PEMBINA institute

Climate Governance in Canada

Overview and recommendations

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Climate Governance in Canada

Overview and recommendations

Contents

List of Figures

1.! Introduction

This guide provides an overview of how climate policy is determined within Canada's federal government. Understanding how climate policy is created and approved is especially relevant following the federal government's creation of a Climate Secretariat in the Privy Council Office, its passage of the Canadian Net-Zero Emissions Accountability Act, and its commitment to create a climate lens through which all government programs, plans, and policies will be evaluated. Robust implementation of these commitments is key to ensuring that all government actions are aligned with, and contribute to, an equitable transition to a net-zero economy.

1.1! Canada's climate goals

Canada, along with 191 other countries plus the European Union, is a signatory to the Paris Agreement which is underpinned by a commitment to strengthen efforts to limit the rise in global average temperature to well below 2 degrees Celsius, and preferably to 1.5 degrees. Under the agreement, Canada is required to submit an emission-reduction target (a Nationally Determined Contribution or NDC) every five years. Canada originally targeted lowering its GHG emissions to 30% below 2005 levels by 2030—a reduction from 730 to 511 Mt CO_2e. In the spring of 2021, Canada increased its NDC with a commitment to lowering its GHG emissions to 40-45% below 2005 levels by 2030. While implementation remains voluntary, Canada includes in its NDC submission the measures and policies it will take to reduce emissions and to adapt to climate change.

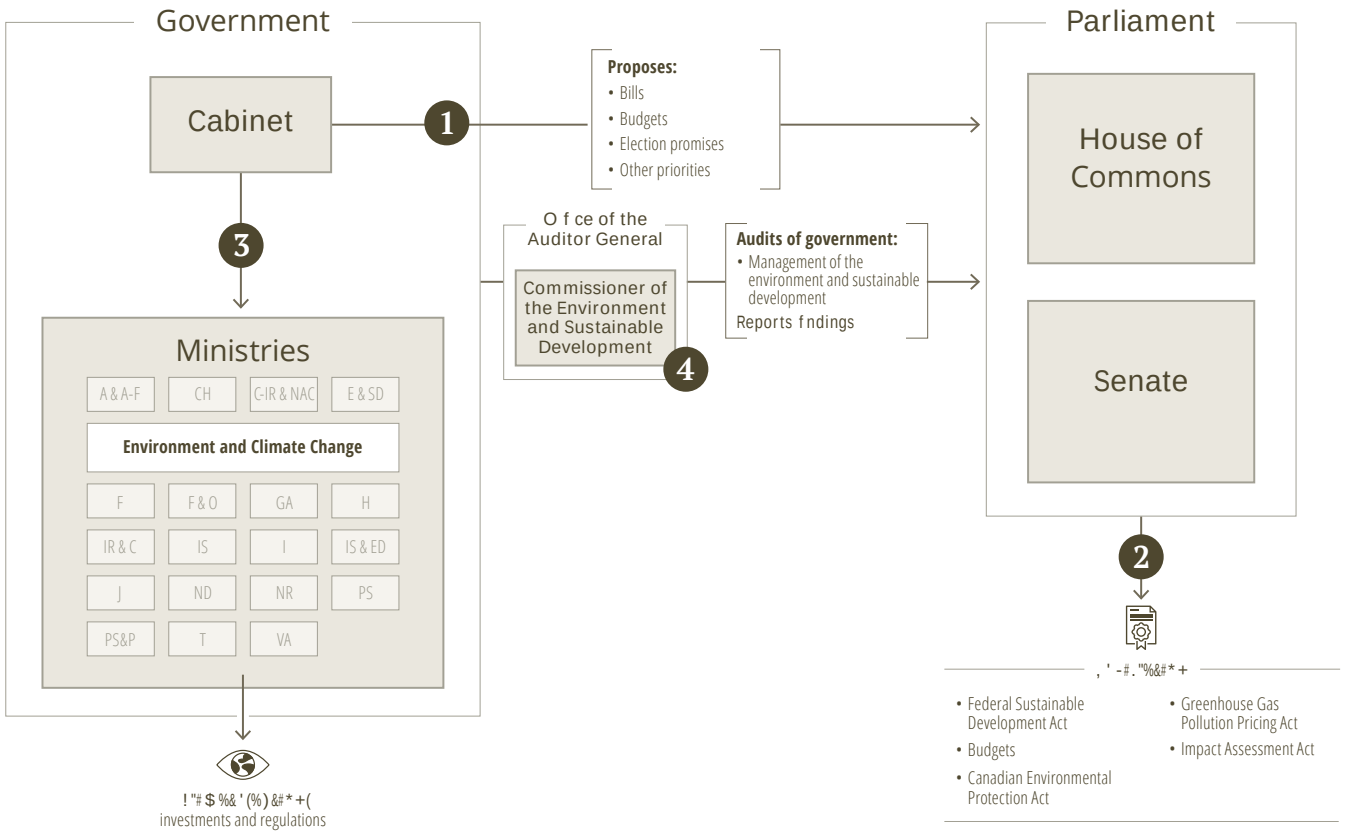
2.! Climate governance

The purpose of climate governance is to ensure that national emissions are reduced in line with what science tells us is required for limiting global climate change. This requires setting science-based emissions targets and budgets, and then putting in place the policies and decision-making frameworks required to achieve them. International best practice has demonstrated that creating a legislated accountability framework is a key step in creating effective climate frameworks and durable policies that will last beyond the government of the day.[1] Good climate governance should also consider the distributional impacts of climate change and climate policies, aim to increase equity, include opportunities for meaningful public engagement, improve representation of historically underrepresented groups, and be pursued in collaboration with Indigenous Peoples.[2]

Figure 1 illustrates the key institutions involved in climate governance within the Government of Canada prior to 2021 when additional measures were added.

[1] Julie Croome et al., *A New Canadian Climate Accountability Act: Building the legal foundation to achieve net-zero emissions by 2050* (EcoJustice, 2020). https://ecojustice.ca/wp-content/uploads/2020/06/A-New-Canadian-Climate-Accountability-Act-Detailed-Report-1.pdf

[2] A comprehensive assessment of federal and provincial climate change policies can be found in: Nichole Dusyk et al., *All Hands on Deck: An assessment of provincial, territorial and federal readiness to deliver a safe climate* (Pembina Institute, 2021). https://www.pembina.org/pub/all-hands-on-deck



1 Cabinet is the key decision-making body for the Government of Canada. It is a private forum where ministers and the Prime Minister discuss government operations and priorities. Cabinet ministers introduce bills to Parliament on behalf of the government to create a new law, raise taxes, or approve new government spending.

2 Parliamentarians debate bills, which, should they receive a majority vote in both the House of Commons and the Senate, become legislation. Legislation determines the scope of government decision-making power.

3 The government creates policies, plans, and programs within the bounds of legislative framework.

4 The Commission of the Environment and Sustainable Development audits the Government of Canada's management of the environment and sustainable development and reports their findings to Parliament.

Figure 1. How federal climate policy was enacted before 2021!

3.! Steps to improve climate governance

The federal government has taken steps to improve climate governance, perhaps in recognition of the need to reorganize internally to respond effectively to the challenges posed by climate change. Below we discuss three recent or proposed changes to federal climate governance: moving towards a whole-of-government approach, climate accountability, and a focus on climate decision-making.

3.1! A whole-of-government approach

A whole-of-government approach brings together government departments and agencies to provide a coordinated response to a cross-cutting policy issue. Applied to climate change, a whole-of-government approach requires integrating climate change into the mandates of a range of departments. This involves extending responsibility for addressing climate change beyond Environment and Climate Change Canada (ECCC) and instead ensuring that it is mainstreamed in the work of departments such as Finance, Innovation, Science, and Economic Development, Natural Resources, Transport, and Public Safety and Emergency Preparedness.

Canada is moving to a whole-of-government approach to climate change.[3] Notably, in 2021 the federal government created the Climate Secretariat in the Privy Council Office, which is the bureaucratic arm of the prime minister and the cabinet. The secretariat is tasked with advancing a whole-of-government approach by supporting the implementation of current and anticipated climate policies across departments. It is expected to work closely with ECCC, advisors in the Prime Minister's Office, and key officials throughout government.[4] If adequately resourced, the secretariat could serve an important coordinating function and help ensure departments are supported and working in step on climate change.

[3] Janetta McKenzie and Jonas Kuehl, *Greater than the Sum of its Parts: How a whole-of-government approach to climate change can improve Canada's climate performance* (Canadian Institute for Climate Choices, 2021). https://climatechoices.ca/publications/greater-than-the-sum-of-its-parts/

[4] Clare Demerse, Climate Secretariat, personal communication, September 12, 2022.

At the cabinet level, various committees are tasked with considering climate change. Under the current session of Parliament, cabinet discusses such matters at either the Cabinet Committee on Economy, Inclusion and Climate "A" or the Cabinet Committee on Economy, Inclusion and Climate "B". The inclusion of climate change within these core cabinet committees ensures that related matters are well integrated into government decision-making. However, a dedicated committee focused on climate change might provide greater focus and emphasis. Recently, the expectation for working toward a whole-of-government approach to climate change was explicitly stated in the mandate letters to cabinet ministers. In December 2021, the prime minister directed every minister "to seek opportunities within [their] portfolio to support our whole-of-government effort to reduce emissions, create clean jobs and address the climate-related challenges communities are already facing."[5]

3.2! Accountability

Governments that intend to meet their climate commitments must set appropriate long-term targets and then put into place the processes to ensure that short-term policies, plans, and program proposals align with those long-term climate goals.

In June 2021, the Government of Canada passed the Canadian Net-Zero Emissions Accountability Act (CNZEAA). The CNZEAA creates a climate accountability framework with legislated greenhouse gas emissions reduction targets including five-year milestone targets, the requirement to table emission reductions plans and assessments in Parliament, and the creation of an advisory body.

CNZEAA establishes a legally binding 2050 target of net-zero greenhouse gas emissions. In addition, the CNZEAA requires shorter-term commitments for 2030. Within six months after coming into force, the act required the environment minister to table in Parliament an emissions-reduction plan outlining how the federal government will meet its 2030 target of reducing emissions 40-45% from 2005 levels (402–438 Mt CO_2e). The initial emissions reduction plan was also required to include an interim emission reduction target for 2026. For the 2030 milestone year, the act requires the minister to table progress reports in 2023, 2025, and 2027.

Subsequent targets must also be set 10 years in advance for the milestone years 2035, 2040, and 2045. A year after each target is set, the minister must publish an emissions reduction plan. Incremental target setting coupled with emissions reductions plans and

[5] Prime Minister of Canada, "Mandate Letters." https://pm.gc.ca/en/mandate-letters

progress reports are intended to establish and maintain progress towards the longer-term net-zero goal. The requirement for plans and progress reports to be tabled in Parliament provides transparency and an opportunity for members of Parliament to question the government on the adequacy of its targets and policies.

The CNZEAA also established an advisory body and auditing requirements. The act formalized the role of the existing Net-Zero Advisory Body (NZAB), a body appointed by and reporting to the environment minister.[6] The NZAB is tasked with providing advice with respect to achieving net-zero emissions by 2050. In addition, every five years the CNZEAA requires a report from the Commissioner of the Environment and Sustainable Development in the Office of the Auditor General of Canada on the implementation of measures aimed at mitigating climate change.

The first Emissions Reduction Plan (ERP) required under the CNZEAA was published March 2022.[7] It put in place a robust accountability framework. But it is the implementation of that framework that will ultimately determine its impact. It is critical that the ERP sets an ambitious target for 2026 that puts Canada on a path to reach the upper range of its 2030 target (45% from 2005 levels). The plan should also be structured so measures can easily be tracked over time and should include indicators to assess how individual policies are expected to contribute to emissions reductions. Finally, the plan should also identify where data gaps limit the ability to track policies and should put in place measures to address them.

3.3! Integrating climate policies with decision-making

The Government of Canada has previously deployed a number of tools in an effort to integrate environmental and sustainable development considerations into decision-making. This includes the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals and the Strategic Assessment of Climate Change. Another tool, the proposed climate lens, is still in the development stage.

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[6] Government of Canada, "Net-Zero Advisory Body," March 7, 2022. https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/net-zero-emissions-2050/advisory-body.html

[7] Environment and Climate Change Canada, *2030 Emissions Reduction Plan: Canada's Next Steps for Clean Air and a Strong Economy* (2022). https://www.canada.ca/content/dam/eccc/documents/pdf/climate-change/erp/Canada-2030-Emissions-Reduction-Plan-eng.pdf

Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals

The Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals sets an expectation of federal departments and agencies to conduct a strategic environmental assessment of a policy, plan, or program proposal if two criteria are met: it is submitted to a minister or cabinet for approval, and it may result in important positive or negative environmental impacts. The directive states that the strategic environmental assessment is expected to "consider the scope and nature of the likely environmental effects, the need for mitigation to reduce or eliminate adverse effects, and the likely importance of any adverse environmental effects, taking mitigation into account."[8]

Successive audits from 2013 to 2017 by the Commissioner for Environment and Sustainable Development found that the directive was infrequently applied.[9] Progress was made by 2017 when the commissioner found that 26 audited departments had improved their internal strategic environmental assessment processes and the directive was applied to 93% of proposals submitted to cabinet.[10] Despite the recent improvements in application, however, there is little evidence that the cabinet directive has resulted in improved climate decision-making.

Strategic Assessment of Climate Change

In 2020, ECCC finalized the Strategic Assessment of Climate Change (SACC). The SACC was developed as part of revisions to the federal environmental assessment regime. It

[8] Canada, *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals* (2010), online: https://www.canada.ca/content/dam/iaac-acei/documents/strategic-environmental-assessment/cabinet-directive-environmental-assessment-policy-plan-program-proposals/cabinet_directive_on_environmental_assessment_of_policy_plan_and_program_proposals.pdf

[9] Auditor General of Canada, "Report 4—Departmental Progress in Implementing Sustainable Development Strategies," *Reports of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada* (Fall 2017). https://www.oag-bvg.gc.ca/internet/English/parl_cesd_201710_04_e_42492.html

Auditor General of Canada, "Report 3—Departmental Progress in Implementing Sustainable Development Strategies," *Reports of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada* (Fall 2016). https://www.oag-bvg.gc.ca/internet/English/parl_cesd_201610_03_e_41673.html

Auditor General of Canada, "Report 3—Departmental Progress in Implementing Sustainable Development Strategies," *Reports of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada* (Fall 2015). https://www.oag-bvg.gc.ca/internet/English/parl_cesd_201601_03_e_41017.html

[10] Auditor General of Canada, "Report 3—Departmental Progress in Implementing Sustainable Development Strategies," *Reports of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada* (Fall 2018). https://www.oag-bvg.gc.ca/internet/English/parl_cesd_201810_03_e_43147.html

sets out the approach and methodology for assessing climate change as part of the assessment of major projects that fall under the Impact Assessment Act or the Canadian Energy Regulator Act. The objective of the SACC is to "enable consistent, predictable, efficient and transparent consideration of climate change throughout the impact assessment process."[11]

Prior to the development of the SACC, the method for assessing the climate change impacts of any major project was determined on a project-by-project basis. As a result of the SACC, there is now a consistent standard of information that proponents must provide, and of greenhouse gas accounting methodologies that must be used, to assess the climate impacts of a project. The SACC also requires that proponents of projects extending beyond 2050 provide a credible plan showing how they will achieve net-zero emissions by 2050, and that all projects undergo an assessment of climate resilience.

The SACC has been critiqued for the scope of the assessments it governs, the methodologies it employs, and its failure to explain how the information collected will be used to determine whether a project "hinders or contributes to" Canada's ability to meet its climate-change obligations. In particular, the SACC does not include criteria, thresholds, or forms of analysis that would ensure a project is compatible with net-zero pathways. Thus, while the SACC may be viewed as an improved methodology for calculating GHG emissions from proposed projects, it is not clear that it will, or can be, used to ensure that major natural-resource and infrastructure projects are compatible with Canada's climate change objectives.

Applying a climate lens

In the Strengthened Climate Plan (SCP) released in 2020, the Government of Canada committed to creating a "climate lens" to consider the climate impact of policies, plans, and program proposals.[12]

The climate lens proposed in the SCP is intended to be an assessment tool for all government decisions. Thus, the scope of the proposed climate lens is broad, potentially impacting how policy and spending decisions are made across government.

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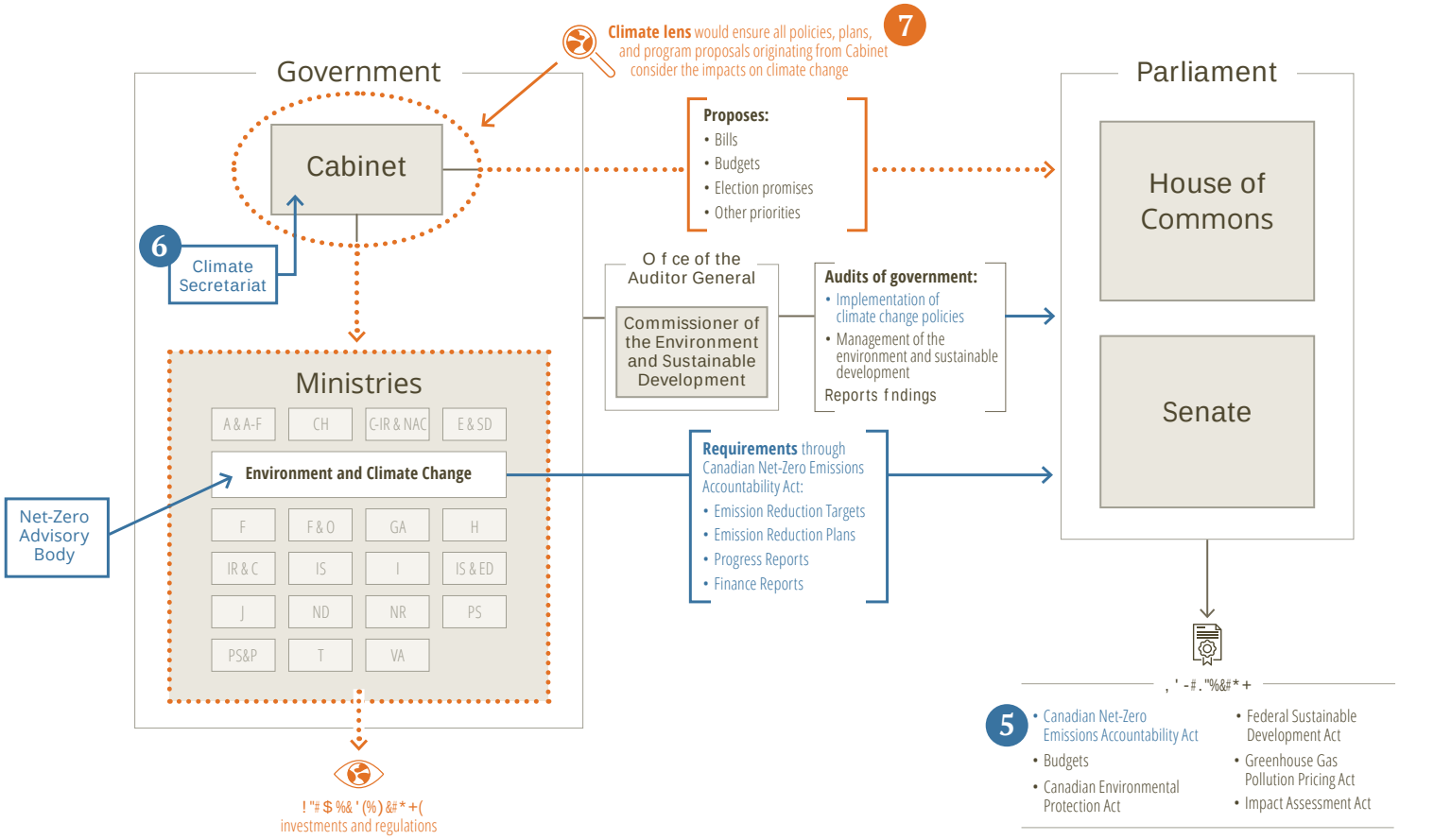
[11] Government of Canada, *Strategic Assessment of Climate Change* (2020), 1. https://www.canada.ca/en/services/environment/conservation/assessments/strategic-assessments/climate-change.html

[12] Environment and Climate Change Canada, *A Healthy Environment and a Healthy Economy* (2020), 59. https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/healthy-environment-healthy-economy.html

The proposed climate lens is currently in development by ECCC and is expected to apply to all major government decisions including memoranda to cabinet, Treasury Board submissions, and the budget. This has the potential to significantly influence the information available to decision-makers and further support the whole-of-government approach to climate change. Figure 2 below illustrates the potential effect of a climate lens implemented at the level of a cabinet directive, along with other measures already put into place.

Ministers and government officials must be held accountable for ensuring the proposed climate lens is fully and consistently applied. Departments and agencies will need adequate support to conduct the analysis, and access to centralized expertise that can advise on applying transparent methodology. To fully understand the positive and negative contributions to climate change, assessments completed under the proposed climate lens should follow this transparent methodology and be based on credible scenarios showing 1.5 degrees of warming. In addition, the proposed climate lens should include clear criteria to act as goalposts for assessing the information that will be provided to decision-makers.



5 **Canadian Net-Zero Emissions Accountability Act**: This 2021 act establishes a framework for the Government of Canada to be held accountable for achieving net-zero emissions by 2050. Under the act, the Minister of Environment and Climate Change Canada must report emission reduction targets, plans and progress reports to Parliament at regular intervals. The Minister of Finance must report on key measures taken to manage risks and opportunities related to climate change. Audits of the government's implementation of climate change policies are done by the Commissioner of the Environment and Sustainable Development. The Net-Zero Advisory Body provides advice with respect to achieving net-zero emissions by 2050.

6 **Climate Secretariat**: A new federal body within the Privy Council O f ce, the climate secretariat is tasked with advancing a whole-of-government approach by supporting the implementation of climate policies across departments.

7 **Climate lens** (still in development): To ensure a whole-of-government approach to climate change, a climate lens will need to be applied to all decisions coming from cabinet.

Figure 2. Actions to increase government accountability on climate policy post-2021

4.! Conclusions and recommendations

Good climate governance will help ensure that the federal government can effectively respond to the challenges of climate change, and provide the leadership required to set Canada on a course to building a clean economy and healthy communities.

Recently, the Government of Canada has taken steps to improve federal climate governance. The Climate Secretariat in the Privy Council Office will contribute to a coordinated, whole-of-government approach to climate change. The Canadian Net-Zero Emissions Accountability Act provides a robust framework for achieving climate targets, and the proposed climate lens has the potential to better align all government decision-making with climate mitigation and adaptation objectives.

Recommendations for enhancing climate governance

- Implement the proposed climate lens at the level of a cabinet directive, and mandate its use for all government departments and agencies including Crown corporations and public finance institutions such as Export Development Canada and the Canada Infrastructure Bank
- Ensure adequate, long-term resourcing of the Climate Secretariat and expert advisory bodies
- Create and publish modelling that shows scenarios aligned with 1.5 degrees of warming and pathways for all sectors to achieve net-zero emissions by 2050
- Ensure that emissions reductions plans and the climate lens are based on credible modelling, and that they include clear metrics and, where appropriate, criteria for assessment
- Create transparency by publishing methodologies and assumptions behind models and decision-making tools.