

Vancity's Response to Canada's People-Centred Just Transition: Discussion Paper

As a member-owned and values-based financial institution, Vancity credit union uses the tools of finance and our community relationships to expand economic opportunity, improve the wellbeing of our members, and make our communities better for everyone. The climate emergency will significantly impact our members and communities, and so Vancity is placing a wholistic and high-profile response to this at the heart of our work, with commitments to financing an equitable climate transition and becoming net-zero in our lending by 2040.

Looking beyond Vancity, it is clear that the window to stem the climate crisis is closing, and that Canada needs to be a part of the global effort to dramatically reduce emissions. As we do that, we must also keep a keen focus on another reality – as we've seen during COVID-19, major crises dramatically increase existing inequities.

This means that the effects of climate change will most hurt those already hit hardest by economic inequality. Tackling this will require deep and systemic changes, and strong worker-centered private and public sector action will be critical to achieving Canada's transition to a climate-ready economy. Federal legislation guaranteeing a just transition is an urgently needed step to protect and support Canadians and Vancity welcomes the opportunity to engage with government on the People-Centred Just Transition: Discussion Paper.

Summary of Vancity's Recommendations

1. Work with financial institutions to put supports in place for workers
2. Consider workers across the supply chain of high-emission sectors
3. Commit to a fifth Principle about creating a safety net of policies and programs for workers
4. Ensure alignment to the Canadian Net-Zero Emissions Accountability Act
5. Scale up public investment and facilitate private investment
6. Leverage the co-operative model to support community economic development
7. Build up the systems needed to (re)deploy workers
8. Include the finance sector on the Just Transition Advisory Body



The New Economy and a Just Transition

Canada must take immediate and transformative action to address the climate emergency. This past summer, in BC alone, we lost the entire community of Lytton to a forest fire, while hundreds of residents elsewhere in the province died in their homes during a heat dome that, in some areas, pushed temperatures above 40 C. A comprehensive plan is needed to phase out high-emission sectors while rapidly growing a new economy that supports people and the planet. There is no question that this will be an immensely complex and challenging process, and – at times – our country will face tough choices. It will also require a significant increase in public and private investment. But the cost of inaction — whether by failing to phase out oil and gas production or allowing Canada's high-emission sectors to collapse without a comprehensive plan for workers and communities — is far higher, with catastrophic economic and social impacts for people across the country.

Now is the time to begin creating something better. Canadians deserve an economy that lifts everyone up, and this starts with ensuring that all Canadians are in a position to thrive and fully participate in the new economy.

As Canada moves forward with drafting just transition legislation, we encourage the Government to look to financial institutions and the financial sector as an integral part of this work. Financial institutions have a responsibility to help reduce barriers and enable the changes necessary to confront the climate emergency. The COVID-19 pandemic illustrated how banks and credit unions can mobilize to support workers in the face of a global crisis. Steps Vancity took included mortgage deferrals, flexible loans to allow people to address immediate needs, and temporarily reducing the interest rate on our credit cards to zero per cent. These made a meaningful difference for many who lost jobs or income, or those who needed to pivot their businesses to address a dramatic change in the market conditions around them. We believe similar tools can be a part of the climate transition and would welcome a conversation on the role sustainable finance can play.

Recommendation

- Work with financial institutions such as Vancity to develop a robust, comprehensive, and inclusive response to the financial needs of workers, businesses, and communities in the creation of a new economy and through a just transition.

Principles

The four principles outlined in the discussion paper provide a strong foundation for this legislation.

The commitment of Principle 1 - building a shared path in partnership with communities - is critical to the success of this work and we applaud that it is a central tenet of the strategy.

Vancity also strongly supports Principle 2 - that a just transition create decent, fair, and high-value work designed in line with regional circumstances. Specifically, workers transitioning from high-emissions sectors must be able to find work that is comparable to their existing employment in terms of pay and security.

As we phase out high-emission sectors like oil and gas, just transition planning also needs to encompass workers throughout the supply chain (e.g., manufacturing, distribution, sales, etc.) and in the surrounding communities and regions (e.g., sectors such as hospitality, retail, etc.), because a transition that leaves any worker behind is not a just one (as per Principle 3). In particular, many workers in the service sector are racialized and/or women in precarious and lower-paid positions, and policies and programs that only apply to workers directly employed in high-emissions sectors would likely exacerbate existing inequities. Not only is this the right thing to do, but it will help increase public support for the transition to a low-carbon economy.

Climate action also presents a prime opportunity to lift more workers into secure, higher paying, and safe work. Many public and private sector emissions reductions targets will depend on Canada being able to meet the labour market needs for building energy retrofits on an unprecedented scale. This includes Vancity, and our own commitment to be net-zero in all our lending (including residential and commercial mortgages) by 2040. There is economic opportunity for Canada to position itself as a leader in this field – to invest end-to-end in clean tech innovation, manufacturing, responsible resource development, and construction, creating high-value jobs that are available to all Canadians.

One example of how Vancity is supporting workers in leading the transition to a low-carbon economy is our partnership with the Workers' Solidarity Network to research pathways to transform local precarious jobs into green jobs that pay livable wages. The project will take a worker-oriented perspective, informing how we can empower precarious workers to transform their sectors into the next green economy. Results from this research will be available in December 2022.

Vancity is committed to financing an equitable climate transition because we know what is at stake. Without a just transition, families, communities, and regions will suffer. And when people can no longer pay their mortgages or credit cards, or invest in themselves and their community, the economic impacts will be widespread.

To protect against this scenario, it is important to help people succeed during the transition to a new economy. Vancity recommends creating an additional principle committing the Government of Canada to providing a strong safety net of policies and programs for workers (such as robust financial supports, (re)training, and tools to leverage their existing skills into new careers) to help ease workers' worries and put them and their communities in a position to help build the new economy. The pandemic is a recent example of how interim supports can successfully help people through difficult periods; data collected by Vancity on our members who lost employment and income in the first year of the pandemic show that upwards of 94 per cent of members who were extended mortgage deferrals and credit card interest relief successfully resumed payments after six months. Vancity would welcome the opportunity to work with the Government to design and deliver policies and programs for the just transition, including developing a robust and comprehensive system of financial services and supports and distributing funds to workers and businesses.

Recommendations

- The just transition must encompass not just workers directly in high-emission sectors, but throughout the supply chain and in surrounding communities and region; a transition that leaves any worker behind is not a just one.
- Create an additional Principle committing the Government of Canada to providing a strong safety net of policies and programs for workers.

Legislation and a Whole of Government Approach

Canada is already on the right path to a new economy and a just transition with the Canadian Net-Zero Emissions Accountability Act. By establishing a legally binding process to set five-year national emissions-reduction targets for 2030, 2035, 2040, and 2045, and developing credible, science-based emissions-reduction plans to achieve each target, the Government of Canada has committed to laying out which sectors will be phased out (and when). This process will also help outline the immense opportunities that will be available to all Canadians in careers focused on emissions-reductions.

Just transition legislation can build on this existing work to create a corresponding transition plan for workers in high-emission sectors and a blueprint for scaling up emission-reduction jobs. Working in partnership with Environment and Climate Change Canada and ministries from across government, Natural Resources Canada should align and integrate with processes already underway. This approach would ensure workers and communities are not just *considered* in the Government's climate actions but are placed front and centre. Weaving the principles of a just transition into government-wide climate action planning will also help the Government to prioritize programs and policies that have positive impacts on workers and communities, and to focus on efforts that will push forward key transition and resiliency goals.

As with the Net-Zero Emissions Accountability Act, just transition legislation should contemplate:

- targets and plans to achieve them;
- interim progress reports to update on the ongoing implementation and effectiveness of reduction plans; and
- final assessment reports to indicate whether a target has been met and assess the effectiveness of the associated plan.

Recommendations

- Align the just transition legislation with the Canadian Net-Zero Emissions Accountability Act, creating a corresponding transition plan and integrating just transition principles into government-wide climate action planning.

Opportunities and Challenges

With the transition to a new economy comes a chance to create a system that improves the economic, social, and environmental wellbeing of workers and their communities. To realize this vision, Vancity recommends that the Government focus on facilitating investment in the new economy, prioritizing community economic development, and building a system to quickly scale up jobs that reduce emissions, including in the built environment.

Investment

Building the new economy will require a significant expansion of public and private investment - in the range of tens of billions of dollars a year - in physical capital and new enterprises, beginning immediately and continuing for decades to come.

Government investments will be a critical tool in building a new economy with good jobs and achieving a just transition, and in attracting private investment. Government can also ensure that its investments benefit workers by requiring recipients to pay fair wages and enact community benefit agreements, registered apprenticeships, and other training programs that provide opportunities for all Canadians.

The Government of Canada is already showing leadership and taking action to transform the financial sector into a driver of sustainable economic growth through initiatives like the Sustainable Finance Action Council. The analysis involved in mapping the path forward through the Canadian Net-Zero Emissions Accountability Act will also play a critical role in helping the financial sector to understand the investment needs of the new economy versus current investments and support the development of a plan to bring the two in line.

However, expanding private investment will depend on improving policy and market incentives in both the economy and the financial system. Ultimately, until climate-related risks are integrated in a standardized way into capital and regulatory frameworks, the lack of recognition of climate-related risks will continue leading to the overvaluation of unsustainable assets and the under-valuation of green and sustainable assets. This misallocation of funds is undermining Canada's ability to harness transition opportunities and escalating the level and complexities of risks that threaten the stability of our economy and financial system.

As a member of Canada's Sustainable Finance Action Council, as well as the North American representative on the Board overseeing the implementation of the UN's Principles for Responsible Banking, Vancity would welcome the opportunity to expand our work with the Government of Canada and provide insight to Natural Resources Canada related to financing the new economy and a just transition.

Community Economic Development

As we come together to transform the economy and ensure a just transition, we have the opportunity - and the responsibility - to use this moment to build healthier and more resilient communities and businesses. Now is the moment to commit to building forward and to prioritizing the long-term needs of communities by placing workers and Indigenous communities front and centre.

It will be important that the Government work closely with the provinces to support small and medium businesses and to expand alternative models of business that are focused on keeping financial resources and benefits in the local community and regional economy, such as co-operatives.

As a financial institution that supports over 35,000 small and medium businesses in British Columbia, Vancity would be glad to provide further insight on ways to support small and medium businesses in the new economy and through a just transition.

Built environment

With buildings as the third highest-emitting sector in Canada, one of the most significant opportunities for good new low-carbon jobs is in the building sector. Between the millions of existing homes and commercial buildings that will require retrofitting and the new buildings yet to come, construction and supporting industries will open-up opportunities for Canadians from all backgrounds.

Financial institutions must play a leading role in working to reduce emissions from the buildings that are financed through their lending portfolios. That is why, in 2021, Vancity began disclosing our financed emissions, working with the Partnership for Carbon Accounting Financials to test and refine cutting edge accounting and reporting practices. It's also why we've committed to be net-zero in all our lending by 2040, and we are currently looking at the ways we can work with our members through our products and business to help make their homes and businesses more energy efficient and to reduce emissions.

There will be enormous demand for new trades and skilled workers in order for public and private sector entities to meet their targets, and we applaud the Government's commitment to ongoing work with provinces to improve the energy-efficiency and climate-resilience of buildings. Vancity would welcome opportunities to share insights into the types and granularity of data that will most meaningfully drive retrofit programs, energy efficiency innovation, and other opportunities for low-carbon jobs.

Recommendations

- Significantly scale up government investment, and facilitate the mobilization of private sector capital, in climate action and the just transition to address the climate emergency and minimize risks to the Canadian economy.

Co-operatives are jointly owned and democratically controlled enterprises that support the common economic, social, and cultural needs of their members. Co-operatives exist in almost every part of the economy and should play a central role in the just transition. Relevant examples include the Carbon Co-op, a UK-based energy services and advocacy co-operative that helps people and communities to make reductions in home carbon emissions. Germany has also introduced laws to allow citizens to pool resources and create energy cooperatives where they share ownership of their energy supply. Co-operatives also take the form of worker-owned co-ops, where the employees own and control the business, thereby ensuring good wages and working conditions.

- Focus on community economic development, including expanding support for small and medium businesses and alternative business models (like co-operatives) that keep resources and benefits in the regional economy.
- Begin immediate work to quickly scale up the systems needed to move thousands of new workers into construction, materials development, and more.

Advisory Body

The Advisory Body should be a diverse group with representatives from labour, organizations representing businesses of varying sizes, local government, community economic development organizations, education institutions, and the finance sector. The Advisory Body will likely require working groups with expertise in various areas of building the new economy and designing a just transition, but this work should also be strongly integrated. Examples of groups that Vancity recommends appointing include:

- [Canadian's Building Trades Unions](#)
- [Federation of Canadian Municipalities](#)
- [Green Economy Network](#)

Vancity also recommends that the Advisory Body, and the public servants leading the just transition work in government, work closely with the Net-Zero Advisory Body and the Sustainable Finance Action Council and their associated ministries.

As a member-focused financial institution committed to financing a just transition, and a member of the Sustainable Finance Action Council, Vancity would welcome the opportunity to join the Just Transition Advisory Body and help draw connections between the important and interrelated work that each will be undertaking.

Recommendations

- The advisory body should be a diverse group with representatives from labour, organizations representing businesses of varying sizes, local government, community economic development organizations, education institutions, and the finance sector; their work should be integrated with that of other government bodies, including the Net-Zero Advisory Body and the Sustainable Finance Action Council.

Thank you

Thank you for the opportunity to respond to and share our perspective on Canada's *People-Centred Just Transition: Discussion Paper*. Vancity welcomes this discussion document and offer our ongoing support to Government's efforts.

Please reach out if there are any questions regarding Vancity's feedback. We look forward to the government's leadership and next steps on this important issue.

About Vancity

Vancity is a values-based financial co-operative serving the needs of its more than 550,000 member-owners and their communities, with offices and 54 branches located in Metro Vancouver, the Fraser Valley, Victoria, Squamish and Alert Bay, within the unceded territories of the Coast Salish and Kwakwaka'wakw people.

With \$30.5 billion in assets plus assets under administration, Vancity is Canada's largest community credit union. Vancity uses its assets to help improve the financial well-being of its members while at the same time helping to develop healthy communities that are socially, economically and environmentally sustainable.

We support the Task Force for Climate-Related Financial Disclosures, the Partnership for Carbon Accounting Financials, and represent North America on the Board overseeing the implementation of the UN's Principles for Responsible Banking.