal-transition programs, to support affected

coal workers and communities in Nova Scotia and New Brunswick.

## Focus of the audit

**1.9** This audit focused on whether Natural Resources Canada, working with Employment and Social Development Canada and partners, had prepared to support workers and their communities for a just transition to a low-carbon economy.

**1.10** The audit also focused on whether Natural Resources Canada, Employment and Social Development Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada had adequately supported a just transition for workers and communities affected by the accelerated federal phase-out of coal-fired electricity.

**1.11** This audit is important because for Canada to meet its greenhouse gas emission reduction targets, it must transition its resource and energy sectors to a low-carbon economy. The transition in these sectors will affect workers and communities across the country that are directly and indirectly supported by these industries. The government has committed to leaving no Canadian behind in this transition.

**1.12** The coal phase-out is an example of the significant changes that will take place in the ongoing transition to a low-carbon economy. Other sectors will also be affected as economies around the world decarbonize, affecting workers and communities. The coal phase-out is an opportunity for Canada to learn how a just transition can work best to benefit workers and communities.

**1.13** More details about the audit objective, scope, approach, and criteria are in **About the Audit** at the end of this report.

# Findings, Recommendations, and Responses

### Overall message

**1.14** Overall, we found that Natural Resources Canada and Employment and Social Development Canada were not prepared to support a just transition to a low-carbon economy for workers and communities. Part of Canada's international 2015 commitment to reducing greenhouse gas emissions is to support a

just transition to a low-carbon economy—that is, a transition that helps affected workers and communities, including by offering financial assistance, retraining, and employment opportunities.

**1.15** Although the government had identified Natural Resources Canada as the lead department to deliver just-transition legislation in 2019, the department took little action until 2021. It did not establish a governance structure that would set out the related federal roles, responsibilities, and accountabilities, and it did not have an implementation plan to address a transition that involves a variety of workers, geographies, and federal and other stakeholders. A governance structure and implementation plan would enable a clear and coordinated approach to helping workers and communities avoid hardship and continue to contribute to the economy.

**1.16** In the absence of a federal approach for a just transition to a low-carbon economy, Employment and Social Development Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada relied on existing program mechanisms that were not designed to support a just transition for coal workers and communities affected by the accelerated phase-out of coal-fired electricity.

**1.17** Federal departments and agencies also did not establish a framework to measure, monitor, and report on actions to support a just transition for Canadians. As Canada's energy mix changes, the coal phase-out is an early part of the transition to a low-carbon economy. The federal government must understand and communicate the effects on coal workers and communities and apply lessons learned from the coal phase-out to the policies and programs it will use in the next phases of the transition to net-zero emissions.

## Preparedness for a just transition to a low-carbon economy

### The federal government was not prepared to support a just transition to a low-carbon economy

**What we found**

**1.18** We found that Natural Resources Canada, working with Employment and Social Development Canada and partners on behalf of the federal government, was not prepared for a just transition to a low-carbon economy. The government had made a commitment to support a just transition and established a lead department. However, it did not have a plan, had not established

any formal governance mechanisms, had not completed national consultations with Canadians, and lacked a system to track results. Natural Resources Canada officials told us that due to **COVID-19**[1] and the oil-price shock of March 2020, the department had also delayed its work on developing legislation related to a just transition to a low-carbon economy.

**1.19** The analysis supporting this finding discusses the following topics:

- No federal implementation plan
- No formal governance structure
- No measuring and monitoring system

## Why this finding matters

**1.20** This finding matters because workers in vulnerable sectors will be affected by the global transition to a low-carbon economy—along with their families, their communities, and the businesses that contribute to the industry. The equitable provision of social safety nets and opportunities to participate in the low-carbon economy are important for a just transition. Establishing a clear and coordinated approach to support affected citizens and communities during the transition can help to avoid economic disruption and personal hardship.

## Context

**1.21** The world's largest economies are increasingly committed to emission reductions and making investments in clean energy and infrastructure, to meet net-zero emission targets. Canada is a resource-intensive and trade-dependent economy. According to the Canadian Climate Institute, around 70% of Canada's goods exports and 60% of its foreign direct investment comes from transition-vulnerable sectors that will experience market disruption through the global low-carbon transition.

**1.22** This transition will affect workers and communities in every province and shift the labour market away from traditional sectors and toward other opportunities. Sectors that are most affected include oil and gas extraction, emission-intensive manufacturing,

[1] Coronavirus disease (COVID-19)—The disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).

mining and quarrying, and transportation equipment manufacturing, along with supporting activities.

**1.23** Some communities and workers will require more help, if the transition to a low-carbon economy is to be equitable for all Canadians. Often, these communities are in rural Canada, and workers might not directly benefit from the low-carbon jobs of the future. Across Canada, more than 50 communities depend on these sectors, while there are an estimated 170,000 direct fossil-fuel jobs. The transition may affect workers' wages, pensions, and benefits, along with the municipal tax bases that support community services.

**1.24** The federal government committed in 2019 to advancing legislation to support the future and livelihood of workers and communities affected by the transition to a low-carbon economy. The Minister of Natural Resources also committed to building on the recommendations of the Task Force on Just Transition for Canadian Coal Power Workers and Communities, established in 2018, and to using lessons learned from the coal transition in the broader transition to a low-carbon economy.

## Recommendations

**1.25** Our recommendations in this area of examination appear at paragraphs 1.30, 1.33, and 1.36.

## Analysis to support this finding

### No federal implementation plan

**1.26** We found that Natural Resources Canada had not developed legislation to support affected workers and communities, which it had planned for fall 2021. The department published a discussion paper that proposed legislation, which would include draft just-transition principles and a just-transition advisory body. Department officials told us that it had delayed the process for developing the legislation in 2020 to focus its efforts on understanding the impact of the pandemic on the oil and gas sector during the initial COVID-19 response and the sharp decrease in oil prices.

**1.27** Natural Resources Canada launched a consultation process for feedback on potential elements for the proposed legislation. We found that the department had planned to start the

process in 2020, but was delayed to July 2021, due to the pandemic. Progress then stalled again for the 2021 federal election and had not restarted by the end of the audit period. The consultations were open to all Canadians, either through individual email submissions or virtual stakeholder sessions held by invitation from the government. At the time of the audit, the department had completed 3 sessions with stakeholder groups and 2 with provinces. The department had also received email submissions from stakeholders, such as labour organizations, academia, and industry. We noted that on 10 March 2022, subsequent to our audit period, the department formally launched the next round of the government's consultations on proposed legislation.

**1.28** We also found that the department had not established an implementation plan that would outline how the federal government would support a just transition for workers and communities that may be affected by the transition to a low-carbon economy. In our view, the current pace of planning for a just transition will make it difficult to address the upcoming shifts in the labour market and the needs of the Canadian workforce during the transition to a low-carbon economy.

**1.29** Past examples of economic transitions demonstrate that if these transitions are not properly planned, they can fail to support Canadian workers and communities. For example, the collapse of the northern cod fishery had a devastating effect on the labour force in Newfoundland and Labrador, despite the federal government's efforts to support workers (Exhibit 1.1).

**Exhibit 1.1—In 1992–93, federal programs responding to the collapse of the northern cod fishery lacked the planning needed to support a labour force transition**

In July 1992, the federal government enacted a moratorium on the cod fishery off the coast of Newfoundland and Labrador. The collapse of this industry had many causes, such as the lack of scientific data, overfishing, environmental factors, the overestimation of cod stocks, and mismanagement of cod quotas. As a result, approximately 37,000 workers—about 15% of the province's workforce—became unemployed.

In response to the disruption, the federal government delivered support programs, including

- the **Northern Cod Adjustment and Recovery Program**, which provided financial support to people left unemployed by the moratorium
- the **Atlantic Groundfish Strategy**, which helped to retrain former fishery workers for other fields or offered them retirement incentives

In our 1993 audit on the Northern Cod Adjustment and Recovery Program, we found that the government was unprepared to deal with the consequences of the moratorium,

leading to compromises in program design that would have significant effects later. The government also had difficulty in targeting payments to those clearly affected by the moratorium. Nor was there clear legislative authority for the expenditures under the program. These findings demonstrate the need for rigorous planning in advance of government support in a labour force transition.

In the resulting report, we recommended that the government present legislation to provide a proper authority for the program, and for future programs of a similar nature. We also recommended that the government amend terms and conditions of the program to correspond to the legislation.

Ultimately, there was widespread disruption to the labour force in Newfoundland and Labrador, with the province's population declining by 10% by 2000.

**1.30 Recommendation.** Natural Resources Canada, with the support of Employment and Social Development Canada, should define how the federal government will support workers and communities in a just transition to a low-carbon economy. Natural Resources Canada should

- outline the federal government's approach to supporting a just transition to a low-carbon economy
- develop an engagement strategy that includes key stakeholders that represent the diversity of affected workers and communities
- review the federal programming to determine how existing federal policies and programs can contribute to a just transition for workers and communities
- undertake a gap analysis to determine which policies and programs should be scaled up to support a just transition

***Response of each entity.*** *Agreed.*

See the **List of Recommendations** at the end of this report for detailed responses.

**No formal governance structure**

**1.31** We found that the federal government had not established a governance structure, roles, or responsibilities to guide federal departments in coordinating and collaborating to support a just transition to a low-carbon economy. Natural Resources Canada had discussed relevant issues with other government departments, such as Employment and Social Development Canada, including through an informal working group on just transition and future skills. This working group did not have any terms of reference with defined roles and responsibilities, a clear

mandate, or a meeting schedule. Nor did it require formal meeting minutes. The working group had met 4 times since 2019 and had not met since October 2020.

**1.32** Without formal roles, responsibilities, and accountabilities to address such a complex issue across federal departments, the government will not have a coordinated approach to delivering on a just transition to a low-carbon economy. Many countries have established more formal entities with specific mandates to plan and implement a just transition (Exhibit 1.2).

**Exhibit 1.2—Other countries have governance structures to coordinate activities that support a just transition**

| Government | Governance structure | Activities |
|---|---|---|
| European Union | Just Transition Mechanism (2020) | Sets coal exit by 2030<br>Mobilizes private sector investment to provide targeted support from 2021 to 2027 in the most affected regions |
| | Just Transition Platform (2020) | Provides technical and advisory support<br>Helps member states access funds and draw up territorial plans for a just transition |
| New Zealand | Just Transitions Unit in New Zealand's Ministry of Business, Innovation & Employment (2018) | Determines impact of climate change on affected communities, industries, and regions<br>Works with other levels of government<br>Leads engagement on just transition<br>Finds opportunities for government support |
| Scotland | Just Transition Commission (2019) | Undertakes consultations with workers, communities, non-governmental organizations, business and industry leaders, and other relevant bodies<br>Provides recommendations to government |

**1.33** **Recommendation.** To enable a coordinated approach to planning and implementing a just transition for Canadians, Natural Resources Canada, with the support of Employment and Social Development Canada, should formalize a governance structure to ensure that all relevant federal departments and agencies have clear roles, responsibilities, and accountabilities for advancing the federal support for a just transition to a low-carbon economy.

***Response of each entity.*** *Agreed.*

See the **List of Recommendations** at the end of this report for detailed responses.

### No measuring and monitoring system

**1.34** We found that Natural Resources Canada and Employment and Social Development Canada had initiated work to understand the effects of a transition to a low-carbon economy on workers and communities. For example, Natural Resources Canada had contracted research on how current skill sets in Canada's natural resource sector could be used in a net-zero economy and developed a mapping tool to help identify communities vulnerable to the effects of the transition. We found that although the departments had collected similar information, they had not coordinated their efforts to establish a measuring and monitoring system to understand and report on progress for a just transition to a low-carbon economy.

**1.35** We also found that Natural Resources Canada had demographic data from Statistics Canada on 4 natural resources sectors: hunting, fishing, and water; forestry; mineral and mining; and energy. The department told us that the data could be used to understand past trends related to gender, age group, immigration, and Indigenous and visible minority status. For example, the number of jobs held by visible minorities in all natural resources sectors showed an increase from 14% to 18% from 2009 to 2019.

**1.36** **Recommendation.** Natural Resources Canada, with the support of Employment and Social Development Canada, should work with relevant federal organizations to determine an approach to measure, monitor, and report on progress toward a just transition to a low-carbon economy. This approach should

- establish what data is needed related to sectors, skills, occupations, and the diversity of workers and communities
- develop the tools for measuring and monitoring affected workers and communities
- establish public reporting requirements for measuring progress toward a just transition for workers and communities to a low-carbon economy

***Response of each entity.*** *Agreed.*

See the **List of Recommendations** at the end of this report for detailed responses.

## Just transition for coal workers and communities

### Federal programs and benefits fell short of a just transition for coal workers

#### What we found

**1.37** We found that the federal commitments and supports for the coal transition addressed some of the recommendations of the Task Force on Just Transition for Canadian Coal Power Workers and Communities. We found that Employment and Social Development Canada and the regional development agencies used existing mechanisms to support affected workers and communities but fell short of a just transition. We also found that the **gender-based analysis plus**[2] undertaken for the coal-transition programs did not reflect the diversity of the workers. We also found that the measuring and monitoring of results did not provide a sufficient understanding of whether programs were supporting just-transition outcomes for workers and communities.

**1.38** The analysis supporting this finding discusses the following topics:

- Business-as-usual support for coal workers
- Support for communities not designed for a just transition
- Underrepresented groups not considered in gender-based analysis plus
- Not all task force recommendations addressed
- Insufficient results measurement, monitoring, and reporting

#### Why this finding matters

**1.39** This finding matters because to be successful, a just transition must focus on the diverse groups of affected workers and on communities, to provide equitable opportunities for the future. Understanding how federal programs are supporting the

[2] **Gender-based analysis plus**—An analytical process that provides a rigorous method for the assessment of systemic inequalities, as well as a means to assess how diverse groups of women, men, and gender-diverse people may experience policies, programs, and initiatives. The "plus" acknowledges that gender-based analysis goes beyond biological (sex) and socio-cultural (gender) differences and considers many other identity factors, such as race, ethnicity, religion, age, and mental or physical ability.

Source: Adapted from Women and Gender Equality Canada

diverse needs of workers and communities affected by the coal phase-out is an opportunity for the federal government to use the lessons learned to support a broader transition to a low-carbon economy.

## Context

**1.40** Many factors have influenced the timing and effects of the coal phase-out on workers and communities. In Alberta and Saskatchewan, where the largest number of coal-fired generating stations are located, the shutdown of stations and thermal coal mines was accelerated. In contrast, Nova Scotia and New Brunswick are years away from any job losses and economic effects (Exhibit 1.3). Nova Scotia has an equivalency agreement with the federal government, the effect of which is that its 4 coal stations are not subject to the *Reduction of Carbon Dioxide Emissions from Coal-fired Generation of Electricity Regulations* until 2030. The agreement also contemplates the negotiation of a new or amended equivalency agreement extending to 2040.

**Exhibit 1.3—The coal phase-out affects 21 coal-fired generating stations and thermal coal mines across 4 provinces**

| Province | Number of coal-fired generating stations and thermal coal mines | Ownership | Number of affected workers (approximate) | Number of affected communities |
|---|---|---|---|---|
| Alberta | 9 | Private sector | 2,900 | 7 |
| Saskatchewan | 5 | Provincial Crown corporation (generating stations)<br>Private sector (mines) | | |
| Nova Scotia | 6 | Private sector | 500 | 7 |
| New Brunswick | 1 | Provincial Crown corporation | | |

**1.41** Amendments to the coal-fired electricity generation regulations were announced in 2016 and came into force in November 2018. In its 2018 and 2019 budgets, the federal government committed $185 million for workers and communities affected by the accelerated phase-out of coal-fired electricity. This funding was aimed to support skills development, economic diversification activities, and infrastructure investments, as well as

transition centres that would provide a central location for all of the transition-related services. The funding would be delivered by Prairies Economic Development Canada and the Atlantic Canada Opportunities Agency through the Canada Coal Transition Initiative and the Canada Coal Transition Initiative—Infrastructure Fund. The federal government also committed to working with affected workers to explore ways to protect their wages and pensions.

**1.42** In 2018, the Minister of Environment and Climate Change established the Task Force on Just Transition for Canadian Coal Power Workers and Communities, to provide the federal government with advice on how to implement a just transition for workers and communities affected by the federal accelerated coal phase-out. The task force published a report in March 2019 that presented 10 recommendations (see paragraph 1.57 for more detailed discussion on this topic).

**1.43** Natural Resources Canada, with the support of Employment and Social Development Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada, was tasked with reporting on the results of the federal commitment to support affected workers and communities, including the Canada Coal Transition Initiative and the Canada Coal Transition Initiative—Infrastructure Fund, and on ways to support the workers' pensions and wages.

## Recommendations

**1.44** Our recommendations in this area of examination appear at paragraphs 1.58 and 1.63.

## Analysis to support this finding

### Business-as-usual support for coal workers

**1.45** A just transition depends on providing social safety nets that meet the needs of affected workers in a changing labour market. For example, programs can provide income support, education, skills development, and opportunities to secure new employment. Employment and Social Development Canada was mandated to support affected coal workers through skills development, employment, and other measures.

**1.46** We found that Employment and Social Development Canada used a business-as-usual approach to support affected workers by using an existing delivery mechanism. Specifically, the department relied on Employment Insurance benefits, which provide 55% of earnings up to a maximum amount, to support coal workers who had lost their jobs because of the coal phase-out. However, this benefit was not sufficient to meet their needs. In 2018, the Government of Alberta had launched the Coal Workforce Transition Program, which included a top-up to the federal Employment Insurance benefits for up to 75% of earnings for affected coal workers in that province, among other supports.

**1.47** We sought confirmation from various departments on how the federal government's commitment to exploring how it would protect the pensions of affected workers would be met and how responsibility for the commitment would be allocated. However, we found no evidence that this responsibility had been allocated or that this commitment had been met.

**1.48** Employment and Social Development Canada was mandated to implement the Employment Insurance Training Support Benefit to support affected workers while they were on leave for training. The benefit was part of the Canada Training Benefit, which aims to support new skills development for the clean economy. The department told us that it did not implement the Employment Insurance Training Support Benefit.

**1.49** Employment and Social Development Canada works with provinces to support affected workers under labour market transfer agreements. Under these agreements, the federal government provides the provinces and territories with funding intended to meet the needs of labour markets and to provide targeted support to Canadians—for example, through investment in skills development and training. Although these agreements are usually flexible, to allow provinces and territories to meet the varying needs of their labour markets, there have been instances in which specific sectors have been supported—for example, to assist workers in seasonal industries, or those affected by US tariffs on steel and aluminum products in 2019–20. We found that Employment and Social Development Canada had not amended existing labour market transfer agreements to offer specific support to affected coal workers.

### Support for communities not designed for a just transition

**1.50** Engaging with affected communities is important to understanding the effects of the coal phase-out and providing support that meets their needs. We found that to understand

community-level needs, the Atlantic Canada Opportunities Agency and Prairies Economic Development Canada engaged with affected communities and workers. We also found that during summer 2018, the agencies supported the Task Force on Just Transition for Canadian Coal Power Workers and Communities in its consultations with affected communities, to further understand their needs and the effects of the coal phase-out on them. The first coal-transition funding was announced before the release of the task force's recommendations in 2019.

**1.51** The coal-transition programs were established in October 2018 and August 2020 to support affected communities in the transition away from coal-fired electricity through opportunities for skills development and economic diversification. We found that by September 2021, the regional development agencies had funded 67 projects through both the Canada Coal Transition Initiative and the Canada Coal Transition Initiative—Infrastructure Fund in 26 communities across Alberta, Saskatchewan, Nova Scotia, and New Brunswick (Exhibit 1.4).

**Exhibit 1.4—Coal-transition programs delivered 67 projects to support communities in transition**

| | Prairies Economic Development Canada | Atlantic Canada Opportunities Agency |
|---|---|---|
| **Canada Coal Transition Initiative (April 2018 to March 2023)** | | |
| Funding received | $25 million | $10 million |
| Funding disbursed | 80% | 87% |
| Projects funded | 34 | 16 |
| **Canada Coal Transition Initiative—Infrastructure Fund (August 2020 to March 2025)** | | |
| Funding received | $105 million | $45 million |
| Funding disbursed | 30% | 22% |
| Projects funded | 7 | 10 |
| **Number of communities with projects funded** | **16** | **10** |

**1.52** In the absence of a federal approach to a low-carbon economy (paragraphs 1.26–1.29), the regional development agencies used existing terms and conditions to facilitate the delivery of the coal-transition programs. We found that under this delivery method, key features, such as recipient eligibility, activity

eligibility, and the assessment criteria, were designed to meet the objectives of existing economic diversification programs. The agencies told us that this allowed for flexibility in the design and delivery of the coal-transition programs.

**1.53** The programs were intended to support specific communities affected by the coal phase-out. We found that although specific communities were identified in the eligibility criteria, the agencies broadened the eligibility to include surrounding areas. We also found that the agencies worked with the identified communities to develop funding proposals for a variety of projects but could not demonstrate that all of the projects they funded supported a just transition for the affected communities. For example:

- In Alberta and Saskatchewan, we found that Prairies Economic Development Canada delivered 83% of funding to municipalities, with the intention of supporting their tax bases where coal-related closures were expected to cause revenue losses. For example, the agency funded projects to pave roads and update sewer and water systems. These projects aimed to attract new investment and retain existing business in affected communities. Other funded projects included business planning and management training for new and existing businesses.
- In Nova Scotia and New Brunswick, the Atlantic Canada Opportunities Agency delivered 35% of the funding to businesses and 22% to non-profit organizations, with the intention of supporting long-term business activity. However, many projects lacked a connection to the coal transition. For example, 1 project involved the renovation of a college property to provide summer accommodations to seasonal workers in the area.

**1.54** The agencies, with the support of Employment and Social Development Canada, were mandated to establish coal-transition centres. In Alberta and Saskatchewan, Prairies Economic Development Canada funded 3 coal-transition centres in affected communities. However, the agency told us that many communities did not show interest in using funding to establish these centres.

**Underrepresented groups not considered in gender-based analysis plus**

**1.55** The regional development agencies assessed the effects of both coal-transition programs using the federal government's gender-based analysis plus tool. We found that the analysis did

not consider the diversity of the coal worker population nor the indirect effects of a coal transition on other members of the community. According to Statistics Canada, in 2016, women made up 14% of the entire coal-mining workforce in Canada, and Indigenous peoples represented 6%. In our view, failing to recognize the diversity of Canadians and the indirect effects provides a narrow view of how programs can support those affected by the accelerated coal phase-out.

### Not all task force recommendations addressed

**1.56** The Task Force on Just Transition for Canadian Coal Power Workers and Communities engaged directly with stakeholders to gather information on

- the context for coal-fired electricity in each province
- known and anticipated effects of the accelerated phase-out of coal-generated electricity
- transition planning that was underway
- the strengths and weaknesses of existing funding and systems available to provide transition supports to workers and communities
- gaps in planning, policies, and programs

**1.57** As an advisory body, the task force made recommendations calling for just-transition principles to be embedded in planning, legislative, regulatory, and advisory processes to ensure ongoing and concrete actions throughout the coal phase-out. We found that the federal government had committed to supporting some of the task force's recommendations but delivered on only 4 of the 10 (Exhibit 1.5).

**Exhibit 1.5—Federal commitments and programs did not reflect all the task force recommendations**

| Federal commitments | Our findings |
|---|---|
| ✗ **Task force recommendation 1.** Develop, communicate, implement, monitor, evaluate, and publicly report on a just transition plan for the coal phase-out, championed by a lead minister to oversee and report on progress. | |
| Natural Resources Canada was tasked to report on results from just-transition activities for coal workers and communities.<br>No federal commitment was made for a just-transition plan for the coal phase-out. | Natural Resources Canada had not led on the reporting on just-transition activities for coal workers and communities. (paragraph 1.61) |

| Federal commitments | Our findings |
|---|---|
| ✗ **Task force recommendation 2.** Include provisions for just transition in federal environmental and labour legislation and regulations, as well as relevant intergovernmental agreements. | |
| Natural Resources Canada was tasked with advancing legislation to support the future and livelihood of workers and communities in the transition to a low-carbon global economy.<br><br>Employment and Social Development Canada could work with provinces to support affected workers under labour market transfer agreements. | Natural Resources Canada had not yet developed the just-transition legislation. (paragraph 1.26)<br><br>Employment and Social Development Canada had not amended labour market transfer agreements. (paragraph 1.49) |
| ✗ **Task force recommendation 3.** Establish a targeted, long-term research fund for studying the impact of the coal phase-out and the transition to a low-carbon economy. | |
| No federal commitment was made. | |
| ✓ **Task force recommendation 4.** Fund the establishment and operation of locally-driven transition centres in affected coal communities. | |
| The Atlantic Canada Opportunities Agency and Prairies Economic Development Canada were mandated to establish transition centres through the Canada Coal Transition Initiative.<br><br>Employment and Social Development Canada was mandated to support the creation of worker transition centres. | Prairies Economic Development Canada supported the establishment of 3 transition centres. (paragraph 1.54)<br><br>Employment and Social Development Canada used existing delivery mechanisms to support affected workers. (paragraph 1.46) |
| ✗ **Task force recommendation 5.** Create a pension bridging program for workers who will retire earlier than planned due to the coal phase out. | |
| The government announced plans to work to protect wages and pensions. | The government could not demonstrate how it had met its commitment to exploring how it would protect the pensions of affected workers. (paragraph 1.47) |

| Federal commitments | Our findings |
|---|---|
| ✗ **Task force recommendation 6.** Create a detailed and publicly available inventory with labour market information pertaining to coal workers, such as skills profiles, demographics, locations, and current and potential employers. | |
| No federal commitment was made. | |
| ✗ **Task force recommendation 7.** Create a comprehensive funding program for workers staying in the labour market to address their needs across the stages of securing a new job, including income support, education and skills building, re-employment, and mobility. | |
| Employment and Social Development Canada was mandated to implement the Employment Insurance Training Support Benefit. | Employment and Social Development Canada delivered existing Employment Insurance benefits, but they were insufficient. (paragraph 1.46)<br><br>Employment and Social Development Canada had not delivered the Employment Insurance Training Support Benefit. (paragraph 1.48) |
| ✓ **Task force recommendation 8.** Identify, prioritize, and fund local infrastructure projects in affected communities. | |
| The Atlantic Canada Opportunities Agency and Prairies Economic Development Canada were mandated to implement the Canada Coal Transition Initiative—Infrastructure Fund for priority infrastructure projects in affected communities. | The Atlantic Canada Opportunities Agency and Prairies Economic Development Canada has currently funded 17 projects under this fund. At the time of our audit, it was too early to determine results. (Exhibit 1.4) |
| ✓ **Task force recommendation 9.** Establish a dedicated, comprehensive, inclusive, and flexible just transition funding program for affected communities. | |
| The Atlantic Canada Opportunities Agency and Prairies Economic Development Canada were mandated to implement the Canada Coal Transition Initiative to support communities. | The Atlantic Canada Opportunities Agency and Prairies Economic Development Canada delivered coal-transition programs but could not demonstrate that all of the projects they funded supported a just transition for the affected communities. (paragraph 1.53) |

| Federal commitments | Our findings |
|---|---|
| ✓ **Task force recommendation 10.** Meet directly with affected communities to learn about their local priorities and to connect them with federal programs that could support their goals. | |
| Natural Resources Canada, supported by Employment and Social Development Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada, was tasked with continuing to engage with provinces, workers, unions, municipalities, and economic development agencies, to ensure that people affected by the phase-out had access to the help they needed during this period of transition. | The Atlantic Canada Opportunities Agency and Prairies Economic Development Canada engaged with affected communities and workers.<br>(paragraphs 1.50) |

**1.58** **Recommendation.** To better integrate just-transition principles into federal programs, the Atlantic Canada Opportunities Agency, Prairies Economic Development Canada, and Employment and Social Development Canada should work with Natural Resources Canada to establish the federal government's approach, which could include the design of new federal programs and leverage existing mechanisms, to support a just transition to a low-carbon economy that meets the diverse needs of affected workers and communities.

***Response of each entity.*** *Agreed.*

See the **List of Recommendations** at the end of this report for detailed responses.

**Insufficient results measurement, monitoring, and reporting**

**1.59** We found that Prairies Economic Development Canada and the Atlantic Canada Opportunities Agency established indicators that were not designed to measure and monitor outcomes for the coal-transition programs. For example, the agencies measured the numbers of jobs created and the numbers of projects funded but not whether coal communities had diversified their economies or whether changes had been made to the availability of other occupations. Without measuring and monitoring program outcomes, the agencies could not demonstrate how the funded projects met the objective to support a transition to a low-carbon economy for affected workers and communities.

**1.60** We found that available Statistics Canada employment data for the energy sector aggregated all types of electricity generated from fossil fuels (including oil, gas, and coal). This made it difficult for us to analyze information specific to the coal transition—notably, on workers in coal-fired electricity generation. We also encountered challenges in examining employment data for specific locations, such as coal-fired generating stations.

**1.61** Under Budget 2019, Natural Resources Canada was mandated to lead the reporting on results of the activities implemented to support a just transition for the affected workers and communities. However, we found that this had not been done. We also found that for the Canada Coal Transition Initiative, Prairies Economic Development Canada had reported some project-level information in its departmental results report, while such reporting by the Atlantic Canada Opportunities Agency did not take place until December 2021 and February 2022, after our audit period. Neither agency had yet reported on the Canada Coal Transition Initiative—Infrastructure Fund, as it was still too early for results to be measurable. Without public reporting on the results of these initiatives, Canadians cannot fully understand how workers and communities are transitioning away from coal.

**1.62** Only the Atlantic Canada Opportunities Agency and Prairies Economic Development Canada had linked the contribution of the coal-transition programs to Goal 12 of the United Nations' 2030 Agenda for Sustainable Development Goals in their departmental sustainable development strategy reports for 2020 to 2023. In our view, although there were no federal targets, the indicators under Goal 8 and Goal 10 could contribute to a better understanding of the outcomes of a just transition to a low-carbon economy (Exhibit 1.6).

**Exhibit 1.6—Reporting on the contribution of the coal-transition programs to Sustainable Development Goals was incomplete**

| United Nations' Sustainable Development Goal | | |
|---|---|---|
| | | |
| Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all | Reduce inequality within and among countries | Ensure sustainable consumption and production patterns |
| **Global target** | | |
| **Target 8.3**<br>Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services | **Target 10.4**<br>Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality | **Target 12.2**<br>By 2030, achieve the sustainable management and efficient use of natural resources |
| **Global indicators** | | |
| Proportion of informal employment in total employment, by sector and sex (no data yet available) | Labour share of GDP (gross domestic product)<br>Redistributive Impact of Fiscal Policy (no data yet available) | Material footprint, material footprint per capita, and material footprint per GDP (no data yet available)<br>Household direct and indirect consumption of energy and water |
| **Canadian target** | | |
| None | None | Zero-emission vehicles represent 10% of new light duty vehicle sales by 2025, 30% by 2030, and 100% by 2040 |

| Canadian Indicator Framework | | |
|---|---|---|
| • Unemployment rate<br>• Proportion of employees earning less than 66% of the median hourly wage for permanent full-time employees<br>• Proportion of youth not in education, employment, or training<br>• Rate of involuntary part-time work | • Gini coefficient*<br>• Proportion of the population reporting discrimination or unfair treatment<br>• Median hourly wage ratio<br>• Median household after-tax income | • Proportion of new light-duty vehicle registrations that are zero-emission vehicles<br>• Proportion of businesses that adopted selected environmental protection activities and management practices<br>• Total waste diversion per capita |
| **Departmental reporting** | | |
| None | None | • Number of projects funded (both agencies)<br>• Number of eligible communities with funded projects; value of funded projects (Atlantic Canada Opportunities Agency) |

* Gini coefficient—a measure of income inequality within a population.

**1.63 Recommendation.** Natural Resources Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada, with the support of Employment and Social Development Canada, should work together to measure, monitor, and report on just-transition outcomes. This would include

- establishing indicators and determining data requirements to measure and monitor the long-term effects of the coal phase-out on affected workers and communities
- tracking progress against indicators that align with the Canadian Indicator Framework for the Sustainable Development Goals and reflect the diversity of directly and indirectly affected workers and communities
- establishing results to be achieved for workers and communities that support a just transition to a low-carbon economy
- establishing a reporting schedule to publicly report on the outcomes of the just-transition programs

***Response of each entity.*** *Agreed.*

See the **List of Recommendations** at the end of this report for detailed responses.

## Conclusion

**1.64** We concluded that Natural Resources Canada, working with Employment and Social Development Canada and partners on behalf of the federal government, was not prepared to support workers and their communities for a just transition to a low-carbon economy. Although new legislation had been planned for 2021, no federal implementation plan, formal governance structure, or monitoring and reporting system was in place.

**1.65** We also concluded that in the absence of a federal approach for a just transition to a low-carbon economy, Employment and Social Development Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada had not adequately designed the federal programs and benefits to support a just transition for workers and communities affected by the accelerated federal phase-out of coal-fired electricity. In our view, this represents a significant missed opportunity, as the coal phase-out is the first of several transitions to a low-carbon economy facing Canadian workers, communities, and governments.

# About the Audit

This independent assurance report was prepared by the Office of the Auditor General of Canada on the just transition to a low-carbon economy. Our responsibility was to provide objective information, advice, and assurance to assist Parliament in its scrutiny of the government's management of resources and programs, and to conclude on whether Natural Resources Canada, Employment and Social Development Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada complied in all significant respects with the applicable criteria.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office of the Auditor General of Canada applies the Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we complied with the independence and other ethical requirements of the relevant rules of professional conduct applicable to the practice of public accounting in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from entity management:

- confirmation of management's responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the audit report is factually accurate

**Audit objective**

The objective of this audit was to determine whether Natural Resources Canada, Employment and Social Development Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada had adequately supported a just transition for workers and communities impacted by the accelerated federal coal-fired electricity phase-out.

The audit also aimed to determine whether Natural Resources Canada, working with Employment and Social Development Canada and partners, had prepared to support workers and their communities for a just transition to a low-carbon economy.

## Scope and approach

The audit examined whether Natural Resources Canada, Employment and Social Development Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada designed, delivered, and reported on results to support a just transition for workers and communities impacted by the accelerated federal phase-out of coal-fired electricity.

The audit also examined whether Natural Resources Canada, supported by Employment and Social Development Canada, and working with partners, was prepared to support workers and communities for a just transition to a low-carbon economy. We based our assessment of this preparedness on the preparedness model from the International Organization of Supreme Audit Institutions, which includes 7 steps: commitment and responsibility, establishing governance, engaging with stakeholders, planning, measuring system, monitoring system, and reporting system.

The audit team examined actions in support of the United Nations' Sustainable Development Goals, to understand the departments' contributions to Goal 8 and Goal 10.

## Criteria

| Criteria | Sources |
|---|---|
| **We used the following criteria to determine whether Natural Resources Canada, Employment and Social Development Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada had adequately supported a just transition for workers and communities impacted by the accelerated federal coal-fired electricity phase-out; and whether Natural Resources Canada, working with Employment and Social Development Canada and partners, had prepared to support workers and their communities for a just transition to a low-carbon economy:** | |
| The Atlantic Canada Opportunities Agency, Prairies Economic Development Canada, and Employment and Social Development Canada have engaged with stakeholders and determined the provisions of a just transition for workers and communities impacted by the accelerated federal coal-fired electricity phase-out. | • Paris Agreement, United Nations, 2015<br>• Powering Past Coal Alliance Declaration, Powering Past Coal Alliance, 2017<br>• Solidarity and Just Transition Silesia Declaration, United Nations, 2018<br>• Pan-Canadian Framework on Clean Growth and Climate Change, Environment and Climate Change Canada, 2016<br>• *Regulations Amending the Reduction of Carbon Dioxide Emissions from Coal-fired Generation of Electricity Regulations*<br>• Just Transition for Canadian Coal Power Workers and Communities Terms of Reference, Environment and Climate Change Canada<br>• *Department of Employment and Social Development Act* |

| Criteria | Sources |
|---|---|
| | • 2018-19 Departmental Results Report, Environment and Climate Change Canada<br>• Budget 2018<br>• Budget 2019 |
| The Atlantic Canada Opportunities Agency, Prairies Economic Development Canada, and Employment and Social Development Canada are delivering programs to support a just transition for workers and communities impacted by the accelerated federal coal-fired electricity phase-out. | • Paris Agreement, United Nations, 2015<br>• Powering Past Coal Alliance Declaration, Powering Past Coal Alliance, 2017<br>• Solidarity and Just Transition Silesia Declaration<br>• Transforming our World: The 2030 Agenda for Sustainable Development, United Nations, 2015<br>• Regulatory Impact Analysis Statement for the Regulations Amending the Reduction of Carbon Dioxide Emissions from Coal-fired Generation of Electricity Regulations<br>• *Western Economic Diversification Act*<br>• *Atlantic Canada Opportunities Agency Act*<br>• *Department of Employment and Social Development Act*<br>• Minister of Infrastructure and Communities Mandate Letter, Office of the Prime Minister, 2019<br>• Minister of Economic Development and Official Languages Mandate Letter, Office of the Prime Minister, 2019<br>• Minister of Employment, Workforce Development and Disability Inclusion Mandate Letter, Office of the Prime Minister, 2019<br>• Budget 2018<br>• Budget 2019 |
| Natural Resources Canada, the Atlantic Canada Opportunities Agency, Prairies Economic Development Canada and Employment and Social Development Canada are monitoring and reporting on the results of a just transition for workers and communities impacted by the accelerated federal coal-fired electricity phase-out. | • Policy on Results, Treasury Board, 2016<br>• Directive on Results, Treasury Board, 2016<br>• Budget 2019 |
| Natural Resources Canada, working with Employment and Social Development Canada and partners, is prepared to support a just transition for workers and their communities | • Paris Agreement, United Nations, 2015<br>• Powering Past Coal Alliance Declaration, Powering Past Coal Alliance, 2017<br>• Solidarity and Just Transition Silesia Declaration |

| Criteria | Sources |
|---|---|
| for a just transition to a low-carbon global economy. | • Minister of Natural Resources Mandate Letter, Office of the Prime Minister, 2019<br>• Minister of Labour Mandate Letter, Office of the Prime Minister, 2019<br>• Government Response by the Minister of Natural Resources to the House of Commons Petition 431-00102, 20 May 2021 |

### Period covered by the audit

The audit covered the period from January 2018 to September 2021. This is the period to which the audit conclusion applies.

### Date of the report

We obtained sufficient and appropriate audit evidence on which to base our conclusion on 11 March 2022, in Ottawa, Canada.

### Audit team

This audit was completed by a multidisciplinary team from across the Office of the Auditor General of Canada led by Kimberley Leach, Principal. The principal has overall responsibility for audit quality, including conducting the audit in accordance with professional standards, applicable legal and regulatory requirements, and the office's policies and system of quality management.

# List of Recommendations

The following table lists the recommendations and responses found in this report. The paragraph number preceding the recommendation indicates the location of the recommendation in the report.

| Recommendation | Response |
|---|---|
| **1.30** Natural Resources Canada, with the support of Employment and Social Development Canada, should define how the federal government will support workers and communities in a just transition to a low-carbon economy. Natural Resources Canada should<br>• outline the federal government's approach to supporting a just transition to a low-carbon economy<br>• develop an engagement strategy that includes key stakeholders that represent the diversity of affected workers and communities<br>• review the federal programming to determine how existing federal policies and programs can contribute to a just transition for workers and communities<br>• undertake a gap analysis to determine which policies and programs should be scaled up to support a just transition | **Response of each entity.** Agreed. Action to deliver on this recommendation is underway, under the leadership of Natural Resources Canada and Employment and Social Development Canada.<br>Natural Resources Canada, with the support of Employment and Social Development Canada, will continue to share information on Canada's approach to advance a just transition to a low carbon economy through its website and the consultations on just transition legislation (ongoing).<br>Natural Resources Canada, with the support of Employment and Social Development Canada, developed an engagement strategy to support the delivery of the government's commitment to just transition legislation. Starting in March 2022, Natural Resources Canada and Employment and Social Development Canada will consult Canadians, key stakeholders, provinces and territories and Indigenous groups. The expected completion date is May 2022.<br>Natural Resources Canada, in collaboration with relevant federal departments, will continue to review federal programming to determine how existing policies and programs can contribute to a just transition for workers and communities—for example, as seen on the Just Transition website. The department will also collaborate with provinces, territories and other partners in regions across Canada to identify and advance key economic opportunities, and set the course for sustainable jobs as Canada moves to a low carbon economy (ongoing).<br>Employment and Social Development Canada continues to review and implement programs that respond to current and emerging labour market needs. For example, through Budget 2021, the government invested $960 million over three years to help key sectors of the economy, with a priority on |

| Recommendation | Response |
|---|---|
| | supporting the low-carbon economy, by funding industry-driven activities that support a diverse and qualified supply of workers. These programs will help workers transition to sectors in demand through training and reskilling, and help employers attract and retain a skilled workforce (ongoing).<br><br>Natural Resources Canada will continue its review of federal government programming and consider feedback received through ongoing consultations and through coordinated information exchange across the federal government. The expected completion date is August 2022. |
| **1.33** To enable a coordinated approach to planning and implementing a just transition for Canadians, Natural Resources Canada, with the support of Employment and Social Development Canada, should formalize a governance structure to ensure that all relevant federal departments and agencies have clear roles, responsibilities, and accountabilities for advancing the federal support for a just transition to a low-carbon economy. | **Response of each entity.** Agreed. Currently, Natural Resources Canada, Employment and Social Development Canada and other federal departments meet on a regular, ad hoc basis. Natural Resources Canada will establish a governance structure to coordinate and advance just transition through the creation of a directors' general interdepartmental group, governed by terms of reference outlining roles, responsibilities and accountabilities. Furthermore, Employment and Social Development Canada and Natural Resources Canada will establish a directors' working group on skills, talent and employment under the Deputy Ministers' Committee on Climate Plan Implementation. The committee is expected to start meeting in May 2022.<br><br>Employment and Social Development Canada established a green hub, which leads and coordinates information sharing and collaboration on climate change action and just transition within the department. |
| **1.36** Natural Resources Canada, with the support of Employment and Social Development Canada, should work with relevant federal organizations to determine an approach to measure, monitor, and report on progress toward a just transition to a low-carbon economy. This approach should<br><br>• establish what data is needed related to sectors, skills, occupations, and the diversity of workers and communities<br><br>• develop the tools for measuring and monitoring affected workers and communities | **Response of each entity.** Agreed. Currently, the government collects data and reports on its grants and contributions programs, including through comprehensive evaluation reports completed and made public every five years. The next Sectoral Workforce Solutions Program summative evaluation is expected to include a focus on the clean economy priority and other projects most relevant to a just transition. This data could support just transition reporting, particularly on key skills and the diversity of workers. Employment and Social Development Canada will share |

| Recommendation | Response |
| --- | --- |
| • establish public reporting requirements for measuring progress toward a just transition for workers and communities to a low-carbon economy | relevant data with appropriate governance structures where applicable.<br><br>Natural Resources Canada, Employment and Social Development Canada and other relevant federal departments will determine an approach to measure, monitor, and report on progress towards a just transition to a low-carbon economy. This will include continuing work to improve labour market data (such as, sectors, skills and occupations) with key partners, including through sharing relevant results and evaluation information related to ongoing skills programming (such as the Sectoral Workforce Solutions Program's clean economy priority, the Community Workforce Development Program and Skills for Success).<br><br>Natural Resources Canada and Employment and Social Development Canada will work with other relevant federal entities to further develop tools required to measure and monitor labour market trends across the country (ongoing).<br><br>Natural Resources Canada and Employment and Social Development Canada will develop advice to the government regarding measuring progress towards a just transition for workers and communities to a low-carbon economy. |
| **1.58** To better integrate just-transition principles into federal programs, the Atlantic Canada Opportunities Agency, Prairies Economic Development Canada, and Employment and Social Development Canada should work with Natural Resources Canada to establish the federal government's approach, which could include the design of new federal programs and leverage existing mechanisms, to support a just transition to a low-carbon economy that meets the diverse needs of affected workers and communities. | **Natural Resources Canada's response.** Agreed. Proposed just-transition legislation may include just-transition principles which, if passed, would help inform the design of new or expanded federal programs to ensure that all Canadian workers and communities benefit from the opportunities that the transition to a low-carbon economy will bring.<br><br>The department will work with Employment and Social Development Canada, regional development agencies, and other federal departments to continue to leverage existing mechanisms to support a just transition to a low-carbon economy. For example, Employment and Social Development Canada's Sectoral Workforce Solutions Program will fund sectoral projects that focus on a range of industry-driven activities such as training and reskilling workers, helping employers retain and attract a skilled and diverse workforce, and other creative solutions to help sectors, including those linked to the low-carbon economy, address labour market |

| Recommendation | Response |
| --- | --- |
| | needs. Natural Resources Canada will continue to work with Employment and Social Development Canada, as appropriate, in delivering the mandate commitment to launch a clean jobs training centre to help workers across key sectors and occupations improve or gain new skills in order to be on the leading edge of the zero-carbon industry.<br><br>Natural Resources Canada will also collaborate with provinces, territories, and other partners in regions across Canada to identify and advance key economic opportunities, and set the course for sustainable jobs as Canada moves to a low-carbon economy (ongoing).<br><br>**Employment and Social Development Canada's response.** Agreed. The department will work with Natural Resources Canada and regional development agencies to leverage existing mechanisms to support a just transition to a low carbon economy. The federal government has made a significant investment through the Sectoral Workforce Solutions Program to help key sectors of the economy, with a priority on building talent for the low carbon economy. Employment and Social Development Canada is also currently working on a mandate commitment to launch a clean jobs training centre to help workers across key sectors and occupations improve or gain new skills in order to be on the leading edge of the zero carbon industry.<br><br>The department leverages flexibilities within existing programs to support priorities such as the low carbon economy. For example, the Union Training and Innovation Program launched a call for proposals in August 2021, which prioritized the purchase of equipment and material that support the development of skills for the low carbon economy.<br><br>**Prairies Economic Development Canada's response.** Agreed. The agency, where mandated, agrees to work with other federal departments and agencies to design new federal programs and undertake other actions to support a just transition to a low carbon economy that meets the diverse needs of affected workers and communities in the Prairies. |

| Recommendation | Response |
| --- | --- |
| | **The Atlantic Canada Opportunities Agency's response.** Agreed. The agency, where mandated, agrees to work with other federal departments and agencies to design new federal programs and undertake other actions to support a just transition to a low carbon economy that meets the diverse needs of affected workers and communities in Atlantic Canada. |
| **1.63** Natural Resources Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada, with the support of Employment and Social Development Canada, should work together to measure, monitor, and report on just-transition outcomes. This would include<br>• establishing indicators and determining data requirements to measure and monitor the long-term effects of the coal phase-out on affected workers and communities<br>• tracking progress against indicators that align with the Canadian Indicator Framework for the Sustainable Development Goals and reflect the diversity of directly and indirectly affected workers and communities<br>• establishing results to be achieved for workers and communities that support a just transition to a low-carbon economy<br>• establishing a reporting schedule to publicly report on the outcomes of the just-transition programs | **Natural Resources Canada's response.** Agreed. Natural Resources Canada, regional development agencies, Employment and Social Development Canada, and other relevant departments, where appropriate, will work together to measure, monitor, and report on just-transition outcomes. The development of a framework for measuring quantitative and qualitative outcomes of the coal phase-out on affected workers and communities will be led by the Atlantic Canada Opportunities Agency and Prairies Economic Development Canada.<br>For potential future programs, as appropriate, Natural Resources Canada, Employment and Social Development Canada, the Atlantic Canada Opportunities Agency, and Prairies Economic Development Canada will track progress based on Sustainable Development Goal indicators and establish results for workers and communities. The expected completion date is by the time new programs are considered by a Treasury Board committee of ministers.<br>Moving forward, and as programming to support a just transition evolves, Natural Resources Canada will work with the Atlantic Canada Opportunities Agency, Prairies Economic Development Canada, Employment and Social Development Canada, and other departments and agencies, as appropriate, to determine the most effective approach to future public reporting on just-transition programs, including schedule and mechanisms. This will be in addition to the outcomes already presented by each department with funding in their annual departmental reports. In the near term, Natural Resources Canada will showcase snapshots of the Canada Coal Transition Initiative and its infrastructure fund projects on its Just Transition webpage, and will determine a schedule on how often to update this website. This is in addition to |

| Recommendation | Response |
| --- | --- |
| | results already communicated on an annual basis by the Atlantic Canada Opportunities Agency and Prairies Economic Development Canada through each agency's departmental report.<br><br>**Employment and Social Development Canada's response.** Agreed. The department can contribute to the overall just transition reporting by sharing data and analysis collected through internal program performance measurement and evaluation. The department is working on developing a performance information profile on the Sectoral Workforce Solutions Program, which will produce relevant data on its low carbon economy priority. The department will collect data from funding recipients through quarterly reports, such as the number of participants who complete training or transition initiatives, including those from equity-deserving groups; number of employers that report being better able to recruit skilled workers in targeted sectors; and number of participants employed following participation in a project.<br><br>Also, as part of the Sectoral Workforce Solutions Program performance measurement process, the department will use Statistics Canada's Labour Force Survey to track participation and vacancy rates in targeted sectors. Though this data will be high level, it may help inform future skills investments.<br><br>**Prairies Economic Development Canada's response.** Agreed. The agency agrees that for future programs it is mandated to deliver, it will work with other federal departments and agencies on performance measurement, monitoring and reporting on just transition.<br><br>**Atlantic Canada Opportunities Agency's response.** Agreed. The agency agrees that for future programs that it is mandated to deliver, it will work with other federal departments and agencies on performance measurement, monitoring and reporting on just transition. A planned program evaluation for both the Canada Coal Transition Initiative and the Canada Coal Transition Initiative—Infrastructure Fund will help inform future program design and delivery. |