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• (1150)

[English]

The Chair (Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.)): I call this meeting to order.

Unfortunately there was a delay caused by the vote. The intention, if House of Commons resources permit, is to still do the full two hours. That would take us to 1:47. We'll see what happens.

Commissioner, welcome—

Mr. Kyle Seeback (Dufferin—Caledon, CPC): I have other matters, Mr. Chair. I cannot stay until 1:47. We'll have to discuss that.

The Chair: Okay, I understand that.

We'll have to deal with it when we get close to the one o'clock time slot. As I say, we don't know what the House resources will permit. There's always a potential for substitution. The committee will have to decide if it wants to adjourn before 1:47. We'll deal with that as we get closer to one o'clock. I do understand your predicament, Mr. Seeback.

Commissioner, you have the floor for around 13 minutes.

Mr. Jerry V. DeMarco (Commissioner of the Environment and Sustainable Development, Office of the Auditor General): Thank you, Mr. Chair.

Thank you for inviting us today to discuss my spring 2022 reports.

I would like to acknowledge that we're on the traditional unceded territory of the Algonquin Anishinabe people.

With me today are Milan Duvnjak, Philippe Le Goff, Kimberley Leach and David Normand, who are responsible for the reports.

[Translation]

The five reports I provided to Parliament earlier this week are on programs that relate to the federal government's efforts to address the climate crisis. Last fall, I provided Parliament with an overview of Canada's climate record. I indicated that audits of specific programs like the ones I am discussing today would follow. As the programs are ongoing, my reports provide a type of mid-term report card that should help improve outcomes, because the climate change clock never stops ticking.

[English]

By auditing these important programs at an early stage, our intent is to provide Parliament with useful information that can be

used before the clock runs out. We cannot afford a fourth decade of failure on climate action.

First, let's turn to carbon, which is led by Environment and Climate Change Canada. As is recognized by the Supreme Court of Canada and many international organizations, effective carbon pollution pricing drives changes in consumer and producer behaviour that in turn reduce overall greenhouse gas emissions. Carbon pricing is therefore essential if Canada is to finally succeed in significantly reducing its greenhouse gas emissions.

We found that the department had ensured that carbon pricing systems were in place in all provinces and territories. In 2021, the department worked to address weaknesses in its initial approach that had allowed some less effective provincial carbon pricing systems to be accepted. However, the department did not fully address some shortcomings that could hinder the overall effort to meet Canada's emission reduction targets. For example, we found that federal requirements for large emitters continue to undermine the polluter pays principle by approving weaker systems for large emitters in some parts of the country.

In addition, indigenous communities and some groups in society remain disproportionately affected by carbon pricing systems.

[Translation]

Canada's carbon pricing approach needs further improvement to support the achievement of Canada's national emission-reduction targets, including transparent reporting so that Canadians can better understand the effectiveness and impacts of carbon pricing systems.

Canada is committed to moving away from fossil fuel dependence towards a low-carbon economy that reaches net-zero emissions by 2050. It is also committed to what is called a "just transition" for the workers and communities affected by this economic shift. This is the subject of the second audit released today.

The burning of coal to produce electricity has been a major contributor to greenhouse gas emissions. Phasing out coal is an early part of the government's plan to transition to a low-carbon economy. The government identified Natural Resources Canada as the lead department to deliver just transition legislation in 2019.

When it comes to supporting a just transition to a low-carbon economy, the government has been unprepared and slow off the mark. The department took little action until 2021, and it did not have an implementation plan to address this significant economic shift, which affects a variety of workers, communities, regions and stakeholders.

[English]

We found that as Canada shifts its focus to low-carbon alternatives, the government is not prepared to provide appropriate support to more than 50 communities and 170,000 workers in the fossil fuel sector. Without a proper just transition plan in place, there are risks that are comparable to what occurred with the collapse of the northern cod fishery in Atlantic Canada in the 1990s.

In the absence of a coordinated federal approach to support a just transition to a low-carbon economy, federal organizations relied on existing mechanisms, such as social assistance programs. These fell short of achieving a just transition for coal workers and the communities where they live.

As the coal phase-out is the first of several transitions to a low-carbon economy facing Canadian workers, communities and governments, there is an opportunity for the federal government to learn from this initial experience to improve future policies and programs. The future will involve changes at a much larger scale than the coal phase-out, so it is essential for Canada to make up for lost time and ramp up its approach to a just transition.

[Translation]

Hydrogen is the subject of the third report. As Canada's energy mix shifts away from fossil fuels, attention has turned to hydrogen as a possible cleaner substitute. The failure to appropriately project hydrogen's impact on reducing greenhouse gas emissions could jeopardize Canada's ability to meet its emission-reduction targets.

Two departments—Environment and Climate Change Canada and Natural Resources Canada—both endorse the idea of this clean energy source but took different approaches to project the role hydrogen should play to reach emission-reduction targets.

Environment and Climate Change Canada estimates hydrogen could produce the equivalent of a 15 megatonne reduction in greenhouse gas emissions by 2030, while Natural Resources Canada estimates up to 45 megatonnes of reductions by the same date.

• (1155)

[English]

In its transformative scenario, Natural Resources Canada assumed the adoption of aggressive and sometimes non-existent policies, along with an ambitious uptake of new technology. In our view, the assumptions in the federal hydrogen strategy are overly optimistic and compromise the credibility of the expected emission reductions.

This is concerning, because Canada's greenhouse gas emissions have increased significantly since the United Nations Framework Convention on Climate Change was signed in 1992, making Canada the worst performer of all G7 nations since that time. As I noted in the fall, Canada has consistently failed to meet its climate targets, despite numerous plans and commitments. Going forward, Canada needs realistic goals, credible plans and, most importantly, effective actions.

If hydrogen is to be part of Canada's plans to reduce greenhouse gas emissions, Environment and Climate Change Canada and Natural Resources Canada will need to coordinate their approaches and more effectively model and communicate a pathway for hydrogen.

Our fourth report is a snapshot of the greening government strategy launched by the Treasury Board of Canada Secretariat in 2017.

Federal government operations are a significant contributor to Canada's total emissions of greenhouse gases. We found that the secretariat had taken initial steps to support departments' efforts to reduce the federal government's environmental footprint. However, five years into the strategy, efforts to reduce emissions are not as complete as they could be. This is important, given Canada's publicly stated commitment to reach net-zero emissions by 2050 and to be a national and global leader in transitioning to carbon-neutral government operations.

At the time of our audit, eight of 27 departments had created reduction plans covering 81% of departmental emissions. We looked at National Defence, the largest emitter in government, and found that there was no clear information about how the department's efforts were contributing to the overall reduction target. The audit found that some important information on greening government was hard to find, unclear or incomplete. There was also a lack of detail on costs and savings.

In addition, the emissions of Crown corporations were not part of the strategy.

Overall, this lack of information makes it difficult for decision-makers, Parliament and Canadians to track whether the government will meet its 2050 target and whether Canada is being the global leader in greening government that it has set out to be.

[Translation]

More work is needed to ensure that the Greening Government Strategy delivers the desired results and that complete plans and methods are put in place to track and report on emission reductions.

In our last audit, we looked at whether selected federal funding programs contributed to more resilient, less carbon-intensive, and inclusive infrastructure investments.

We found that Infrastructure Canada had designed and implemented a way to assess whether funded projects could better withstand the effects of climate change, such as increasing floods and wildfires, and help reduce greenhouse gas emissions. In the initial roll-out of the department's Climate Lens assessment tool in 2018, those managing infrastructure projects were required to provide detailed estimates of their projects' expected emission-reductions.

However, we found that these requirements were weakened when the Climate Lens tool was changed in 2021. This reduced the department's ability to track and report on the funding programs' contributions to the government's climate-related objectives. The information deteriorated to the point that Infrastructure Canada was unable to accurately account for the expected climate mitigation and resilience benefits of the projects it funded.

We also found that Infrastructure Canada did not integrate Canada's commitments to meeting the United Nations' Sustainable Development Goals into the design of its programs. The department did incorporate gender-based analysis plus in the design of its programs and collected related information from project proponents, but it did not consistently measure and report on outcomes. Without complete and reliable information on the expected benefits and outcomes of funded projects, the government will not be able to tell whether its investments contributed to less carbon-intensive and more resilient infrastructure, or to its commitments to enhance diversity and inclusion.

• (1200)

[English]

As I mentioned at the beginning of my remarks, the climate change clock never stops ticking. We are moving ever closer to some critical deadlines that the government has set for itself. I trust the findings and recommendations that I have brought forward today will help the government improve its performance in these areas of critical importance. Because climate change is an intergenerational crisis with a rapidly closing window for action, it is essential for Canada to translate its commitments and plans into real action and results. Our future depends on it.

Mr. Chair, this concludes my opening remarks. We are happy to answer any questions the committee may have.

Thank you.

[Translation]

The Chair: Thank you, Commissioner.

Before starting the first round of questions, I would like to welcome our colleague Wilson Miao, who is with us this morning.

I would like to let committee members know that the plan was for the Minister of Environment and Climate Change to appear on Thursday, May 5. However, his schedule has changed and he will be with us on Tuesday, May 3. Please make a note of that.

Mr. Seeback, you now have the floor for six minutes.

[English]

Mr. Kyle Seeback: Thank you very much, Mr. Chair, and Mr. DeMarco, thank you very much for your report. Would you agree with me that a just transition for workers is a pretty key part of any emissions reduction plan?

Mr. Jerry V. DeMarco: Yes. I would agree that it's a critical part, not just "a pretty key part".

Mr. Kyle Seeback: I was going to say "critical", but I didn't know if you would agree to that. I'm happy that you do.

How long has the government had plans? How much time did the government have to plan a just transition for coal workers? I believe that when you gave us your briefing on Tuesday, you said they had known about this since 2016.

Mr. Jerry V. DeMarco: Yes, the commitment to phase out coal was announced in 2016, and then the regulations followed. In terms of the actual implementation—which is ongoing in Alberta, where there has already been the transition—I would say 2016 in terms of notice from themselves and perhaps 2015 in terms of notice from the international community, because the Paris Agreement includes wording about the necessity for a just transition.

Mr. Kyle Seeback: They've had six or seven years to plan for a just transition for these coal workers.

Mr. Jerry V. DeMarco: Yes.

Mr. Kyle Seeback: As a result of your analysis, you've said there was no federal implementation plan, no formal governance structure and no measuring and monitoring system. Over seven years, they did not accomplish any of that.

Mr. Jerry V. DeMarco: Yes, they are very slow off the mark, as I mentioned in my opening statement.

Mr. Kyle Seeback: When we look at some of the things you analyzed, we see, for example, that the government made an announcement that they would "create a pension bridging program for workers who will retire earlier than planned due to the coal phase out". Did they not do anything other than make that announcement?

Mr. Jerry V. DeMarco: They relied on existing programs that were in place for other types of disruptions that people experience in their lives—unforeseen job loss, and so on—but there was no tailored approach for the phase-out of coal as an energy source and in terms of thermal coal mining.

• (1205)

Mr. Kyle Seeback: Right, but they announced that they were going to have plans to protect wages and pensions. That's in your report.

Mr. Jerry V. DeMarco: That's right.

Mr. Kyle Seeback: They did an announcement but did not do the actual work.

Mr. Jerry V. DeMarco: Correct.

Mr. Kyle Seeback: This says, “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”. They made that commitment as well, and they did not deliver on that in the last seven years. Is that correct?

Mr. Jerry V. DeMarco: That is correct.

Now, keep in mind the period of our audits. There have been a few developments since we closed the books on this. You can ask the departmental officials for an update on what's happened since we closed the file, but as of the date, yes.

Mr. Kyle Seeback: Right, and it's the same thing with this: “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 [and] re-employment....”

It's been known since 2015 that they would need things like that, and as of your report, nothing had been done on that either.

Mr. Jerry V. DeMarco: I'm going to ask Ms. Leach to comment on that particular paragraph.

Ms. Kimberley Leach (Principal, Office of the Auditor General): Thank you very much, Mr. Chair.

I just wanted to point out that those recommendations from the just transition task force for coal workers were made back in 2018. The task force made 10 recommendations, as we noted in our chapter, and some of them were followed through and some of them were not.

Mr. Kyle Seeback: This is one that was not.

Ms. Kimberley Leach: Yes.

Mr. Jerry V. DeMarco: If I could just add to that, it depends on when you start the clock. I would say that on the notion of just transition, perhaps the Paris Agreement of 2015 is when you'd start the clock on the fact that there would be a coal phase-out. You could start the clock in 2016 on some of these particular items; crystallized in more detail, they may differ. In this case, those arose more from the task force work of 2018.

In any event, we're in 2022, and it's time to expect some action, as opposed to just starting up on the public consultation and so on that has resumed since we started this audit work.

Mr. Kyle Seeback: Mr. DeMarco, would you say that as of now, the government has failed workers in the coal industry on providing them with a just transition?

Mr. Jerry V. DeMarco: I would say that for those affected, to date the government has failed to adequately provide for a just tran-

sition. The coal phase-out continues, especially in Atlantic Canada, which is not as far ahead as Alberta, for example, in terms of phasing out coal as an energy source, so there's still time for those further stages of the coal phase-out and then the next rounds of transition that will come with the greening of the economy.

The idea of our report is to provide this early assessment to help improve this process going forward, as opposed to waiting until it's all over and then finding fault or finding that it worked well. That's the idea behind putting out our report at this early stage.

Mr. Kyle Seeback: If they don't make the changes—

The Chair: We're at six minutes, Mr. Seeback. I'm sorry to interrupt you.

Mr. Kyle Seeback: I had five minutes and 50 seconds.

The Chair: I had five minutes and 56 seconds.

Anyway, if you want the four seconds to make a brief comment, go ahead.

Mr. Kyle Seeback: No. I had a question that I'm not going to get to.

The Chair: Yes. That's why I figured we should stop there.

We'll go to Mr. Duguid.

Mr. Terry Duguid (Winnipeg South, Lib.): Thank you, Mr. Chair, and thank you to the commissioner and his team for their good work.

As Minister Guilbeault said when he released your report, these recommendations you've made are very helpful, and they're going to help keep the government on track in meeting our emissions target and also in accelerating the just transition, as you've highlighted in your report.

I, for one, appreciated your confirming, as did the PBO, that pollution pricing is key to meeting our targets. I wonder if you'd just make a brief comment on that, but let me segue to a process question.

My understanding of the process that follows after your report is tabled is that for those recommendations that are agreed to—and I think we heard yesterday that the majority are—departments, agencies and government entities are required to provide detailed action plans to respond to your recommendations, with specific timelines and specific actions. I wonder if you could edify the committee on that front.

• (1210)

Mr. Jerry V. DeMarco: Our hope is that there will be detailed action plans. If these reports are selected by the public accounts committee, then that will be part of the standing order to do them.

I mentioned in a previous appearance earlier this year at this committee that generally speaking, all the reports on environment and sustainable development from our office come to this committee but only some of them go to the public accounts committee. This committee, to make sure there are no gaps, could require action plans from the departments as a matter of course. If they get called to the public accounts committee, then they have those plans ready anyway. It's an element of accountability that there's a potential gap if the public accounts committee doesn't specifically select this report.

I would ask the committee to consider doing what you just mentioned, Mr. Duguid, in terms of requiring those action plans. Some of them do it voluntarily anyway and some of them do it for public accounts, but it's not mandatory.

Mr. Terry Duguid: Mr. Chair, I have a suspicion this is going to be a topic of discussion a little later in the meeting. It's one of the reasons I asked the question.

I hope I'm being heard all right. I have a new headset.

The Chair: You're loud and clear.

Mr. Terry Duguid: Good. Thank you.

Through you, Mr. Chair, we had the emissions reduction plan tabled just a few weeks ago. It's very comprehensive, at \$9.1 billion. I wonder if the commissioner could situate us in terms of the time period for your most recent set of audits. Did you take into account the 2030 emissions reduction plan? When exactly did you cut things off for your consideration of the report?

Mr. Jerry V. DeMarco: Are you referring to the new emissions reduction plan that was tabled on March 29 under the Net-Zero Emissions Accountability Act?

Mr. Terry Duguid: That's correct.

Mr. Jerry V. DeMarco: Clearly, that was after the audit period. I think we were going to print probably by then, but we did put in, in some of the audits where it was relevant, a "Subsequent Event" on the last page, and indicated the emissions reduction plan had come out and whether that impacts things or not. We can't do instant audits, so we haven't done an audit of the emissions reduction plan.

Mr. Terry Duguid: Would you hazard an opinion on some of those measures that were in the ERP and might have addressed some of the recommendations you have made, or will that have to wait for the next audit?

Mr. Jerry V. DeMarco: I can comment on the ones that I'm aware of and that I feel I've looked at enough to provide some feedback, but it's not an audit level of assurance. It's just initial feedback.

Mr. Terry Duguid: Mr. Chair, how much time do I have?

The Chair: You have about a minute and 25 seconds.

Mr. Terry Duguid: I'm very curious about the whole modelling issue that you raised in your report. Natural Resources Canada had a number based on their modelling. Environment and Climate

Change Canada had, obviously, a different model and I think were more conservative in their estimates of the number of megatonnes that could be reduced. What would your advice be in terms of reconciling those models? I think your advice would be to be cautious. That's the spirit I got from reading your report.

What advice would you have in terms of modelling and getting it right so that we're able to track our emissions and meet those targets that you've rightly pointed out that governments going back 20 to 30 years have missed?

The Chair: You have about 20 seconds, Commissioner.

Mr. Jerry V. DeMarco: There is an example in part of the report that continues to be relevant with a new emissions reduction plan and any future emissions reduction plan, because it's about the process of doing realistic modelling. From paragraph 3.51 onward, there's a lot of content about that very issue.

I would say that realism is in order in terms of modelling.

• (1215)

The Chair: Okay.

Mr. Jerry V. DeMarco: Having to thread a needle or a series of needles is a risky business. We're saying this after having done a retrospective of 30 years of missed targets. It's not just speculative.

The Chair: We go Madame Paupé now.

Go ahead, please.

[*Translation*]

Ms. Monique Paupé (Repentigny, BQ): Thank you, Mr. Chair.

I want to thank you for making yourself available and for participating in the committee today, Commissioner.

I'm mostly going to talk about your third report, concerning hydrogen. According to the report, the approach taken by Natural Resources Canada "assumed the adoption of aggressive and sometimes nonexistent policies."

Why would they use false assumptions? What value does the Hydrogen Strategy for Canada have now, knowing that it makes no sense?

Mr. Jerry V. DeMarco: Since there are representatives of the department here at the meeting, you can ask them to answer that question.

For our part, we recommend that the department be realistic in its assumptions and that its action plan be based on reality. That is very important. If we want to achieve the targets, we need a plan that works. A lot of plans were made over the course of three decades, without many results. That is included in our report on hydrogen, but, as I just said, it is important for all greenhouse gas emissions reduction plans.

Ms. Monique Paupé: We no longer have the luxury of playing with the numbers.

In your report, you say that the department "did not find this estimation compelling and chose to use more aspirational numbers in the Hydrogen Strategy for Canada modelling."

I find it disturbing that a department would play with the numbers and allow itself this luxury when we are in the middle of a climate crisis and we need to act urgently.

Mr. Jerry V. DeMarco: As you know, a lot of problems arise when we start to turn the strategy into concrete measures. I'll repeat: the department has to develop realistic plans. It's fine to be optimistic, because we have to be. Climate change is a reality that we may not be able to change, but we have to be realistic, not just optimistic, in the assumptions we make about this.

Ms. Monique Pauzé: I entirely agree with that.

Reading your report, I find it hard to weed through the data and identify what is credible and what isn't. You called the Department of Environment and Climate Change unrealistic in terms of its ability to model the plans.

How is it possible to say that after 40 years of failures, the most optimistic scenarios and methodologies still aren't getting us to our targets?

Mr. Jerry V. DeMarco: I don't know. You can ask the department representatives.

We evaluated its performance, and you have provided a good summary. That's all I can say.

We have often said that we had to be realistic. It says in the appendix to our November report on climate change that before I became the commissioner, there were a lot of audits in which the authors said substantially the same things as I'm saying now.

Ms. Monique Pauzé: Who is the person representing the Department of Natural Resources? I swear there isn't anyone.

Mr. Jerry V. DeMarco: I saw that someone had been invited.

Ms. Monique Pauzé: That's right.

Mr. Jerry V. DeMarco: I don't know whether they are online.

Ms. Monique Pauzé: I don't think so. I don't want to waste time. So I'll move on to the next question.

Would we not have a better chance of achieving our targets if we were as conservative as possible in our forecasting?

Mr. Jerry V. DeMarco: We are auditors, and we want to have conservative, precise figures, not just optimistic and unrealistic ones.

• (1220)

Ms. Monique Pauzé: I'd like to come back to your appearance in February when our colleague Dan Albas used an analogy, that if his wife asked him to do the dishes, he would do it, but at his own pace. You may remember.

You suggested that the committee consider a heightened reporting requirement calling for action plans that implemented your recommendations.

When I read the government's news release, I get the feeling that I'm not recognizing your report.

Do you think that this additional measure might be productive?

Mr. Jerry V. DeMarco: An action plan is preferable to just a response.

As Mr. Duguid said, the department agreed with a majority of the recommendations, except about one of them. It partially accepted the one relating to the approach adopted for monitoring costs and savings.

So there are good responses in the sense that the department agreed with our recommendations, but the responses were short. An action plan would be more concrete.

The Chair: Ms. Pauzé, you have seven seconds left.

Ms. Monique Pauzé: Right.

Thank you.

The Chair: We will now pass the floor over to Ms. Collins.

[English]

Ms. Laurel Collins (Victoria, NDP): Thank you so much, Mr. Chair.

Mr. DeMarco, you said in your opening remarks that Canada "cannot afford a fourth decade of failure on climate action."

Based on the findings of all five of your reports and also the one that you put out in the fall, unless the government makes a serious change in direction, would it be fair to say that it doesn't seem to be where we're headed right now?

Mr. Jerry V. DeMarco: We're providing recommendations to allow them to reach their targets. Whether they will or not is a matter for pundits and so on, in terms of guessing.

They have the ability and the information to do so. The question is whether the government will do so. I'm not going to predict one way or the other. I'm motivated by the fact that they can do it—

Ms. Laurel Collins: Absolutely. I'm sorry to interrupt. It's just because I have a very short amount of time.

My question was more about how, up to this point, it doesn't seem like that is where we're headed.

Mr. Jerry V. DeMarco: Yes, that's the cover of our report number 5 from the fall. The graph has been going up since 1990. We're the only one in the G7 that has an increased emissions since then.

It went down a little in 2020, of course, during COVID and perhaps for other factors, but that trend line has to be reversed dramatically to even come close to where the other G7 nations are.

Ms. Laurel Collins: Thank you.

The Liberals promised a just transition act years ago. They basically did nothing until 2021, not even mentioning it again in Parliament in that session, despite huge pressure from civil society groups. They only started work on the consultation just weeks before they called an unnecessary election.

Can you talk a little bit more about the danger to workers and to communities if they keep delaying this work?

Mr. Jerry V. DeMarco: We already have an early sense of that from the first stages of the coal phase-out. There's no reason to continue delaying it. They've restarted the consultation and hopefully they will pick up the pace.

The point of our report is to document that the progress to date has been very limited, considering the fact that this was committed to quite some time ago. In a sense, even Auditor General Desautels in 1993, in the context of the cod fishery, said that governments should have a legislative basis for dealing with transitions like the cod fishery, but not exclusively to it. They could have been putting in place some of the general parameters, at least, for these sorts of things long ago.

I expect that it's coming, based on what I heard yesterday in terms of the responses from the government.

Ms. Laurel Collins: Great.

You responded to Madame Pauzé's questions about the overly optimistic hydrogen estimates and the reliance on—I'm quoting you here—"non-existent policies" that "compromise the credibility of [our] expected emissions reductions."

If the credibility of one part of the overall emissions reduction plan is compromised, would you say that puts the overall ability of the plan to reach its targets into question?

Mr. Jerry V. DeMarco: It does, because the approach in Canada, for whatever reason—it's not the only approach to do it—is to put together a plan that adds up exactly but goes no further. Even this one doesn't go to 45%, even though the new target is 40% to 45%. There's no wiggle room. It is really like a series of needles to try to thread through, and if you don't get through one of them, you're not going to get to the target.

There's also the possibility of what I call "off-script" things happening on the sidelines that undermine the plan. You could even have a good plan, but other countervailing elements arise during its execution.

That's a lack of conservatism in the approach to planning. You have all these elements that have to work in order to make the total. Putting in some buffer room, whether it's "up to 45%" or something like that, would make it less of a threading of a series of needles. The government could consider putting in that buffer in a future plan so it doesn't have to add up exactly to the decimal point and anything less than that would fail.

• (1225)

Ms. Laurel Collins: Thank you.

Mr. Chair, how long do I have?

The Chair: You have about a minute and a half.

Ms. Laurel Collins: A recent report from Environmental Defence found Canada's biggest polluters are paying the lowest carbon tax rate, contributing only about 1/14 of the full carbon price. We've heard from multiple witnesses in our study on fossil fuel subsidies that these carbon tax loopholes are like a fossil fuel subsidy.

Can you speak a bit more about how the design of the large emitters program undermines the "polluter pays" principle?

Mr. Jerry V. DeMarco: Certainly that's a big part of report number five today. Most of the large emitter programs are ones approved by the federal government but put forward by the provinces or territories.

The federal government has to apply what's called a benchmark in assessing these large emitter programs across the country, and the benchmark has been very weak. For example, it allows the approval of a system that at least promises not to increase emissions, but this is supposed to be an emissions reduction initiative.

It's a weak program and it gives the sense to some that industry isn't paying its fair share compared to everyday Canadians. That's one of the points in our report, that there needs to be a fairness amongst everyone who's paying the carbon levy so that the weight or the burden of the carbon levy is distributed in a proportionate way.

Ms. Laurel Collins: Thank you so much.

Mr. Chair, just before we go on, will there be an opportunity for another round of questioning?

[*Translation*]

The Chair: I think so.

Before continuing, I would like to mention that several witnesses are with us but they don't show on the monitor, and that gives the impression that they aren't there. So I propose that everyone turn their cameras on. That way, we will be able to see the representatives of the four departments and we can address them.

Mr. Carrie, you now have the floor for five minutes.

[*English*]

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair.

Mr. DeMarco, it's wonderful to see you. It's good to see someone here in front of us with Ontario experience. I know your work with the Ontario government in the past.

I come from Oshawa. We have a very strong industrial base. We're not just that, though. We have Friends of Second Marsh, and I know you're a birdwatcher. If you ever come around, please let me know. I don't know if you've had a chance to get down there.

I want to ask you three questions. One is a follow-up from Mr. Seebach's questions, because in my community, Durham Region, we have a large cement plant, St. Marys Cement. When we're looking at the government's desire to have a just transition, there seems to be a lot of confusion and uncertainty as far as the execution and the planning of these things are concerned.

I wonder whether you have come across any options for industries that use coal, whether that's the steel industry or the cement industry. Did you take a look at anything that might be options for some of these jobs in the future as we're looking to help these workers?

Mr. Jerry V. DeMarco: Yes, of course. I've been to Second Marsh, McLaughlin Bay, Darlington and all of the areas along there. I'm so happy to have a little plug for those beautiful natural areas in Hansard today.

Yes, for some of the building blocks of the economy—steel, cement, lumber and so on—the transition isn't going to be to stop building buildings or roads and so on. Unlike, say, the coal phase-out, in which you're actually ceasing to use coal as an energy source and there's a shutdown of a coal plant or a thermal coal mine, I'd expect that cement will continue to be produced. The question will be as to what fuel sources, in terms of fuel switching, can be used with a lower environmental footprint in that industry.

I would expect that there will be a variety of different transitions, but they won't all be like a phase-out, with a plant shutting down and so on. Some of them will be retrofitting and changing. That actually happened in one sense with some of the coal plants in Alberta moving to natural gas, for example, or the electrification of a steel plant in Ontario, not in your riding but close by, down by Hamilton. That will be happening.

• (1230)

Mr. Colin Carrie: We actually have Gerda Ameristeel. They do recycling and they use a lot of electricity in that regard. There have been some challenges with the cost of electricity in Ontario after the Liberal government changed the grid.

I want to ask about the rural communities. When we're looking at a just transition, it seems that rural communities that rely on things like fertilizers are also getting hit with the carbon tax when, for example, they are drying their hay. Usually they use propane. Frustrated farmers are talking to me about options down the road. They hear the government has all these plans, but the plan doesn't seem to include rural Canadians.

Did you come across anything in that regard that would be helpful for farmers who don't see options on the table?

Mr. Jerry V. DeMarco: Yes, in the carbon pricing report, report 5, first of all we encouraged much greater transparency in reporting on the effectiveness and essentially the equivalency of provincial systems and so on to the federal benchmarks.

We also talked about how smaller and medium-sized enterprises, which would include many enterprises that are in rural areas, including agricultural enterprises, are disproportionately burdened. We didn't single out particular subsectors of the small and medium-sized businesses, but the recommendation for improving fairness, which I believe is in paragraph 5.79, is to assess the burden of car-

bon pricing systems on certain groups, including indigenous peoples. We're hoping the department will look at that and consider initiatives on agriculture and others.

It's not that this has been completely forgotten. Now that the department officials have turned on their videos, you may be able to ask them a question directly, but there's—

Mr. Colin Carrie: I just worry that.... There's hope, and I see hope, but people make investments on certainty, and we just don't see the just transition, the execution of it, the planning. There's not very good communication on it, so there are a lot of people who are worried. If you do come across best practices from other places around the world in the future, I'd love to have you back.

[Translation]

The Chair: That's good.

Mr. Colin Carrie: Thank you very much.

The Chair: Mr. Weiler, you have the floor now.

[English]

Mr. Patrick Weiler (West Vancouver—Sunshine Coast—Sea to Sky Country, Lib.): Thank you, Mr. Chair.

I'd also like to thank you, Mr. DeMarco, and your team for your detailed work on these reports and the recommendations for how our government can continue to improve on our environmental performance.

The first question I have is on the report on carbon pricing which, Commissioner, you mentioned is essential. In fact, it's a linchpin of Canada's climate action.

Five years ago there were some questions about the constitutionality of the Government of Canada implementing a carbon pricing backstop. I think we all remember the so-called resistance. While the vast majority of credible lawyers were of the view that this measure was constitutional, there was some risk that it might not be found so through the judicial system.

With this in mind, Commissioner, I'm curious about your thoughts on whether the Government of Canada may have been extra-flexible in its approach to recognizing the industrial carbon pricing systems of the provinces to ensure that this measure would be found constitutional and cement that finding and that principle into law while giving it the ability to increase the stringency of its standards over time.

• (1235)

Mr. Jerry V. DeMarco: I can't comment on Environment Canada's motivation in recommending that the government approve some substandard systems.

I was working in the Ontario Auditor General's office when we audited the large emitter program for Ontario. At the time, it had been branded as providing up to 2.7 megatonnes. Our audit looked at it and said that at most it was going to provide only one megatonne, yet it was still approved. Whether they were approving it to try to show that they were being good federal players, I don't know. That's up to them to answer.

There is, however, no doubt that in terms of issues of national concern under the broad power in the Constitution, this fits in there, and the Supreme Court confirmed it. It wasn't a surprise to anyone in our office that the Supreme Court made that finding, despite the fact that there was a lot of rhetoric and there were cases in Ontario and Alberta and so on about it.

Anyway, that is water under the bridge now. We know that it's constitutional and that now, in this report, is the time to make adjustments so that it's more effective and more fair. That's the next stage and that's what our recommendations are all about.

Mr. Patrick Weiler: Absolutely. As you mentioned before, last summer the Government of Canada introduced a strengthened benchmark for major emitters, which will come into effect for 2023 through 2030, which will be getting tougher every year.

Do you look at that strengthened benchmark in your audit?

Mr. Jerry V. DeMarco: In paragraph 5.32 we talk about the strengthened benchmark criteria, and what you're talking about is what happened in August 2021, I believe.

Yes, we did look at that, and throughout this report we made recommendations on residual problems. After they did the expert review in 2021 there were still some problems that remained, and those gaps are what we hope will be filled through the recommendations we made and through the responses and, eventually, hopefully the action plans from Environment Canada.

The idea is to make it effective and fair. The theory of carbon pricing is obviously well accepted across the world, even though there are those who oppose it, but it works as a mechanism. This is about doing it right.

Mr. Patrick Weiler: Absolutely.

I want to switch gears to your report on hydrogen and the difference in the figures given by ECCC and NRCan, which are obviously very different agencies. ECCC is more of a regulatory agency and NRCan is more of an economic ministry.

ECCC only modelled blending hydrogen with natural gas, which in my opinion is maybe not the most effective use of hydrogen where electrification, for instance, may be possible. Rather, hydrogen can help in hard-to-abate areas like freight and heavy transport, among others.

NRCan took a more holistic approach to looking at the roles that hydrogen can play, which in my opinion leads to a larger share of emission reductions.

You mentioned in your testimony earlier that we should be using conservative and precise figures, but for technology like hydrogen, which is rapidly progressing, how would you advise or recommend that government estimate the future potential for emissions reduction for these types of emerging technologies?

The Chair: You have 20 seconds, Mr. DeMarco.

Mr. Jerry V. DeMarco: In 20 seconds that might be a challenge, especially since I just used a few of them now.

Especially for 2030, we found it to be unrealistic. For the 2050 horizon, obviously between now and 2050 the technology is going to be much different from what it is today. We'd like to see realistic numbers for both, but it is more predictable the shorter the time horizon.

The Chair: Thank you.

[Translation]

Ms. Pauzé, you have the floor.

Ms. Monique Pauzé: Thank you, Mr. Chair.

I'm very pleased to see that the representatives of Natural Resources Canada are here. My questions will be addressed directly to them.

I'm going to start with a little joke. An accounting firm wants to hire some employees. They ask the first applicant what one plus one makes. He answers that it makes two. He doesn't get hired. The second applicant answers that it may make two, but it may also make something else. He also doesn't get hired. The third applicant answers the question by saying: "What do you want it to make?" He's the one who gets hired.

I think that this is exactly how the Department of Natural Resources sometimes acts. They ask what figure they need to get and they set about getting it.

It seems to me that more and more observations cast doubt on the integrity of some of the department's work.

So I'm asking the question again that I asked the commissioner earlier.

Do you think that changing the figures means that the credibility of your hydrogen strategy can be maintained?

• (1240)

The Chair: Who would like to answer for the department?

Mr. Labelle, you have the floor.

Mr. Sébastien Labelle (Director General, Clean Fuels Branch, Department of Natural Resources): Thank you very much for the question.

I would first like to point out that the Hydrogen Strategy for Canada is not a plan. It doesn't contain any programs. It is really a call to action, to consider the opportunities that hydrogen could create for the Canadian economy.

In fact, the document we produced, after three years of consultations with the private sector, academia and the provinces is not a federal government document.

Ms. Monique Pauzé: I'm going to interrupt you, Mr. Labelle, because I have already read the Hydrogen Strategy for Canada.

Did you take into account the way that hydrogen is produced? We know that hydrogen is colour-coded based on the method used to produce it. Hydrogen can be produced from fossil fuel energy, from natural gas, or from nuclear energy. Green hydrogen can also be extracted from renewable forms of energy.

We have to understand that green hydrogen is the only one that doesn't produce greenhouse gas.

Was this taken into account?

Mr. Sébastien Labelle: It was taken into account. We examined a whole range of technologies that are constantly evolving. For carbon capture, we analyzed all the processes. I could ask my colleague Mr. Hoskin to tell you more about it. However, I can tell you that the intensity of carbon emissions varies for all these technologies.

If you want, we can provide you with more details.

The Chair: You can do that later perhaps, Mr. Labelle.

Ms. Collins, you have the floor for two and a half minutes.

[*English*]

Ms. Laurel Collins: Thank you.

When it comes to the greening government strategy, Crown corporations aren't required to report on their emissions. It's voluntary. You found there isn't quality information on their emissions. Without that data, it may be hard to say how much of the overall emissions picture we're missing, but do you have a sense of how big that piece of the pie is that we're missing?

Mr. Jerry V. DeMarco: Yes, we do. It's exhibit 2.3 of report number two. Crown corporations are the three big ones in terms of emissions, including Canada Post. We have an estimation of emissions being 1.28 megatonnes or 1,286 kilotonnes. That is in the report.

We have a sense of what they're emitting; we don't have a sense of what they're going to do to bring those emissions down.

Ms. Laurel Collins: Thanks so much.

Mr. Chair, did you say I have a minute and a half?

The Chair: It's about that, yes.

Ms. Laurel Collins: Since it's been raised a couple of times, I circulated a motion in advance of this committee meeting.

Mr. DeMarco just said in response to Mr. Duguid's question that he would recommend that this committee pass a motion. It's a motion that the Standing Committee on Public Accounts has adopted

since 2009. It requires audited organizations to provide a detailed action plan. I'm hoping we can pass a similar motion.

I would like to move it now.

The Chair: Give me one moment, please. I'm going to stop the clock.

Mr. Jerry V. DeMarco: Mr. Chair, I'd like to make sure that I have the statistics right from that exhibit I was looking at quickly. Crown corporations had 1,286 kilotonnes of carbon dioxide equivalent.

I'm sorry about that.

The Chair: I'm stopping the clock for a second to deal with Ms. Collins' motion. The motion is being distributed in both official languages at the moment, for those who are on screen.

Ms. Laurel Collins: While we are waiting, would you like me to read it out?

The Chair: Sure.

Ms. Laurel Collins: It says:

That all organizations that have been subject to a performance audit by the Commissioner of the Environment and Sustainable Development provide a detailed action plan to address the audit recommendations which have been agreed to—including specific actions, timelines for their completion and responsible individuals—to the committee and the commissioner within six months of the audit being tabled in the House of Commons

That organizations that are invited to appear before the committee to discuss the findings of an audit should provide an action plan to the committee no later than 48 hours prior to the hearing;

That action plans and progress reports received by the committee be published on the committee's website.

• (1245)

The Chair: We're basically suspending the meeting to deal with this motion.

Ms. Laurel Collins: I'm hoping we could pass it by unanimous consent very quickly.

The Chair: Is that your request?

Ms. Laurel Collins: That would be my request.

The Chair: What do members think?

Go ahead, Mr. Longfield.

Mr. Lloyd Longfield (Guelph, Lib.): I think I would like to see the action plans. I sat on public accounts, and those were extremely helpful in knowing how the departments were going to be handling the recommendations they've agreed to.

In terms of committee time and saying that we want all the departments to come in and speak with us, I think that's a little bit of a separate issue. Maybe we could consider inviting people as we need to and as the committee agrees to.

Looking at our schedule going forward and saying that we're going to agree to all these departments that are now in front of us on the screen to come to talk to us might be jumping the gun a bit, but I definitely would like to see the reports of the action plans coming to us.

I would suggest an amendment to the motion, which is “that the committee consider inviting the departments as needed”.

The Chair: Could you give me some language for that?

Mr. Lloyd Longfield: With the second part of the motion, “that organizations that are invited to appear before the committee”, I would take that around and say, “that the committee consider inviting organizations to discuss the findings”.

The Chair: “that the committee....”

Mr. Lloyd Longfield: I would put in control of the committee, so “that the committee consider inviting organizations to appear to discuss the findings of the....”

The Chair: Give me just a second. Let me write this down. “That the committee consider inviting organizations....”

Mr. Lloyd Longfield: “to discuss the findings”.

Ms. Laurel Collins: Mr. Chair, just as a point of clarification, I think Mr. Longfield may have read the motion...or maybe when I read it out it wasn't clear. It's “that organizations that are invited to appear—

The Chair: Yes.

Ms. Laurel Collins: —before the committee....”

The Chair: That's right. Then you're not inviting anybody.

Ms. Laurel Collins: Yes. It does not require us to invite all of them. It's the exact same motion as public accounts uses. It would be the same procedure you would experience there.

The Chair: Okay.

Mr. Lloyd Longfield: Okay. Thank you. It's the exact same motion. Thank you for clarifying.

The Chair: Okay.

Go ahead, Mr. Dreeshen.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thank you, Mr. Chair. I had wanted to make that particular point as well.

What we do have handed out and what Ms. Collins read are two different things. It says, “To the committee and the commissioner within six months of the audit”. What she indicated was the “commissioner of the environment” and so on. So I would think that what she read should be the part that is included. The part that was just distributed....

The Chair: How would you change what I have on paper?

Mr. Earl Dreeshen: I would listen to what Laurel said when she talked about “and the commissioner—

The Chair: —of the environment and sustainable development”.

Mr. Earl Dreeshen: Yes.

Whereas what I have in English—

The Chair: That's just a friendly amendment, I think.

Mr. Earl Dreeshen: Yes, absolutely.

The Chair: Do you accept that, Ms. Collins? Instead of saying “the commissioner”, we say “that the commissioner of the environment and sustainable development within six months of the audit”. We're just specifying that it's Mr. DeMarco, basically.

Ms. Laurel Collins: Absolutely, yes.

The Chair: Okay. It's a friendly amendment that's accepted.

Ms. Laurel Collins: The one I read out was “the commissioner”.

The Chair: Okay.

Based on this brief discussion, do members want to adopt this motion?

(Motion agreed to [*See Minutes of Proceedings*])

The Chair: Thank you.

We'll continue.

Ms. Collins, you basically have a little under a minute, probably about 50 seconds. Please go ahead.

Mr. Jerry V. DeMarco: Mr. Chair, if I could make a friendly amendment to my amended response, I forgot about scope 1 and 2 emissions for Crown corporations, which are a different exhibit, in 2.2. That's another 397 kilotonnes in addition to what I said before.

The Chair: Okay.

Ms. Collins, you have 45 seconds.

Ms. Laurel Collins: Thank you so much.

Just in terms of the other things that are missing from our greening government strategy—indirect emissions and these emissions from Crown corporations—if you were to compare with the rest of the greening government strategy, do we have a sense of what the percentage is that we might be missing? Is it the majority that we're missing?

The Chair: Please be brief, Commissioner.

Mr. Jerry V. DeMarco: Yes, the majority are missing.

Ms. Laurel Collins: Thank you.

The Chair: Are we good, Ms. Collins?

Ms. Laurel Collins: Yes.

The Chair: Mr. Mazier, you have five minutes.

Mr. Dan Mazier (Dauphin—Swan River—Neepawa, CPC): Thank you, Mr. Chair.

Commissioner and your team, thank you very much for the work you do. It really is appreciated by this MP, anyway.

I'm going to be referring to “Report 5—Carbon Pricing”. Did your audit find that the government's carbon pricing had a disproportionate impact on certain Canadians?

• (1250)

Mr. Jerry V. DeMarco: Yes.

Mr. Dan Mazier: Did this include Canadians living in rural, remote, northern and indigenous communities?

Mr. Jerry V. DeMarco: We described the group, in terms of the examples we gave, starting at paragraph 5.70, as “Indigenous groups and smaller enterprises still disproportionately burdened”. I think I said, in response to an earlier question, that we didn't break down smaller and medium-sized enterprises, for example, into sub-categories like agricultural and so on.

Mr. Dan Mazier: But rural....

Mr. Jerry V. DeMarco: There would be many rural enterprises that would be small or medium-sized, yes, but not all of them.

Mr. Dan Mazier: Did this include low-income Canadian households?

Mr. Jerry V. DeMarco: In the indigenous example, we talk about low-income households and indigenous people having a lower tax filing rate, because in the areas where the federal backstop applies on the consumer levy, you'd need to have a tax return to be able to get the cheques that are coming out in July now. It used to be on your tax return as a refundable tax credit.

Therefore yes, the lower-income and indigenous people, who have a lower tax filing rate, will necessarily disproportionately be burdened, because they aren't getting that rebate if they don't file.

Mr. Dan Mazier: One of the objectives of the audit was to determine if the government's carbon pricing system was fair. If the government doesn't address this disproportionate impact of the carbon tax, what are some of the negative consequences on Canadians in these communities?

Mr. Jerry V. DeMarco: There are several. One is that they'll be paying more than their fair share compared to others. Within the consumer levy, you could have disproportionate impacts, for example, on indigenous communities, and then across the two elements in terms of the large emitter program at the federal level, the OBPS, so across that as well as the consumer-based carbon levy. There are two types of fairness there, within and across.

Mr. Dan Mazier: Then it's disproportionate on affordability as well, probably.

Mr. Jerry V. DeMarco: I don't think we talked about how that affects their net income and their individual balance sheets, but it's a question of fairness in terms of how much they're paying vis-à-vis others.

Mr. Dan Mazier: Okay.

As you know, the government is raising the carbon tax to \$170 a tonne despite promising not to. Has this government assessed how this significant increase will impact Canadians?

Mr. Jerry V. DeMarco: I think the departments here are silent. When you have questions for the department, maybe they could answer directly.

Mr. Dan Mazier: I guess I'm referring to paragraph 5.67. It's right in the report. It basically summarizes that aspect.

Mr. Jerry V. DeMarco: As of the date of this audit, we had found that they had not assessed the effects of the price increase from \$50 to \$170. I thought you were asking whether they have done that since the audit period. You could direct that question to the department.

Mr. Dan Mazier: Okay. This is from just looking at your audit.

Mr. Jerry V. DeMarco: Okay.

Mr. Dan Mazier: Canadians living in rural and remote communities are already experiencing the unfairness of the carbon tax to date, never mind about when it reaches \$170, so if the government hasn't bothered to analyze the impacts of the significantly higher

carbon tax, don't you think that Canadians will continue to be disproportionately impacted by the government?

Mr. Jerry V. DeMarco: That's one of the concerns we have as well, because I believe their next review is in 2026, which is quite a ways from now. Our recommendation is that they speed that up, both from a fairness and an effectiveness point of view, but also to not unnecessarily create debate over something that, if done well, should work. If they can bring people along on this by demonstrating the effectiveness and the fairness, why wait until 2026 to do that?

Mr. Dan Mazier: Yes. Good.

You mentioned in your report that measures such as "targeted exemptions" could be used to mitigate and navigate effects of the carbon tax. Do you believe that the government should consider this?

Mr. Jerry V. DeMarco: They already do have several, and maybe too many on the large emitter side, but we'll talk about that another time, perhaps.

Yes, there are other exemptions too, for certain types of agricultural fuels, but not all of them. I think someone was talking about propane for drying grain, but on the diesel side there are.... You could get the full list from the department, but there have been some exemptions already, and exemptions as well for certain remote communities in terms of energy sources.

• (1255)

Mr. Dan Mazier: Thank you very much.

The Chair: Mr. Longfield is next.

Mr. Lloyd Longfield: Thank you, Chair. Thanks to all the witnesses for being here from the departments, as well as Mr. DeMarco. It's great to see you again.

In terms of your processes from the commissioner's office, how frequently are you going to be doing audits like this? What's your next audit in this area, and how would that interact with the audits that you'll be doing on the act that we passed last June on climate change accountability?

Mr. Jerry V. DeMarco: That's a good question. It's one that we and the commissioner are thinking about as part of the Office of the Auditor General, so it's a whole-of-office approach. Many of the principles here also work on other audits for the Auditor General. I just wanted to make it clear that it's one office.

We have the new mandate from the net-zero act to look at a very specific aspect of climate change mitigation. Obviously we do audits on climate change regardless of that having passed in June, and we've been doing that for 20 years, but we are now assessing what we should do differently in order to implement that new directive, which I believe is in around section 24 or section 23 of the net-zero act. I don't have the act in front of me, but hopefully I'm in the ballpark. We'll assess our options on whether we will report perhaps even more frequently than the minimum required under that legislation.

Mr. Lloyd Longfield: Thank you.

The 2026 number you just mentioned was one that stood out to me. I know we're changing or moving forward some of our accountability pieces on getting to a net-zero electric grid. Things are going to be happening within a shorter time frame now.

Maybe I could ask the department whether Environment and Climate Change is looking at 2026 as a negotiable date.

The Chair: Who would like to answer?

Mr. Lloyd Longfield: Mr. Moffett, could you comment?

Mr. John Moffet (Assistant Deputy Minister, Environmental Protection Branch, Department of the Environment): Perhaps I could ask what you mean by "negotiable".

Mr. Lloyd Longfield: I mean negotiable in the sense of whether it's a possibility to move 2026 forward. It was a recommendation in the audit itself. I know you'll be doing an action plan. I hope we'll see an action plan that might address this, but what's your initial reaction?

Mr. John Moffet: Sorry, there's a big echo. I wonder if somebody's not on mute.

The Chair: Could you try again, Mr. Moffett?

Mr. John Moffet: Okay, the echo is gone.

The 2026 that I think you're referring to is our commitment to do an interim review of the new benchmark criteria. We don't plan to do that earlier than 2026. We plan to start it well before 2026, but the idea would be to....

We've established criteria for pricing systems for the period of 2023 to 2030, which is a much longer period than we had in place before for pricing. We're trying to provide as much certainty as possible, but we recognize that we're in a dynamic policy space and that things may change. There may be a need to provide an update at some point. However, we don't want to signal that a change may occur within the next couple of years, so we selected 2026 as a commitment. At the moment, we don't have any plans to accelerate that.

Mr. Lloyd Longfield: The audit has pointed out that the benchmark system is in need of strengthening, especially on large emitters. That would be an interesting point for a longer discussion. It's a concern that I would have, looking at what we have in front of us.

Mr. John Moffet: Can I just respond to that?

The audit also acknowledges, however, that we have strengthened the benchmark criteria. What I'm referring to are the new benchmark criteria for 2023 to 2030 that were put in place after the audit was concluded.

• (1300)

Mr. Lloyd Longfield: I'm looking at the benchmarking with the provinces to see whether their systems are robust enough. I know that we've had a lot of disagreements, even up to the Supreme Court, in terms of this legislation and whether we now have the right benchmarking with the provinces.

The Chair: Maybe the answer could come a bit later.

We'll go now to Mr. Dreeschen for five minutes.

Mr. Earl Dreeschen: Thank you very much, Mr. Chair, and thanks to all of the witnesses.

Mr. DeMarco, earlier on you had said that this is an intergenerational crisis that we're dealing with. Since I've heard of it for the last 50 years, I agree with you that it has been an intergenerational crisis. Some of the doom and gloom, of course, is sort of on the Nostradamus level.

This is what I would like to talk about. We're trying to take a look at the full life cycle of some of these new types of technologies, such as solar, wind, hydrogen and so on. I know you may not have some of that information in front of you, but I certainly think it would be good to have a look at that later. We just take these little snapshots of what this technology will do, but we don't look at the mining requirements and we don't look at the infrastructure for electricity and we don't look at what would be required for batteries, and so on. There's no energy source that doesn't require that type of an analysis, whether it be hydro or whatever. They all require that. I'm hopeful that this will take place.

In report 1 on page 9 you have spoken about other countries, their governance structures and how we are to coordinate our activities. We deal with North American countries, so obviously Mexico and the U.S. are critical to what we're trying to do. They're our trading partners.

I'm curious about how you might consider the incorporation of carbon taxes into their national economic structure and how they are managing these costs when it comes to exports and imports, because they are both our competition and our partners in so many ways in the supply chain.

Was any of that put into your analysis on exhibit 1.2 when you were speaking of what other countries are doing, or was it strictly to describe the fact that they had carbon pricing?

Mr. Jerry V. DeMarco: Thank you.

Are you talking about 1.2, which is the just transition report?

Mr. Earl Dreeschen: Yes. I'm referring to report 1 and exhibit 1.2 on page 9.

Mr. Jerry V. DeMarco: It's exhibit 1.2. Okay.

Mr. Earl Dreeshen: It speaks to the European Union, New Zealand and Scotland. Obviously, places like Australia aren't there, as they have made some changes. In the same way, we don't have our actual partners of the U.S. and Mexico in that analysis.

Mr. Jerry V. DeMarco: This report is confined to the just transition for workers when there is a disruption, something like the coal phase-out. It's not about carbon pricing, which is covered in report number five.

I do want to say that on your point at the beginning about looking at the full life cycle, I agree 100%, because every source of energy has some sort of impact, whether it's visible out of a stack or whether it's more upstream in terms of the production of the materials. That was in another context.

That need for a full cost accounting or a net look at things was a critical component of our emissions reduction fund analysis. It was to look at the big picture and compare. For a global issue like climate change, that also can mean what the emissions are once the material is shipped and combusted elsewhere, and so on. On a full life cycle, full-cost accounting, I agree 100%.

Mr. Earl Dreeshen: Thank you. I appreciate that.

The other aspect of it, of course, is that we see what is happening in China and India with the coal that is being used and the issues that are taking place in eastern Europe now as they are transitioning back to coal. How is that reality of what is happening in the world going to affect the targets? Are we going to then be expected to do even more than we are now because the rest of the world has decided that they have to look at their realities?

Mr. Jerry V. DeMarco: It's hard to predict. If you factor in not only the lack of progress on emissions reductions but also bring in the geopolitical elements and all of that—you mentioned Nostradamus—I can't give you a prediction on how that will go. The general trend—and this is well recognized by the parties to the Paris Agreement and by the International Energy Agency—is towards more renewables and, obviously, fewer emissions. The pathways that will go there, country by country, I can't predict.

• (1305)

Mr. Earl Dreeshen: I have just one last point while I have 20 seconds left.

Alberta's technology innovation and emissions reduction program, which people don't quite realize has been there for 20 years and is taking from high-emissions businesses and so on, has done some amazing work in innovation that could be sold around the world. Did you do any analysis of that when you were talking about, for example, your hydrogen plan?

The Chair: Give a yes or no, please, Commissioner, because we're at the five-minute mark.

Mr. Jerry V. DeMarco: We don't audit provincial programs. That would be something to raise with the Office of the Auditor General of Alberta. I'll leave it there.

The Chair: Thanks.

Next is Ms. Taylor Roy.

Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.): Thank you very much, Mr. Chairman, and thank you to all the witnesses for being here today and for the work you've done on these reports. It's very important to track how we're actually doing.

One of the things about being near the end is that so much has been said that I now want to follow up on, and it's kind of hard, but I did want to first go back to Mr. Mazier's comments about your findings on the disproportionate impact of the carbon price on pollution.

What I heard you say was that the segments or the sectors you have identified as disproportionately impacted were the small and medium-sized enterprises and the indigenous groups, especially those who did not submit tax returns. Is that correct?

Mr. Jerry V. DeMarco: Yes, that's correct. That's in paragraph 5.70 and onwards.

Ms. Leah Taylor Roy: Mr. Mazier said a couple of times that it was "rural and remote" areas that were affected disproportionately. Was that one of your findings, that it was all rural and remote areas?

Mr. Jerry V. DeMarco: I think in my answer I was saying that within the category of small and medium-sized enterprises, some of those will be in rural and remote areas.

Ms. Leah Taylor Roy: But some will also be—

Mr. Jerry V. DeMarco: We didn't categorize it in the same way that he did in his question.

I'd just direct you to the wording of the report in terms of what we did and didn't look at. It doesn't stop Environment Canada from subcategorizing that when it's assessing the disproportionate burden in its response to our recommendation. They could drill down into some of the categories, such as rural agricultural. That may be very helpful.

Ms. Leah Taylor Roy: I understand. Your report doesn't say that it disproportionately affects rural and remote areas; it says that it disproportionately affects indigenous people, especially those lower-income people who don't file tax returns, and small and medium-sized enterprises, which could be across the country and urban, etc.

Mr. Jerry V. DeMarco: Ms. Leach has something to add.

Ms. Kimberley Leach: Paragraph 5.66 in our chapter talks about the fact that the federal government has made efforts to address the burden of carbon pricing in rural and remote communities. They provided some exemptions to the federal fuel charge for aviation fuels in the territories, in the north, for example. They also provided an additional 10% payment to the baseline climate action incentive payment, and that is mentioned in paragraph 5.69. There is a bit of a—

Ms. Leah Taylor Roy: It's quite contrary to saying that it's disproportionately affecting rural and remote areas. In fact, it's saying that they have addressed that issue in some of the measures. I also saw that the indigenous governments right now are working with indigenous partners to come up with other ways to address this.

There are two things happening. When I look from a data perspective, if small and medium-sized enterprises are being disproportionately affected, I'm thinking that's because the large emitters aren't paying their fair share. Would that be a correct conclusion?

Mr. Jerry V. DeMarco: That's one of the conclusions that you could reach. There are also some issues about whether the climate action incentive fund money is getting out the door, and so on. However, yes, that relative burden between large emitters and everybody else is a key point.

Ms. Leah Taylor Roy: If the provinces strengthen the programs to apply this price on pollution to large emitters, that would help to equalize the burden between small and medium-sized enterprises and large emitters.

Mr. Jerry V. DeMarco: Yes, it has that beneficial effect, and it's also more consistent with the "polluter pays" principle, which is one of the tenets of the Canadian Environmental Protection Act, which gives rise to the methane regulations and so on. It has a number of benefits, including fairness and consistency with policy—what we call "policy coherence" in our fall report. There are a lot of benefits to updating it to make it more effective and fairer.

Ms. Leah Taylor Roy: If certain provinces are worried about their rural or remote communities, they could address the disparity by increasing the price on pollution on the large emitters. That would help with the subsegments of those small and medium-sized enterprises or the indigenous people that might be in their province.

• (1310)

Mr. Jerry V. DeMarco: We looked at Environment Canada's assessment of the provincial programs and whether they should be recommended to the government for approval. The provinces that wish to have their own large emitter programs, which many do, can propose something that is fairer. Because we're the federal Auditor General's office, we're looking at what Environment Canada did as its part of the equation, but the provinces that have their own large emitter programs can address these. Hopefully, they'll be reading this report as well, because they're the ones that are putting forward proposals for approval or disapproval by the federal government as part of the backstop or benchmarking process.

Ms. Leah Taylor Roy: Thank you.

[Translation]

The Chair: Thank you. Your speaking time is up.

Ms. Pauzé, you have the floor for two and a half minutes.

Ms. Monique Pauzé: Thank you very much, Mr. Chair.

Mr. DeMarco, I am going to address you again.

We know that the Federal Sustainable Development Strategy calls for the number of reports to be tripled. Unfortunately, the employees who support the auditors are now engaged in a labour dispute, and pay equity is at the heart of their demands. The work done by all these professionals is invaluable. I have always stood up for workers' rights. I hope the dispute will be resolved quickly and their demands receive a favourable response.

Are we to expect the number of reports to be cut as long as this dispute has not been settled?

Mr. Jerry V. DeMarco: I have good news for you: the dispute has been settled.

Ms. Monique Pauzé: That's very good.

Mr. Jerry V. DeMarco: All of the employees have gone back to work. They are a stellar team, and I am very happy to see them back.

Ms. Monique Pauzé: As am I.

I'm going to come back to one of the first questions Mr. Seeback was asked at the beginning of the meeting about the just transition. I remember what was said by Antonio Guterres, the Secretary General of the United Nations, the UN. In his opinion, there will be no transition if workers are not involved in it, if we don't talk about them and we don't help them.

In your report, you say that the federal government has done nothing in this regard.

In 1992-1993, in the case of the cod fishery, nothing was done to help fishers and their communities. Since there is no plan for a just transition, are we to understand that communities that make their living from the oil and gas sector will experience the same fate as befell the fishers in 1992-1993? Is that what awaits workers in the oil and gas sector?

Mr. Jerry V. DeMarco: There are similarities and differences. In our view, the situation is not exactly the same as in the case of the cod fishers. We have to see what lesson we can learn from that history in order to avoid making the same mistakes twice.

That being said, we can differentiate communities and categories of workers in the coal sector. We can create targeted strategies and programs based on their needs, with the aim of keeping the situation under control.

The Chair: Thank you.

Ms. Collins, you have the floor.

[English]

Ms. Laurel Collins: Thank you, Mr. Chair.

Mr. DeMarco, you've outlined that you've found that while big polluters are being let off the hook, indigenous communities and small businesses are being disproportionately burdened by the carbon pricing system. My Liberal colleague was emphasizing what the provinces could do about it, but aren't there concrete actions that the federal government could take to address this?

Mr. Jerry V. DeMarco: Yes. Climate change is a whole-of-society issue. We're talking mostly about the federal role today, but in this particular area, it's obviously an area of shared jurisdiction and a system that contemplates the possibility of a patchwork of programs in Canada.

The easiest thing the federal government can do is implement the recommendations that they've agreed to in our report. I'll leave it at that rather than go into them in detail, because we don't have that much time left.

Ms. Laurel Collins: Great.

You mentioned that we don't have any wiggle room in the plan to reduce emissions and that the lack of credibility of a hydrogen strategy undermines the credibility of our whole emissions plan. Would you say the same thing for infrastructure? If Infrastructure Canada isn't able to account for the emissions reductions of the projects it's funding, does that not also draw into question whether the government will actually be able to achieve the emissions reductions they've promised?

• (1315)

Mr. Jerry V. DeMarco: The infrastructure program we looked at is more about funding for new roads, new bridges, new buildings and so on. Perhaps it's not roads, but it's buildings and bridges and so on. It's not so much an emission reduction initiative in the same sense of some of the other ones we've been talking about; it's about minimizing the emissions and maximizing the resilience of new projects that are coming on stream.

It's true that if you put a bunch of new infrastructure in for buildings that have high emissions, then that could affect the overall total, but with that program, we're not really looking at it as a component of the emissions reduction plan. It's looked at more in terms of value for money with regard to the funding that Infrastructure Canada is doing for essentially trying to green up infrastructure.

Ms. Laurel Collins: Great.

Can you remind the committee of how much money we're talking about when we're talking about Infrastructure Canada's funding? Is it \$12 billion?

Mr. Jerry V. DeMarco: There are four programs listed in the report, starting at paragraph 4.3 and going to paragraph 4.4. The first one is \$33 billion and so on.

I don't want to go through the whole paragraph, but it includes the Investing in Canada infrastructure program, the disaster mitigation and adaptation fund, the green and inclusive community buildings program, and the smart cities challenge. It adds up to close to \$40 billion.

The Chair: Thank you.

We'll go now to Mr. Carrie, who will be splitting his time with Mr. Mazier, I believe.

Mr. Colin Carrie: Do you think we'll have time for a full round, Mr. Chair?

The Chair: Yes, we will.

Mr. Colin Carrie: Okay. I'll probably take the full time, then.

The Chair: Okay.

Mr. Colin Carrie: Thank you very much.

Thank you again, Mr. Commissioner.

I want to talk a little bit more about the just transition and the execution. Again, coming from Oshawa, I want to talk about cars. Maybe I can get your opinion, because I do know about your experience with the Ontario government.

GM is investing in new electric cars. The government is supportive in that. That's all good, but I was wondering whether, when you

looked at infrastructure, you actually looked at the grid and the sustainability of the electrical grid in this country.

The reason I'm asking is that I've actually had people concerned that if Canadians go out now and buy one technology—electric cars—and start plugging them in, can our electrical grids even handle that? Is it possible, perhaps, that the federal government can partner with provinces that may have challenges in that regard?

Mr. Jerry V. DeMarco: We looked at that in the fall report, not in the spring report. That's in the “lessons learned” report where it says that if there's going to be a big push for electrification based on more renewable sources, there's no point in going to electrification if you're not also doing it with renewable sources or low-emitting sources and so on. If that happens, then obviously the grid has to be able to absorb that demand. That's key.

I think there's going to be a need for more co-operation in terms of an energy strategy that the federal government and the provinces and territories work on together, to make sure that if we're going to electrify not just vehicles but certain types of industry as well, we have not only the capacity but a grid that can absorb it and also distribute it to where the power demands are.

Mr. Colin Carrie: Again, if we could bring it back to jobs, I know that when industry makes investments, sometimes they're looking 10 years out. I know other countries in the automotive sector, for example, are looking directly to hydrogen. I know auto sectors looked at hydrogen fuel cells. Other countries have put in infrastructure for fuelling up cars with hydrogen. Now the current government appears to be picking winners and losers, and we're putting a lot into this electrification, which I think down the road with provinces could be problematic.

Do you think that if we don't put in more of this infrastructure, it's going to start to affect our competitiveness and our ability to attract investment into this country?

Mr. Jerry V. DeMarco: The greening of the economy is a worldwide trend, as I alluded to earlier. The slower that we get on board with that, the more realistically possible becomes the potential for what you just described. We would be left behind in that transition. I'm not talking about the just transition for workers; I'm now talking about the energy transition.

It's important for Canada to be a leader in this transformation, as opposed to a follower. I would agree with that, yes.

• (1320)

Mr. Colin Carrie: I am also looking at your experience in Ontario because when I talk to industry, there appears to be, with the plan of the government, a mishmash. I think you mentioned in one of your answers that different parts of the country have different rules and regulations. I know, for example, that Quebec is different from Ontario, which is quite a bit different from British Columbia as far as the automotive sector is concerned.

When we're looking at a just transition and keeping jobs in Canada, how important is it for the federal government to take a leadership role to make sure that the regulatory framework is consistent across the country? Canada has a small population relative to our neighbour down south, and if they can figure it out and we don't, I'm worried about the job losses. Job losses mean there is no just transition.

The Chair: You have 30 seconds, please.

Mr. Jerry V. DeMarco: Canada is a federal state, so there are always more challenges to deal with than in other models.

On issues of national concern or international concern like the climate crisis or the biodiversity crisis, the federal government clearly has to take a leadership role, not only within Canada but in terms of partnering across borders, which was alluded to by one of the other members.

The Chair: Thank you.

Mr. Duguid is next.

Mr. Terry Duguid: Mr. Chair, most of my questions have been answered, but I wonder if I could give both the Environment and Climate Change Canada and the Natural Resources Canada staff who are here an opportunity to comment on the \$9.1-billion emissions reduction plan we just introduced through the budget and through the ERP that was released by the minister a few weeks ago.

Perhaps this will give them an opportunity to highlight some of the things in the ERP that have shored up some of the shortfalls that have been pointed out by the commissioner. I asked a similar question of the commissioner, but perhaps it's more appropriate to ask the departments.

We have made some progress. What is that progress on, again, in shoring up some of these shortfalls that the commissioner has pointed out?

The Chair: Who would like to take that? Would someone from ECCC like to take that?

Mr. John Moffet: Perhaps I could start, Mr. Chair.

Without getting into all the details that are provided in the "2030 Emissions Reduction Plan", I think the key point is that it represents the current plan and it does indeed take some steps to address at least some of the recommendations made by the commissioner. I would address two, and maybe I can turn to my colleagues from other departments to talk about the others.

In terms of the modelling, the modelling projections in the "2030 Emissions Reduction Plan" represent a much more detailed set of inputs and rely less on some background assumptions, as was the case in the earlier plan, including the assumptions that we needed to make about the likely impact of the forthcoming hydrogen strategy, for example. The annex is available for everybody to read. If the committee is interested, we'd be happy to come to talk about the modelling annex and the assumptions in it at a later date.

On carbon pricing, we agree with the findings of the review of the audit and the four recommendations, and indeed, are committed to developing and publishing a written plan to respond to those four recommendations. It's our view that we've already started to respond to those recommendations primarily through the new bench-

mark criteria. The basic approach to carbon pricing has been to develop criteria for provinces for all pricing systems, federal, provincial and territorial. Inherent in the development of those criteria is the inevitability that there will be differences among systems. If there was a desire to have one system, then we would only have one system, but we've acknowledged that provinces were early movers and we've acknowledged that provinces need to have the ability to take action in ways that address their own circumstances.

The bottom line is that these criteria are significantly tighter, provide longer-term certainty and should go a long way to addressing some of the discrepancies that the commissioner pointed to. In addition, we published input on our advice to all jurisdictions about revenue use so that revenue return can be used to, among other things, offset some of the potential impacts on vulnerable communities.

• (1325)

Mr. Terry Duguid: Thank you.

The Chair: We'll have to stop there and go on to our last round. Here I will reduce the time for each member to three and a half minutes. That way we'll end on time.

Go ahead, Mr. Mazier.

Mr. Dan Mazier: Thank you, Chair.

Commissioner, as you know, the federal government provides a 10% tax rebate supplement for Canadians living in rural communities. Are you aware if the government has conducted an analysis to determine if the 10% supplement fairly covers the increased costs of living for Canadians in rural and remote communities?

Mr. Jerry V. DeMarco: I'm going to turn to Ms. Leach for that.

It's an example of an initiative to address the potential for disproportionate—

Mr. Dan Mazier: You are aware?

Mr. Jerry V. DeMarco: Yes, of course.

Mr. Dan Mazier: I'm on reduced time here.

The government admitted at this committee that no study or assessment was conducted to determine whether the 10% supplement was fair for rural Canadians. I'll read the words of the Department of Finance official: "It is not based on any scientific assessment. The government has decided that 10% is appropriate in this context."

Isn't that concerning to you? Why haven't you considered this in the current carbon pricing audit?

Mr. Jerry V. DeMarco: The question "Have they addressed it at all?" is one, but I think your question is, "Is it effective to actually level the playing field?". You could say we have this 10%, but is that in any way proportionate to the burden that would be there? I think that's what you're asking.

Mr. Dan Mazier: It's not based on scientific data. That is probably the more concerning thing. This is supposed to be a scientifically proven plan to reduce emissions. We know we have a problem, yet there's no data to prove this scientifically for these communities or for anybody having other questions about this plan.

Mr. Jerry V. DeMarco: That's what we're hoping will occur with recommendation 5.79. We have listed every type of group that could be disproportionately impacted, but we're asking Environment Canada to assess the burden of carbon pricing systems on certain groups, including indigenous people. Just because you have an initiative like the 10% doesn't mean that it reflects the reality of the disproportion, so they have to calibrate it—not just put in a program, but calibrate it to the affected population. Hopefully we will see that in the action plan arising from recommendation 5.79.

Mr. Dan Mazier: You mean calibrate it from scientific data, not just pull it from the air.

Mr. Jerry V. DeMarco: It's not just science, but also demographics. There are a bunch of things there, but yes.

• (1330)

Mr. Dan Mazier: This is going back to report 1 on page 23. Could you provide the committee with the documentation on how you determined the number of communities and jobs dependent on emission-intensive sectors?

That's in report 1.

Mr. Jerry V. DeMarco: Yes. We have two sets of numbers, one for coal specifically and then one for direct jobs in fossil fuel. I believe that was from a study—

Pardon me?

Mr. Dan Mazier: Is that in the documentation you just presented to the committee?

The Chair: If you could send it to the clerk for distribution, that would be great.

Mr. Jerry V. DeMarco: Okay, we'll send it.

The Chair: We'll go now to Mr. Weiler for three and a half minutes.

Mr. Patrick Weiler: Thank you, Mr. Chair.

I want to pick up on the hydrogen report again.

Commissioner, I'm wondering if in your modelling here you looked at the impact of the clean fuels fund, the net-zero accelerator fund, the clean fuel standard or the zero-emission vehicle mandates, including for medium- and heavy-duty vehicles when we're looking at the overall emissions reduction potential for hydrogen by 2030.

Mr. Jerry V. DeMarco: Thank you. I'll turn to Mr. Le Goff for the answer to that question.

Mr. Philippe Le Goff (Principal, Office of the Auditor General): The plan will be to do a follow-up on this audit and to look at those programs.

Mr. Patrick Weiler: Okay. Thank you very much. I can understand that this must be a very tricky area in which to make an accurate assessment, because a lot of these programs are not specific to

one particular technology. Electricity could be biofuels or could be a lot of other low-carbon or net-zero fuels.

I actually asked this next question in my first round of questioning, but there was only about 20 seconds of time. Commissioner, I would like to give you the opportunity to really explain in a little more detail the best method for assessing the emissions-reduction potential for these emerging technologies, whether hydrogen or otherwise.

Mr. Jerry V. DeMarco: Thank you.

You're right that it is a bit of a challenge because it's a moving target. There are a lot of these issues, but that's a good thing. It means that things are happening. That may make it messier for auditing, because things happen after the close of our books, but it's better than nothing happening in terms of addressing the climate crisis, so we deal with the moving target as we can within the context of our standards and so on.

With respect to what can be done to increase the effectiveness and transparency of modelling, that's the whole last third of our report, so I can't really summarize it, especially in the lightning round or whatever we call the third round. I'd just direct you to the last third of the report, and you can see our recommendations in that regard.

Mr. Patrick Weiler: Thank you.

I'll switch gears a little, to the just transition report. In that report, you made an analogy between the threat towards folks working in the fossil fuel sector and the collapse of the Atlantic cod fishery that we experienced. As part of that, you made the case that 150,000 Canadian jobs are at risk as part of this.

I was wondering how you came to that particular figure and whether you think the transition will be abrupt or it will be done over time with perhaps pathways for some of the folks who are working in that industry to transition to other areas.

The Chair: We have only 20 seconds. You can get started so that we can continue the answer.

Mr. Jerry V. DeMarco: We'll provide the background study that came up with the numbers. I think it was 170,000 rather than 150,000, but you're in the ballpark.

The coal phase-out is quite obvious with plants closing, etc. The rest of the energy transition will not be quite so identifiable by community, and so on. There are differences between cod and coal, and then there are differences between coal and the others.

The Chair: Thanks.

[*Translation*]

Ms. PaUZé, you have the floor for two minutes.

Ms. Monique PaUZé: Mr. DeMarco, from what you said in your presentation, there is no reliable, complete or clear information. There are lowered requirements and unrealistic assumptions.

Are you optimistic about the future, Commissioner?

Mr. Jerry V. DeMarco: My work means that I need to be optimistic. In addition, I have children, and so I need to be optimistic for them.

As I said, I'm not in a position to make predictions. However, I know they can turn things around and I hope they'll have...

• (1335)

Ms. Monique Pauzé: You hope they'll have the will to do it.

Thank you, Commissioner.

My second question is for the representatives of the Department of the Environment.

The report says some disturbing things. It refers to unrealistic assumptions and 30 years of failures.

Can that be explained, at least in part, by current practices at the Department of the Environment in terms of making unrealistic assumptions?

Are you aware that the Commissioner's findings undermine public confidence and fuel cynicism?

The Chair: I would ask the person who is going to answer the question to give a brief answer.

[English]

Mr. Derek Hermanutz (Director General, Economic Analysis Directorate, Strategic Policy Branch, Department of the Environment): I can answer that.

With respect to Environment and Climate Change Canada's modelling, it is done according to UNFCCC reporting guidelines and is reviewed internationally. We also look at the best available data, the best available cost curves that are out there underlying the projections we do in the model.

The Chair: Thank you.

Go ahead, Ms. Collins, for two minutes, please.

Ms. Laurel Collins: Thanks so much.

My first question is about the difference in the estimates between Environment and Climate Change Canada and Natural Resources Canada. They had such a huge difference in their estimates of the amount of greenhouse gas reductions from hydrogen. This seems like a big disconnect between two departments that need to be working closely together for climate solutions.

Mr. DeMarco, can you tell me a little bit of your concern about this gap?

Mr. Jerry V. DeMarco: Yes.

We have two ships passing in the night, one ship with 45 megatonnes on it and one ship with 15 megatonnes on it.

Going forward, I would hope, because we have a Canadian emission reduction plan, that we don't have different departments going off and doing their own thing, with one saying that they're trying to be optimistic and transformational and that's why theirs is different and so on. We have one Canada and one plan at the national level.

We don't need to be spending taxpayers' money with different competing plans from different departments.

Ms. Laurel Collins: Thank you so much.

To Environment and Climate Change Canada, can you explain the gap, this huge disparity and disconnect, between your department and Natural Resources Canada when you should be working very closely on climate solutions?

Mr. John Moffet: Maybe I can start the answer.

The gap arises in a lot of circumstances, in that when measures are developed, it's generally possible to develop a very rudimentary assessment of the likely emission reductions associated with a measure. That initial assessment is very different from what we do from a modelling perspective. The reason for this is—

Ms. Laurel Collins: Mr. Moffet, I have a very short amount of time, so I'm going to cut in here—

The Chair: We're really out of time.

I think this was more or less answered before, in that NRCan's strategy was not as detailed as the modelling. I think that's the answer.

Mr. John Moffet: No, that's not the answer. I'm sorry, Mr. Chair.

The reason is that measures are interactive. You cannot simply add one to another. What we do is discount the interactive effect and look at only the additional impact, and that's why there are different numbers.

The Chair: This is a highly complex—

Ms. Laurel Collins: Mr. Chair, I was just going to cut in to ask if Environment and Climate Change Canada could submit a report or any information they have on what Mr. Moffet just said, which was that these disconnects happen frequently. Could we get a list of other disconnects that the government knows about between Environment and Climate Change Canada and Natural Resources, and where those gaps are?

The Chair: I'm sure they would be happy to oblige you.

Mr. Dreeshen is next, for three and a half minutes, please.

Mr. Earl Dreeshen: Thank you very much, Mr. Chair.

Mr. DeMarco, you were talking earlier about provincial audits and how, if they had targets they wanted to address, they maybe should be addressed there.

I go back to your notes where, in paragraphs 5 and 6—I realize this was on the just transition—you spoke about “less effective provincial carbon pricing systems”. You spoke about “approving weaker systems for large emitters in some parts of the country”. Some of my colleagues were talking about rural Canada, farmers and those sorts of things, so there was an issue there.

I'd like to expand from that and go back to what I was talking about earlier. When provinces have major initiatives they use in order.... For example, as I was mentioning, Alberta has had over 20 years of carbon pricing on heavy emitters, which has allowed it to be able to do the innovative things it does, such as their push as far as hydrogen is concerned, net zero in plastics production, and so on. It doesn't get much credit for it, but it does all of these innovative things. All of those things are happening now.

As a matter of fact, two days ago there was a major announcement of \$50 million to launch a hydrogen centre of excellence in Olds in my riding. These things are happening, and because they happen, if we look at the overall effect on our trade and on selling the products that we have, if we don't talk about these things and don't encourage them, we're going to lose that opportunity to sell this technology around the world.

What I'm asking is this. Has this concept of the things happening in the provinces really being addressed? Maybe I'll have to address it to the minister when he does show up.

In the audit, when you say that we know there are less effective provincial carbon pricing systems and you say there are issues with large emitters in some parts of the country, are we really talking about a snapshot of what has been happening specifically, as I say, in western Canada, where the large resources sector is so important not just to them, but to this country and to the world?

• (1340)

Mr. Jerry V. DeMarco: I think you are getting at the tension between strong centralized control and the principle of subsidiarity, for example. We're in a federal state, so there is always going to be some work done at the national level in a coordinated way, like the PCF, the pan-Canadian framework. Sometimes the federal government will do its own thing and the provincial governments will do their own thing.

On a matter of national concern like this, the federal government chose to do a program that allows for provincial systems to be substituted for the federal one, which is called the "backstop", if they meet a benchmark.

What we are saying is that if you're going to use that system, make sure that the benchmark is rigorous enough so that whatever systems are being approved at the provincial level to reflect their own regional needs are at least as effective as the federal backstop. That's the idea.

Mr. Earl Dreeshen: Sometimes they become ideological, and I say that sincerely, because if someone had said they are getting rid of oil and gas, then this is the way to get rid of oil and gas. Here I'm concerned about what we're looking at with agriculture right now. There's been a report saying how serious the situation is with cereal crops and that we have to make changes there. I'm afraid that the next report you're going to have to do will be taking a look at agriculture and saying there must be issues there that need to be addressed.

I hope that we do.

The Chair: Thank you. Mr. Longfield is next.

Mr. Lloyd Longfield: Thank you, Mr. Chair. I'd like to direct my questions to ESDC and Mr. Brown.

The scope of this audit obviously was from January 2018 to September 2021, so it isn't looking at the upcoming legislation for a just transition or the budget that was put forward in 2021 for programming by ESDC.

I'm looking at things like the sectoral workforce solutions program that has just had a call for proposals. Could you talk about the work that's been happening since the transition? I ask because one of our colleagues was saying earlier that there was nothing being done, that we weren't doing anything in ESDC.

Mr. Andrew Brown (Senior Assistant Deputy Minister, Skills and Employment Branch, Department of Employment and Social Development): Thanks for the question. There are a couple of things.

It's important to recognize the existing programs that are in place in terms of providing support to workers who are affected. That includes things such as the employment insurance program. There have already been changes introduced, some of these during the pandemic, to help increase access to the program. There are ongoing consultations with worker groups, and with industry as well, to better understand some of the changes that could be made to that to help workers in terms of support.

What that's really complemented with is how we prepare workers for the new jobs in terms of the transition. That's particularly where you pointed to one of those initiatives, the sectoral workforce solutions program, which is really important. It will help support the design and delivery of training, based on sectoral needs. This is a way to provide tailored supports to help workers acquire the skills they need to be successful in the new economy.

• (1345)

Mr. Lloyd Longfield: Thank you.

When I'm thinking of transition, I'm also thinking of previous recessions when workers from Newfoundland picked up jobs in Alberta. Now workers in Alberta might be picking up jobs in Quebec where they're doing some mining work that could be feeding the supply chain for electric vehicles.

Could you talk about the dynamics of working across Canada and how ESDC can help with that?

Mr. Andrew Brown: Thanks for that question as well. I might ask Chris Bates to jump in a bit to speak to those issues of labour mobility.

Mr. Chris Bates (Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development): Thank you very much for the question.

We do this on a couple of fronts. We do it through the foreign credential recognition program, for which we also received new funding as part of budget 2022. As well, we do it through the Red Seal program, which really facilitates the mobility of apprentices and journeypersons across Canada.

Those are two concrete examples of work that we're doing to facilitate mobility, as well as working collaboratively with provinces and territories to support that.

Mr. Lloyd Longfield: Thank you, Mr. Bates.

With labour, trying to fill the existing gaps we have from COVID as well as transitioning from one technology to another isn't an easy job. Thank you for what you're doing to help.

The Chair: Thanks very much. That takes us to the end. It's 1:47 on the dot.

Thank you to the witnesses for a stimulating conversation and to the members for their excellent questions.

Our next meeting is May 3, with the minister, on the main estimates.

The meeting is adjourned.

[Pursuant to a motion adopted by the committee on April 26, 2022, opening remarks by Mr. John Moffet have been appended to the Evidence for this meeting. See appendix—Remarks by John Moffet]

ECCC welcomes the Commissioner of the Environment and Sustainable Development's Report tabled in Parliament on April 26, 2022 on the application of carbon pollution pricing systems in Canada.

The Report assesses whether Environment and Climate Change Canada (ECCC) has ensured that carbon pricing systems in Canada were applied effectively, fairly and transparently, as defined in the Pan-Canadian Framework on Clean Growth and Climate Change.

The Report recognizes that putting a price on carbon pollution is critical to significantly reducing Canada's GHG emissions towards meeting national reduction targets.

It notes the broad consensus among expert international bodies, including the World Bank, the Organisation for Economic Development, and the International Monetary Fund, that carbon pricing is one of the most efficient policy approaches to reduce GHG emissions and needs to be a critical component of countries' overall approaches to reducing economy-wide emissions.

The Pan-Canadian Approach is intended to give provinces and territories the flexibility to implement the type of carbon pollution pricing system that makes sense for their circumstances, provided their approaches are aligned with minimum national stringency requirements (the federal benchmark).

The CESD Report confirmed that Environment and Climate Change Canada successfully ensured that carbon pollution pricing systems were in place in all provinces and territories as of 2019.

The Report found that some provincial systems were weaker than others, but recognized that the Government has already taken steps to address this issue by publishing updated, strengthened minimum national stringency requirements (federal benchmark) in August 2021, which will apply for the 2023-2030 period. As the Minister Guilbeault noted in his April 26, 2022 statement: "We are committed to making sure the price on pollution continues to be fair and effective. We have strengthened the minimum national standards for carbon pricing that all systems will need to meet from 2023 to 2030 and are engaging with provinces and territories on implementing them."

The CESD Report also identified other areas for further improvement.

ECCC agrees with the audits' four recommendations, and will work with provinces and territories to address these recommendations, to continue to ensure that carbon pollution pricing is in place and effective across Canada.

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