



Team Canada for the Rebuild

PRIORITIES FOR ADVANCING
A CONSTRUCTIVE CANADA
IN FOUNDING THE “NEXT NORMAL”



Resource Works



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Team Canada for the Rebuild: Priorities For Advancing A Constructive Canada In Founding The “Next Normal”

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About Resource Works

This publication is the latest in a growing collection of topical papers from Resource Works. Resource Works is a not-for-profit group supported by volunteers that communicates with British Columbians about the importance of the province's resource sectors to their personal well-being. It demonstrates how responsible development of British Columbia's resources creates jobs and incomes throughout the province, both directly and indirectly, while maintaining a clean and healthy environment. And Resource Works explores the long-term economic future of British Columbia as a place that depends on the responsible development, extraction and transportation of the province's resources. Since its founding in 2014, Resource Works has published numerous expert reports examining a range of issues.

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Executive Summary

The COVID-19 response has changed the boundaries between the public and the private sectors. Post-pandemic Canada will have to function differently than pre-pandemic Canada. We should take the opportunity of this enforced pause to consider appropriate public policy to strengthen Canada’s advantages while repairing the structural impediments that have held back the country’s progress in recent years.

The rebuild phase offers the opportunity to strengthen Canada’s advantages, including ways to unleash the potential of Canada’s critical resource sectors – including energy, mining, forestry and agriculture – and the infrastructure and mechanisms needed to get them to internal and external markets. Establishing this “Next

Normal” requires a Team Canada approach where many actors in policy development work together more intensely than in the past.

Under two broad categories – People and Endeavour – Resource Works brings forward a set of proposals predicated on a moderate, reasoned pathway forward to unleash a critical group of sectors to support the national recovery effort.

We recommend a national advisory panel be convened by the Prime Minister that brings together a wide range of stakeholders (including provincial and territorial government recovery initiatives) to share the herculean work that lies ahead.

Resource Works’ prescription for advancing a constructive Canada in founding the Next Normal calls for:

- 1) Investments in people, as it will be Canadians’ initiative, skills and hard work that unleash the recovery and lay the foundation for the Next Normal.
- 2) Bold thinking and exploration of previously unimagined linkages between otherwise unrelated sectors.
- 3) Accelerated application of new technologies across industries and supply chains, including Canada’s primary resource sectors.
- 4) Clearly established relationships and solid partnerships among Indigenous groups, governments and resource firms.
- 5) Efficient legal and regulatory processes that aid, not hinder, a turbo-charged recovery.
- 6) Environmental performance that meets or exceeds today’s stringent environmental standards and accompanies a transition across the energy product mix.

Scene Set

Canada is in uncharted territory as it grapples with economic responses to the coronavirus pandemic.

As of late April 2020, the nation is faring reasonably well against COVID-19. Canadians are doing their part to slow its spread, but the country’s economy is on life support. The federal and some provincial and territorial governments have stepped in with unprecedented public loan and subsidy programs to keep people afloat and to keep certain sectors of the economy (particularly consumer-serving) from collapse. At more than \$190 billion – and counting – the federal programs are accompanied by unprecedented actions by the Bank of Canada to stabilise financial markets, ensuring the continuity of private lending and borrowing and backstopping liquidity in bond markets. The public sector suddenly has a direct and significant stake in Canada’s economy, and government will be a presence in private sector economic life for years to come.

It is not yet known when businesses and people may safely re-open their doors, or what the economy will look like when it sputters back to life. What is certain is that late- and post-pandemic Canada will have to function differently than pre-pandemic Canada. We are – or ought to be – in a hurry to prepare for the “Next Normal.”ⁱ Obviously this will need to prioritise getting people back to work, and industry sectors up and running. We should treat this enforced pause as an opportunity to consider appropriate public policy to strengthen Canada’s advantages while repairing the structural impediments that have held back the country’s progress in recent years.

Nowhere is the opportunity more apparent than in the resource sectors, which have simultaneously served as the backbone of (Western) Canadian exports, experienced the most precipitous drop in inbound investment over the past five years, and faced the stiffest

headwinds in completing federal regulatory approval processes.ⁱⁱ This is a catalytic moment, as businesses and individuals discover – out of necessity – new and innovative ways of doing things, and question old and unproductive ways of doing things. We can choose to roar back *together*, to build *together*, and to usher in *together* a decade – and beyond – of Canadian leadership built on our thoughtful and bold response to a crisis.

How should Canada plan for the recovery, specifically in maximizing leverage offered by natural resource sectors to rapidly deploy large workforces and generate significant returns for the private sector, its supply chains, and for the public treasury? In this paper, we consider a wide range of factors that should be brought to bear to unleash Canada’s critical resource sectors – including energy, mining, forestry and agriculture – and the infrastructure and mechanisms needed to get them to internal and external markets.

Establishing the Next Normal requires a Team Canada approach. Our proposals below are offered assuming the formation of such a team – indeed our central recommendation is that such an advisory panel be established as soon as possible. It should comprise federal, provincial and territorial leaders, and representatives of the sectors of Canadian society and economy discussed in this paper who will collectively shape not only the country’s recovery but also lay the economic foundations for the remainder of the decade.

Our recommendations are predicated on a moderate, reasoned pathway forward that aims to enable a critical group of actors to support the national recovery effort. A crisis of this magnitude does not automatically call for radical proposals, as the Next Normal does not necessarily involve the end of economic life as we know it. It does call for clear thinking and clear action on what is essential, efficient, cost-effective, productive and constructive.

People

The economic recovery from this very human crisis will be driven by individuals and must lead with initiatives to maximise the potential of Canada's workforce.

1. Human Capital and the Workforce

Job number one must be getting Canadians back to work. Policymakers will need to shift their thinking from workforce shortages of recent years (seen particularly in some of British Columbia's construction sectors and on major infrastructure and energy projects) to the reverse problem. Private sector unemployment is an enormous concern, particularly in Alberta which is facing the twin calamities of the COVID-19 pandemic and the price crash for oil and natural gas. Actions governments take today to support the recovery will strengthen the middle class over the long term due to the value of well-paying occupations in the diverse resource sectors across the country.

Official statistics reflecting unemployment figures are just barely in as of this writing (presently available [Labour Force Survey](#) data were collected in the third week of March), but are beginning to tell the story: a national unemployment rate of 7.8 percent, and one million people having lost their jobs. Declines in natural resource sector employment (from March 2019) have ranged by province from roughly -20 percent in British Columbia and Manitoba to -14.2 percent in Saskatchewan and -4.6 percent in Alberta. April's figures will almost certainly be dramatically worse, although some pockets of (ex-energy sector) economic activity not requiring close contact between workers may be able to avoid complete curtailments.

To get people back to work as soon as possible, governments (including [Alberta](#)) are deploying their capital budgets to accelerate infrastructure repair and construction programs. These immediate measures can be augmented through Team Canada priority-setting on regional and national infrastructure projects, be they directly related to resource sectors, or civic projects that

utilise Canadian natural resources as inputs (e.g. aggregates, base metals and wood). One priority transmission project is the government-owned Trans Mountain Pipeline and the Trans Mountain Expansion Project (TMX). The Government of Canada should ensure that construction on TMX occurs expeditiously to employ as many Western Canadian workers as possible. (See additional discussion in Section 6).

Today's workforce configuration may not be optimal for the resource sectors over the coming decade. A two-phase approach is likely the best prescription: mobile and flexible arrangements immediately to utilise workers' experience and existing skill sets to get their incomes flowing again and the economy functioning, followed by longer-lasting improvements to workforce planning. For the coming years, Canada's private employers, post-secondary education providers and governments should pivot to establishing a *productive*, innovative, flexible, diverse workforce comprised of higher and lower skilled workers – more productively skilled than today. (A productive and flexible workforce will be needed to pursue objectives discussed in Section 3.)

The near-structural deficit in Canada's productivity should be addressed at this opportune time. Success will rest on preparing and re-skilling workers in some of the occupations that may be permanently disadvantaged, as well as introducing flexibility to allow contract/gig work in a range of occupations. Statistics Canada observed a sharp increase in gig workers (as a share of the Canadian workforce) in response to the 2008-09 recession.ⁱⁱⁱ Resource sectors had a relatively low share of gig workers. Resource sector employers should be prepared for the same phenomenon in the recovery phase and the Next Normal, with a view to leveraging this

segment of the workforce to maximise their talent and leverage labour productivity gains. Further, in light of the rapid proliferation and application of remote and Artificial Intelligence (AI) technologies, it makes sense to prioritise skill sets that enable workers to direct and operate technology-intensive processes across the production and supply chain.

2. Indigenous Peoples and Communities

The present crisis offers a catalytic opportunity to advance relationships among Indigenous leadership and communities, governments and private sector firms. The present time should be used to clarify and translate Canada’s and British Columbia’s United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) commitments into the Canadian context for partnering on resource projects and further building resilience and self-sufficiency of Indigenous communities.

A federal move forward on UNDRIP offers transformative potential that may run much deeper through society and institutions than the actions of any single provincial legislature. The consultation process surrounding this major step should be thorough and authentic and seek to provide clarity on how UNDRIP implementation will impact Indigenous groups, governments and project proponents. Additional obligations on operators that may flow from UNDRIP should be rolled in gradually and take into consideration the progress of economic recovery efforts.

The participation of Indigenous leaders is critical to the success of Team Canada. Indigenous leaders must be given the opportunity to advance and receive meaningful engagement on economic development and environmental protection priorities as resource projects proceed safely, constructively, and expeditiously. All parties involved should be encouraged to resolve environmental concerns

mutually and through regulatory pathways such as those emerging through the newly implemented *Impact Assessment Act*, avoiding recourse to the courts unless as a very last resort. The Next Normal should encompass a new understanding and renewed on-the-ground commitment by all parties to respectfully partner to proceed with existing work and to launch new natural resource projects – where they make triple-bottom-line sense and where they support the recovery and beyond.

Many novel approaches to natural resource project development in partnership with or led by Indigenous groups and communities are currently being undertaken.

The work underway between the Squamish Nation and federal and provincial regulators is one example. Building upon Woodfibre LNG’s unprecedented Environmental Assessment (EA) model where, in a Canadian first, the Squamish Nation conducted its own EA independent of the British Columbia and federal governments’ processes, the Squamish Nation, British Columbia and Canada are [planning to jointly review](#) Woodfibre’s plan to install a floating camp while construction of the LNG terminal and associated works takes place.

In addition to co-management of environmental protection, several Indigenous-led organizations are also actively working to position themselves and their communities as potential owners and proponents of resource projects.

For example, the First Nations Major Projects Coalition (FNMPC) campaigns to remove structural barriers to First Nations participation in resource projects, in order to enhance both economic well-being and environmental protection objectives.^{iv} In the context of economic recovery, Chief Sharleen Gale, Chair of the FNMPC, writes in Policy Options^v:

“For Canada, shifting from the COVID crisis to strong GDP growth will necessitate pushing ahead with these major projects. Over the past decades, jurisdictional overlap, unclear regulations, and avoidable court challenges from First Nations have left billions of dollars in investment on the table. For the collective good of our economic future and well-being, we must be prepared to embrace solutions that get beyond the difficulties of the past. The demand for economic recovery will not allow us the luxury of time and we will need to be ready to act.”

Chief Sharleen Gale, Chair of the First Nations Major Projects Coalition

In some cases, this type of work is already happening: Cedar LNG, proposed by the Haisla Nation and currently undergoing its environmental assessment, aims to build on the success the nation has attained through its support of LNG Canada. Haisla community leaders have emerged as among the most visible Indigenous advocates for responsible oil & gas development in BC.

Likewise, the First Nations Climate Initiative (FNCI), an initiative led by the Haisla Nation, Lax Kw'alaams Band, Metlakatla First Nation and the Nisga'a Nation, aims to establish a pathway for LNG development and export within current provincial climate commitments.. It intends to set "a path for action on the climate change crisis, the need for reconciliation with Indigenous peoples, and post-COVID economic stimulation through major collaborative investment in low carbon energy infrastructure."^{vi}

New inclusive and innovative approaches can embody Team Canada at its best and can create collaborative and lasting arrangements that introduce certainty for the project proponent and promote economic activity for all partners.

3. Citizens and Institutions

The crisis we are enduring today reminds us that ahead of being “voters”, “consumers” or “advocates” of causes we believe in, we are “citizens”.^{vii} Canadians are rediscovering our civic obligations and privileges, as well as the rights we have embraced for many years. The collective response by Canadians to “plank the curve” on COVID-19 has fostered a sense of

unity that can and should carry forward into the Next Normal. Through individual and collective efforts, citizens and non-government institutions will play significant roles in rebuilding our society and our quality of life. Their valued contributions will include taking (and holding political leaders to account to take) responsible, reasonable steps to re-boot the country’s economy, without becoming bogged down or distracted by the “forces of no”.

While it may seem a long time ago, it was just in February this year that Canada’s rail lines were blockaded by anti-development protesters, causing a national crisis and shortages of commodities, and commercial and consumer goods. Canadians need to work again and will not likely be so tolerant of being impeded from doing so, whether in large urban centres or smaller communities. Civil society institutions, including think tanks, advocacy groups and worker representative groups should be empowered to bring creative and constructive ideas forward to advise government’s efforts to launch the Next Normal.

Given the country’s fragile economic state today, its ability to roar back in the near term will rest largely on how efficiently it can reach full operation again. Advocacy groups should recognise the effect of additional costs and regulatory obligations on workers and firms as the recovery commences. Governments in turn should be extremely cautious about implementing new obligations and costs on firms. Some thoughtful ideas may come forward about desirable societal shifts, and these should inform government on the appropriate time frame to introduce them, so as not to shock a fragile economy.

Endeavour

Our proposals in the following sections are intended to include businesses of all sizes.

Cross-sector recovery will affect not just the economy, but also the prosperity and quality of life of Canadian households. Ensuring the trade participation and sustained growth of small- and medium-sized businesses will be critical to the recovery of whole industries.

The success of major projects will reflect the overall investment climate.

Recovery means significant potential impacts on smaller businesses, which typically benefit from the economic activity and indirect benefits generated by large-scale infrastructure investments.

4. Innovation, Technology, Productivity

In the midst of the pandemic, we are discovering new ways to deploy technology to keep work and life functioning as much as possible, often simply by leveraging existing technology. These may yet yield a transformation of society and the commercial world. More likely, the relatively novel means which we are deploying to communicate, educate, procure and deliver goods and services will merge into mainstream use in the Next Normal. Innovation begins with the ingenuity of people, amply on display in response to the pandemic by the impressive array of medical devices and apparel being produced by otherwise unrelated industries – from manufacturers of auto parts and hockey gear to oil refiners and liquor producers.

The magnitude of the shift in how we work should be taken very seriously indeed, and this may have spin-off benefits for the resource sectors (such as by boosting enhanced remote safety training, analytical, mapping and communication tools, remote quality control for new machinery or inputs).^{viii} For example, a Vancouver-based firm producing podcasts for corporate clients believes the pandemic is changing how content is consumed and that some new habits formed during this time will become mainstream in the Next Normal. Steve Pratt, co-founder of Pacific Content [notes](#): “We have just had the world’s fastest cultural shift in history where half the planet has just learned how to work from home in a week,” he said. “A lot of people are not want[ing] to go back to the office.”

The federal government, through Innovation, Science and Economic Development Canada, has programs and funding to support private sector innovation on large and small scales. It has unique convening power to catalyse innovation collaborations across academia, government and private sector firms, and to scale up the innovations that Canadians are generating in real time. This matters for the resource sectors across many dimensions:

- They are among the most prolific innovators (especially energy firms, by patents filed – see Section 5 Environment and Efficiency below);
- They are among the largest spenders on research and development overall;
- They bring the financial sophistication to scale new innovations into commercialisation; and
- They can have a demonstration effect that encourages adoption by other firms and other sectors

Governments at all levels should strive to balance their regulatory structures so that innovation is encouraged and safely piloted for wide use, not delayed or tangled in overly protective red tape.

Some examples of resource sector innovation include:

- Bitumen Beyond Combustion, a program underwritten by Alberta Innovates, incentivises research for advanced, non-combustion uses of oil. A recently-announced \$15 million Carbon Fibre Grand Challenge is an international competition to accelerate development of carbon fibre from Alberta bitumen.
- Carbon Capture and Sequestration (CCS) has been piloted in the three Western provinces and has the potential to store large quantities of carbon dioxide, although it still faces technical and cost challenges to widely deploy. Is it time to consider a targeted effort to bring CCS into the mainstream?
- In British Columbia, innovations and investments to reduce GHGs include: the direct air capture method developed by Carbon Engineering which has captured GHGs from the atmosphere since 2015 for storage and alternative uses; the expansion of renewable natural gas by utility Fortis BC; and the capture of GHGs from industrial flue gases by Svante.
- A “flagship” example of collaboration to innovate involved Cenovus and Vancouver’s Saltworks Technologies, which developed a mechanism to desalinate water used in oil sands operations and has since expanded to industrial customers around the world.

As Canadians discover – or again tune into – a sense of unity, we can embrace a new spirit of innovation, including new partnerships with unlikely collaborators, and new ways of harnessing technology for performance improvements across a newly-imaginable universe of endeavours. A Team Canada objective in catalysing this innovative power should be to turbo-charge productivity. This is the fast (and perhaps only) route to restore and

raise Canadians’ post-pandemic standard of living, especially in light of similar efforts by our global competitors.

Productivity (drily defined in the context of labour as “output per hours worked”) has persistently lagged in Canada and is well-documented as a national shortcoming.^{ix} Put less drily, productivity helps determine Canadians’ standard of living. Labour productivity can indicate whether workers have the optimal (or sufficient) equipment and training to carry out their jobs efficiently.

Business (and capital) productivity encompasses investments made by firms in technology and talent, and more broadly in new product development. Canada compares poorly on these measures against our competitor countries. States the [Business Council of BC](#): “Canada’s economy is *not* keeping up with the Joneses. Canadians have seen the largest deterioration in living standards relative to peer countries over 2007 to 2018, according to OECD data. This is primarily because peer countries have increased their productivity by more than Canada.”

As Canadians’ incomes are sharply curtailed or halted altogether, and as thriving and “zombie” companies alike face catastrophe in some sectors, the impetus is clear for Team Canada – policymakers and private sector leaders – to imbue their efforts with urgency to improve productivity. This is critical for two reasons: first to do the maximum to allow Canadians to regain and increase their standard of living, and second because Canada is already hampered in its ability to compete against peer countries for markets and investments.

Canadians coming out of the present crisis with new determination to innovate, collaborate, work hard, deploy skills learned at home and re-establish their lives should be met with opportunities and tools to improve their standard of living. Thoughtful adjustments to improve productivity over the medium term can run across the public policy spectrum and

include eliminating interprovincial trade barriers and embarking on tax and regulatory reform. Enhancing labour productivity, particularly across the resource sectors, should entail envisioning – in light of today’s upwelling of creative solutions to working challenges – how tomorrow’s workers will be able to perform their tasks, and then ensuring that they are provided with appropriate skills and tools to fulfil their potential.

5. Environment and Efficiency

The climate is on everyone’s mind, as are the environmental shifts that are being observed with the current cessation of many activities worldwide that impact the air, land, water and the earth’s climate. As human activity resumes over the coming weeks and months, restoring economic wellbeing will be paramount – and it must be accomplished in tandem with maintaining existing environmental priorities. Canada’s Next Normal should demonstrate that many processes for extracting, generating and harvesting natural resources will be more efficient and more productive, have fewer adverse impacts on our air, land and water and emit fewer greenhouse gases (GHGs). The innovations underway today, particularly across the energy sector, will underpin the pivot that takes place throughout the coming decade.

An energy transition is indeed underway and is being thoughtfully pursued by firms across Canada’s energy sector – through diversification of types of energy production for electricity and industrial inputs, and through investment in new processes and technologies (discussed above in Section 4) with a view to reducing environmental impacts and improving efficiency. Efficiency and productivity improvements can in fact lead to environmental co-benefits. The reverse is also true: improving environmental performance can lead to efficiency and productivity co-benefits.

Through the time span of an energy transition, national revenues created by exports will continue to affect the ability of the federal government to refill the national treasury and fund social programs. It is in the interest of all citizens that Canadian-based oil and gas companies are viable. Positioning necessary fiscal support measures in terms of “what’s in it for me” at the citizen level will help to ensure that decisions are popularly supported. Similarly, federal authorities have the opportunity to further secure future social programs by providing the energy industry with secondary supports that do not require non-recoverable investments, for example in the area of insurance where international factors may generate uncertainty.

Finding the innovation and environmental paths to support new oil sands projects will lead to long-term fiscal sustainability for government. Alberta’s 2016 royalty review found that a new oil sands mine, operating at an oil price level of US\$60 a barrel, would share 19 per cent of its revenues with the provincial and federal governments through royalties and taxes. The unmatched scale of this revenue potential becomes vividly apparent when considering that the export value of oil sands products was \$107 billion in 2019, compared to \$60 billion for cars and trucks made in Canada and less than \$3 billion for electricity, the latter being a commodity whose physical qualities mean it can be sent directly to only one foreign buyer, the United States.

It is important that when hearing about the virtues of green energy (i.e., electricity from a prescribed range of sources), policymakers take care to recognize that transition has to be understood as being about developing both new forms of export income and alternatives to combustion. For electricity exports to match today’s oil sands value, they would have to grow by five per cent per year for the next three quarters of a century. This will be a considerable challenge, not least because

electricity export value actually declined 20 per cent over the past five years.

Provincial and federal governments should accelerate their work with firms across the resource sectors (through funding and partnering mechanisms for innovation, technology enhancements and productivity gains) to transform production processes, supply chain steps and delivery modes to reduce environmental impact where possible. Over the medium term, a fresh emphasis on cost-effective decarbonisation of energy should also take place by energy firms, utilities and governments, including by examples by examining the potential of electrification, renewables and alternative sources like hydrogen.

An example of maintaining environmental objectives while acknowledging the extraordinary financial burden on energy firms today is the federal Minister of Finance’s April 17, 2020 announcement of a \$750 million fund to enable producers in B.C., Alberta, Saskatchewan and Newfoundland and Labrador to proceed with retrofits and process changes to meet new methane emission standards. Federal methane emissions standards on upstream oil and gas operations [are being implemented](#) between now and 2023, and investments by firms in equipment, monitoring and process changes to comply with new methane regulations is very challenging in today’s financial environment.

An example of collaboration among government and private sector firms to achieve environmental and economic objectives is the [Low Carbon Industrial Strategy](#) between the Government of B.C. and the Business Council of BC. Launched in 2018 to pursue a strong economy while leveraging made-in-B.C. advantages to reduce GHG emissions from products and processes, the strategy promotes the B.C. low-carbon brand internationally to drive the growth of exportable products, technologies and energy inputs. Further, the Memorandum of Understanding establishing

the Strategy “commits both sides to making sure energy intensive, trade-exposed industries remain competitive with jurisdictions that do not put a price on carbon pollution.” Now is arguably the best time to plan concrete actions that will be deployed over the coming decade.

Today, many resource firms, as well as their suppliers and customers, are financially hampered, if not crippled, and they cannot be expected to shoulder the transition all on their own. Measures such as the examples above will help restore existing businesses across the energy industry, given the sector’s systemic importance to the Canadian economy, as well as stabilise energy costs for consumers, and help lay the foundation for energy transition over the coming decades. Today’s energy product mix, given they are responsibly extracted or generated to among the most advanced environmental standards in the world, will continue to be needed to power Canada’s – and other countries’ – economies particularly as we recover from the economic shock and crisis. In the Next Normal, Canada will continue to be a leader in delivering lower-GHG intensity energy, commodities and commercial goods to the world.

6. Investment Competitiveness and Trade

Team Canada’s efforts to re-engage with the world will need to begin with the recognition that Canada – more than ever – will be competing for investment funds from fewer deep pockets, against equally or more desperate countries trying to attract those funds. In the short term, there will be fewer public and private investment dollars to go around. Going by the Dow Jones Industrial Average index, the peak-to-trough February 12th to March 17th loss of 8,314 points wiped trillions of dollars from corporate and institutional investor balance sheets.

Canada is starting this investment attraction race on the back foot, given the well-

documented [erosion in foreign direct investment](#) to Canada’s resource sectors, particularly oil and gas, over the past five years. A great deal of hard work by Team Canada will be required just to bring the nation to the starting line against other countries. A helpful step will be the expeditious completion of the Trans Mountain Expansion Project: the demonstration effect that a Canadian-owned energy infrastructure project can get done will send the right signals to watchful international institutional investors.

Canada is and will remain a small, open trading economy, although supply chains – and indeed suppliers – may be different tomorrow than they were yesterday. The maxim that trade diversification is a “need to have” not a “nice to have” holds. Concerning the vulnerabilities exposed by over-reliance on one supplier country, Joerg Wuttke, president of the EU Chamber of Commerce in China, says that if there is one lesson people are drawing from the pandemic in this regard it is that “single source is out and diversification is in.”^x For Canadian firms this should mean seeking untapped suppliers in different places, for example by putting the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to work leveraging low-tariff imports from member countries.

Team Canada will likely have to acknowledge that today’s crisis has exposed some fault lines in our country’s global supply chains and that it makes sense to “re-shore” some manufacturing and/or production here – perhaps relying on our primary industries to supply more domestic inputs.^{xi} This is a persistent problem that Canada has not solved for decades, but which should be approached with caution: utilising international sources of production must not be thrown out as a model, nor should hard-won multilateral trade agreements or the architecture they created for low-tariff or free trade, and lower-cost higher-efficiency goods. More economic activity in Canada in certain sectors should also be encouraged to safeguard

essential goods and commodities that sustain our society – in times of crisis and plenty.

To the extent that Canadian primary resources have not, in the previous normal, been maximised as inputs to Canadian-made intermediate and finished goods, this should be considered for sectors where external demand could be curtailed for some time and for those domestic sectors needing essential goods. The automotive, petrochemical, beverage alcohol, performance apparel and other sectors have discovered in the urgency of the pandemic that they can shift on a dime (relatively speaking) to produce much-needed medical devices and apparel to support front-line health workers. How much of this ingenuity and innovation can spark other goods, other production processes and other markets – within Canada and internationally? This is not to advocate for a closed system: it can raise costs for Canadian consumers and is often inefficient. But if such production closes a supply chain gap exposed by the pandemic, strengthens the country’s internal market, and leverages the geographic advantages of Canadian natural and physical resources, it will unlock good value for Canadians.

7. Political, Legal and Regulatory Leadership

Times of crisis reveal very starkly the elements that are essential to the functioning of our society and economy. While leadership has been amply demonstrated by many political leaders in response to the public health crisis, a national champion is now needed to articulate the priorities for a made-in-Canada recovery.

Three important messages for recovery should be issued by the Government of Canada and provinces and territories:

1. **A focused, clear signal must come from senior leadership that Canada is open for business.** Clearly, government will have a determinative role in the private sector economy for some years to come. The new spirit of political cohesiveness among the Prime Minister and Premiers, who appear to have worked well together during the health crisis, must translate into substance: namely a Team Canada approach to affirm the importance of resource development in this country and address how it reconciles with environmental objectives.^{xii} Canada will be competing against the world for investment attraction (by Canadian and international firms alike). It will be a “buyer’s market” for some time, with many countries in need of help chasing fewer – but likely more discriminating – investment dollars.
2. **The message of openness must be accompanied by a clearly communicated stance by governments that disruptions, blockades, undermining the national interest and economic priorities and other anti-recovery mischief will not be tolerated.** The country must not return to the civil disobedience that in early 2020 caused the near-paralysis of our transportation network, and that placed a black mark beside Canada’s

brand internationally in our ability to resolve environmental and Indigenous concerns while keeping the country functioning.

3. **A clear assertion must be issued by the Prime Minister and Cabinet that responsible development of natural resources is in the national interest.** With a clear statement that resource development is in the national interest, the Minister of Environment and Climate Change and the Impact Assessment Agency can proceed with a clearer set of political priorities that allow the regulator to assess major projects efficiently.

A program that embeds these priorities will also be one that can meet expectations of middle-class prosperity and the financial goals of debt reduction, as well as preserve the AAA credit rating and fiscal firepower for whatever the future might bring.^{xiii}

The federal, provincial and territorial governments have a suite of opportunities before them in terms of projects that can rapidly employ Canadians. In the realm of resource and infrastructure projects, we recommend that governments prioritise the development of *enabling infrastructure*. By this we mean public works, transportation and utilities which provide the foundation for economic activity in various sectors as well as interprovincial and international trade in commodities and goods. The decision principles embraced by policymakers and Team Canada advisors would caution against every “shovel-ready” project: they should pass a reasonable cost-benefit test, indeed they should pass a more encompassing multiple account evaluation which takes into account social, community and environmental cost and benefit.^{xiv}

In launching enabling infrastructure projects, policymakers should bear in mind the prospect of future industrial activity resulting from its

construction (for example the construction of BC’s [Northwest Transmission Line](#) enabled a suite of new economic activity in the province’s northwest, from clean energy to LNG to mining). If Team Canada is to recommend 21st century nation-building projects, it could look to such opportunities as electrifying major sectors of resource economy (such as the oil sands) and strengthening the interties between B.C. and Alberta’s electricity grids.

Regulated companies, stakeholders, advocacy groups and governments themselves will surely acknowledge that in the near term, working within existing legislation is imperative: proper debate and development of credible alternatives has its place, but cannot and should not derail the high stakes economic recovery work that must take priority. Canada’s strategic objectives in terms of climate and environmental performance should not be discarded or weakened. However, to turbo-charge the recovery, procedural efficiency improvements and inadvertent costs to consumers and hard-hit businesses should be addressed. Two significant areas of environmental legislation and policy call for discussion here:

1. *Bill 69/Impact Assessment Act (IAA)* – Parties should work quickly and collaboratively with the legislation and regulations in place today, with emphasis on *quickly*. However, on procedural matters, the Minister of Environment and Climate Change should consider compressing the new prescribed timelines allocated to federal officials for commencement decision of whether to conduct an IA, the public comment period, and especially the 300 day window for the Impact Assessment Agency to finalise and submit its report to the Minister of Environment and

Climate Change for decision. The lengthy timelines as written into the new IAA embody unnecessary delays when time is of the essence.^{xv}

2. The federal backstop carbon tax (applying in provinces that do not have comparable or more stringent pricing schemes) went up by \$10 per tonne to \$30 on April 1, 2020, despite the Canadian economy being well into a downward spiral. The Government of Canada’s decision to proceed with the tax increase stands in contrast to British Columbia, which [announced](#) on March 23, 2020 that it would defer BC’s carbon tax increase to September 30, 2020. Both jurisdictions offer carbon tax rebate programs to qualifying households, but the federal program has [taken criticism](#) by organisations like Clean Prosperity for not (yet) providing rebates immediately to Canadians instead of relying on a tax credit that will be claimed months later. While rebates can help households, the impacts of a rising carbon price are not being offset for trade-exposed industries like agriculture. Measures to remediate this shortfall could be explored by provincial governments where the backstop applies.

These examples represent the types of opportunities for political leaders, advised by Team Canada, to lead the country out of the economic crisis. The public health crisis has shown Canadians newly-asserted leadership by Canada’s Prime Minister and Premiers, who are presently experiencing what it means to be relied upon by an unprecedented number of Canadians. This leadership needs to be translated to properly providing a foundation for Canadians to flourish in the Next Normal.

Pulling it all together

To put any of these proposals into effect, we join the call made by other Canadian thought leaders: a Team Canada mindset – and set of actions – kicked off by a national advisory panel convened by the Prime Minister, and made up of federal, provincial and territorial leaders joined by representatives from the groups discussed throughout this paper:

- business, including resource and technology sectors,
- Indigenous peoples and communities,
- labour organisations,
- think tanks,
- financial institutions,
- academia,
- advocacy groups, and
- government department and agency heads, which will be leading the portfolios that will guide and coordinate delivery of the herculean work ahead.

In brief, our prescription for advancing a constructive Canada in founding the Next Normal calls for:

- 1) Investments in people, as it will be Canadians' initiative, skills and hard work that unleash the recovery and lay the foundation for the Next Normal.
- 2) Bold thinking and exploration of previously unimagined linkages between otherwise unrelated sectors.
- 3) Accelerated application of new technologies across industries and supply chains, including Canada's primary resource sectors.
- 4) Clearly established relationships and solid partnerships among Indigenous groups, governments and resource firms.
- 5) Efficient legal and regulatory processes that aid, not hinder, a turbo-charged recovery.
- 6) Environmental performance that meets or exceeds today's stringent environmental standards and accompanies a transition across the energy-product mix.

Endnotes

ⁱ Term initially used by David McKay, CEO of RBC, “[How to make Canada a more self-reliant country in the aftermath of the coronavirus pandemic](#),” The Globe and Mail, April 5, 2020.

ⁱⁱ Business Council of B.C. [here](#) and [here](#) for significance of resources to merchandise goods exports; [Canada’s Economic Strategy Tables](#) and [Jack Mintz](#) for investment; and [Canada West Foundation](#), [Stikeman Elliott](#) and [C.D. Howe Institute](#) for completion record of projects in the federal EA process.

ⁱⁱⁱ Statistics Canada’s first quantitative study of gig workers in the country estimates that the share of gig workers in the workforce rose from 5.5 percent in 2005 to 8.2 percent in 2016. Of relevance, two sharp increases in gig work were observed in that time period: one coinciding with the 2008-2009 recession and the other coinciding with the 2012-2013 introduction of new online platforms. Sung-Hee Jeon, Huju Liu and Yuri Ostrovsky, [Measuring the Gig Economy in Canada Using Administrative Data](#), Statistics Canada, December 2019.

^{iv} <https://www.fnmpc.ca/>

^v Sharlene Gale, “[First Nations need to play a role in COVID recovery](#)”, Policy Options, April 29, 2020.

^{vi} <https://www.fncionline.com/news/april-update-from-fnci>

^{vii} The term “citizen” is intended here to include permanent residents.

^{viii} For example, the firm Instrumental uses machine learning to take highly detailed images of a product prototype, allowing clients halfway around the world to inspect work-in-progress in as much or greater detail as in-person on the factory floor. Such an application can serve resource firms that are procuring infrastructure parts such as steel for pipelines. Instrumental’s CEO Anna Shedletsky notes that her firm is doing five years of innovating in 18 months. The Economist, “[How to re-open factories after covid-19](#),” April 8, 2020.

^{ix} David Williams, “[\(Not\) keeping up with the Joneses: Canada’s economy trails peer countries over the current business cycle](#),” Business Council of BC, October 2019; Deloitte Canada, “[Too many Canadian “zombie” companies drag down national productivity, affecting potential for our country’s lasting success](#),” September 18, 2018.

^x Quoted in The Economist, “[The changes covid-19 is forcing on to business](#),” April 11, 2020.

^{xi} As Team Canada deliberates which supply chains to strengthen in Canada, it should keep in mind a companion risk: that we tend to learn the lessons of the last crisis, which can blinker policymakers and private sector decisionmakers to insulate against the *next* crisis.

^{xii} CD Howe Institute COVID-19 Crisis Business Continuity and Trade Working Group, Communiqué #5: “[Restart Playbook Must Balance Risks with Economic Costs](#),” April 24, 2020. Among the six principles set out is that of assessing and addressing systemic risk in enabling sectors – specifically identifying energy as presently financially distressed while playing an enabling role for wider economic activity.

^{xiii} As set out in Prime Minister Trudeau’s [Mandate Letter](#) to the Minister of Finance, December 13, 2019.

^{xiv} For example, Transportation Alberta produced this multiple account evaluation guide for decision making on highway development: [Multiple Account Evaluation for Alberta Transportation: A Decision Making Tool](#), December 2015. Applying such an approach to enabling infrastructure projects will limit the risk of “white elephant” projects where taxpayers foot the bill for years to come.

^{xv} We note with concern a recent study by the Canadian Energy Research Institute (CERI) which quantifies the duration and costs of regulatory delays in Canada’s federal EA/IA process, disadvantaging Canadian energy projects against those in the U.S. Addressing this deficit will help stem the exodus of investment - and corporate presence - in Canadian energy, and help establish the Next Normal. A. Vypovska, E. Bartholameuz, M. Refaei, A.

Romaniuk, and O. Adeyemo, “[Competitiveness of Canada’s Regulatory Framework for the Oil and Gas Sector](#),” Canadian Energy Research Institute, Calgary, AB, Study No. 185, 2020.