

CONSULTATION RESPONSE

PEOPLE-CENTRED JUST TRANSITION: DISCUSSION PAPER BY NATURAL RESOURCES CANADA

30 September 2021

This consultation response represents the view of the PRI Association and not necessarily the views of its individual members.

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United Nations
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An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

INTRODUCTION

The United Nations-supported Principles for Responsible Investment (PRI) is the world's leading initiative on responsible investment. The PRI has over 4,000 signatories (pension funds, insurers, investment managers and service providers) to the PRI's six principles with approximately US \$121 trillion in assets under management. More than 200 PRI signatories are finance industry actors headquartered in Canada.

The PRI supports its international network of signatories in implementing [the Principles](#). As long-term investors acting in the best interests of their beneficiaries and clients, our signatories work to understand the contribution that environmental, social and governance (ESG) factors make to investment performance, the role that investment plays in broader financial markets and the impact that those investments have on the environment and society as a whole.

The PRI works to achieve this sustainable global financial system by encouraging the adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation. The PRI welcomes the invitation by the Ministry of Natural Resources of the Government of Canada to provide feedback on the proposed just transition legislation.

ABOUT THIS CONSULTATION

On 20 July 2021, Natural Resources Canada published its [People-Centred Just Transition discussion paper](#), inviting stakeholder feedback on proposed legislation to enact an inclusive and fair transition to a carbon neutral economy. The consultation seeks comment on draft just transition principles meant to inform government policy and decision-making related to climate change action, and the creation of a Just Transition Advisory Body to provide strategic guidance on implementation.

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KEY RECOMMENDATIONS

PRI supports the Canadian Government in legislating for a people-centred just transition; this will be key to accelerating urgently needed climate action in ways that will impact the real economy and deliver the Sustainable Development Goals. Policymakers, companies, and investors have vital roles to play in ensuring that human rights and climate justice are upheld throughout the transition to a carbon neutral economy.

In the face of systemic climate risk, investors increasingly want to understand how their investment decisions contribute to real-world outcomes. They understand that negative consequences from unsustainable economic activities undermine long term value creation, and they seek better alignment of capital allocation with the sustainability preferences of their beneficiaries. To date, over 158 institutional investors with \$10.1 trn in assets have endorsed a PRI-led commitment to the just transition.¹

The PRI recommends:

- Just transition legislation should enable the Government of Canada to take proactive and decisive **climate action measures** that deliver **real economy outcomes** aligned with the Paris Agreement and the Sustainable Development Goals. It should set out robust rules for **public participation**, establish **social and environmental safeguards** and **develop independent grievance mechanisms** for all proposed climate solutions.
- Just transition legislation, and the **People-Centred Just transition Principles**, should clearly reference the [International Labour Organization guidelines for a just transition towards environmentally sustainable economies and societies for all](#), the [United Nations Guiding Principles on Business and Human Rights](#), the [OECD Guidelines for Multinational Enterprises](#) and the [United Nations Declaration on the Rights of Indigenous Peoples](#).
- Just transition legislation, and the **People-Centred Just transition Principles**, should explicitly name **financially vulnerable consumers** as stakeholders. Just transition legislation should ensure for **equitable distribution of access to energy and climate solutions** at an affordable price and encourage ownership and/or co-benefits of climate solutions by Indigenous groups and disadvantaged communities.²
- Membership of the **Just Transition Advisory Body** should ensure adequate sectoral, regional, and Indigenous representation, and strive to reflect the diversity of Canadian society. The advisory body should be tasked with translating the **People-Centred Just**

¹ Statement of Investor Commitment to Support a Just Transition on Climate Change
<https://www.unpri.org/download?ac=10382>

² Policy Briefing: The Road to COP26
https://dwtzyx6upklss.cloudfront.net/Uploads/q/k/c/cop26policybriefingfinal20210427_385169.pdf

Transition Principles into **clear and measurable expectations, specific to each province's unique circumstances**, to guide legislators, policymakers, and market participants.

- The **Just Transition Advisory Body** should establish **provincial just transition implementation plans** based on Paris-aligned national net-zero pathways set out by the Net-Zero Advisory Body, and informed by meaningful social dialogue with affected communities, including the free prior informed consent of Indigenous peoples. The plans should include **interim 2025 targets**.

DETAILED RESPONSE

PEOPLE-CENTRED JUST TRANSITION PRINCIPLES

How important is it for the federal government to assess potential impacts on workers and communities when considering climate change action?

It is essential for the federal government to understand the potential impacts of climate change action on workers, communities, and financially vulnerable consumers as this will determine the success of Canada's net-zero strategy.

The federal government will need to take bold, decisive, and timely action in leading the just transition to achieve its domestic greenhouse gas emissions reduction targets of 40 to 45 percent below 2005 levels by 2030 and realise its commitment to attain net-zero emissions by 2050.

The [Inevitable Policy Response](#) (IPR), a research consortium commissioned by PRI and led by Vivid Economics and Energy Transition Advisors, concludes that current climate action is insufficient to deliver commitments made under the Paris Agreement. This analysis has recently been affirmed by the Intergovernmental Panel on Climate Change (IPCC) report titled, [Climate Change 2021, The Physical Science Basis](#) which UN Secretary General Antonio Guterres referred to as "[code red for humanity](#)." Despite the market's default assumption that no further climate-related policies are coming in the near-term, the IPR project anticipates a ratcheting up of global policies by 2025 which will be forceful, abrupt, and disorderly due to delayed action.

The transition to a carbon neutral economy will affect the very fabric of Canadian life. It is therefore crucial that the Government of Canada begin to connect proactively with workers, communities, and consumers. The social implications of the drawdown of carbon intensive activities and the transition to a green economy should be understood across rural, remote, and urban contexts. All orders of government, business, investors, trade unions, Indigenous communities, affected workers and their

communities, as well as civil society should be convened to contribute meaningfully to the transition process. Canada can build an inclusive and sustainable low-carbon economy founded on its many existing strengths. This is the opportunity to create decent sustainable work, ensure access to affordable green solutions and consumer products like housing and electric vehicles, and promise a brighter future for Canadians and Indigenous peoples.

Are the draft just transition principles meaningful to you?

The draft just transition principles should name financially vulnerable consumers amongst stakeholders, and should explicitly reference the following globally recognised standards:

- [International Labour Organization guidelines for a just transition towards environmentally sustainable economies and societies for all](#)
- [United Nations Guiding Principles on Business and Human Rights](#)
- [United Nations Declaration on the Rights of Indigenous Peoples](#)
- [OECD Guidelines for Multinational Enterprises](#)

Low-income consumers will also be affected by the economic transition and should be named in the just transition principles so that the Canadian government ensures for the equitable distribution of access to energy and climate solutions at an affordable price.

The [Scottish Just Transition Commission](#) has included a reference to the ILO guidelines in its mandate. Including this standard, as well as the UN Guiding Principles on Human Rights, OECD Guidelines for Multinational Enterprises and UNDRIP would provide for a more robust interpretation of the People-Centred Just Transition Principles in the Canadian context.

Are the draft just transition principles broad enough to be flexible to unique and differing needs but specific enough to be effective? Are there other actors who need to commit to such principles?

The principles are broad and will require interpretation, evaluative measures, and accountability mechanisms to effectively support positive outcomes in the real economy. The Just Transition Advisory Body (JTAB) should be tasked with translating the principles into clear and coherent expectations for practical application by different actors such as policymakers, corporates, and investors.

Ensuring a just transition while addressing climate change requires investors to understand the consequences of their investment decisions. All investments have outcomes in the real world, be they positive or negative, intentional, or unintentional. The PRI, together with its partners the UN Environment Programme Finance Initiative and the Generation Foundation, have commissioned a legal analysis to determine the extent to which current law enables investors to incorporate sustainability impact in their investment decision-making. The recently launched report bearing the project name, [A Legal Framework for Impact](#), includes a [jurisdictional analysis for Canada](#) and provides options for policy change to better address sustainability impact as a core part of investment. The PRI will engage with investors and policymakers on this work and encourages the Government of Canada to draw on the project's analysis when assessing policy reform areas to consider sustainability impacts as part of the legal and regulatory framework for institutional investors.

The interpretation of the just transition principles should ensure for the integration of human rights due diligence throughout climate solutions from policy to project level and throughout supply chains. As capital flows increase to support the deployment of renewable energy technologies, robust adherence to human rights, as set out in the UN Guiding Principles on Business and Human Rights, the OECD Guidelines on Multinational Enterprises and UNDRIP will be key to a people-centred just transition in Canada, and abroad. Canadian businesses and investors can expect increased scrutiny of the sustainability impacts linked to the sourcing of transition minerals.³

Investors wanting to better understand their role in shaping real-world outcomes will increasingly rely on information sources like the [Transition Minerals Tracker](#), a non-profit initiative which raises awareness of the publicly reported human rights and environmental abuse allegations of extractive companies. Those seeking to communicate clear expectations and collaboratively influence investee corporations to produce sound and inclusive climate change strategies can participate in [Climate Action 100+](#), a global initiative committed to engaging the largest corporate GHG emitters. It is currently developing a Just Transition Indicator as part of its [company benchmark](#) to better equip investors to engage on the issue.

Corporates can build investor confidence by developing and conveying clear, time-bound assessable targets as part of a realistic transition plan. In addition to mandatory reporting against TCFD, they should demonstrate equitable and inclusive engagement practices, commit to continuous stakeholder engagement, and include evaluation and revision mechanisms for their transition plans. Ideally, the work of the NZAB and JTAB should guide the planning of Canadian corporations to anticipate and provide for worker education and training needs aligned with sector emission reduction pathways and transition plans.

³ Responsible cobalt sourcing: Engagement results
<https://www.unpri.org/collaborative-engagements/responsible-cobalt-sourcing-engagement-results/8208.article>

JUST TRANSITION ADVISORY BODY

Who should be on the advisory body?

Membership of the Just Transition Advisory Body should ensure adequate sectoral, regional, and Indigenous representation, and strive to reflect the gender, age, socioeconomic and racial diversity of Canadian society as reported in Statistics Canada census data. It should include participants from Indigenous communities, business, trade unions, academia, investment, local government, training/education service providers, youth, and civil society, including those working with communities and workers affected by Canadian business operations abroad. The [Net-Zero Advisory Body](#) and the [Sustainable Finance Action Council](#) should each name a representative to participate in the JTAB.

What should be the mandate of the advisory body? Whom should the advisory body's recommendations be aimed at?

The mandate of the JTAB should be to work collaboratively with the NZAB to engage Canadians and Indigenous communities, and advise the federal government on developing inclusive employment, education, skills development opportunities and ensuring equitable access to affordable and sustainable products and services. They should interpret and translate the People-Centred Just Transition Principles into recommendations and expectations for policymakers, investors, and corporates.

We expect the NZAB to advise the Government of Canada on the appropriate financial resources required to mitigate the social and economic implications of the national transition plan that plots Canada's pathway to achieving its Nationally Determined Contributions to reduce greenhouse gas emissions by 40 to 45 percent below 2005 levels by 2030. We expect the NZAB will deliver coherent sectoral emissions reductions pathways for carbon intensive industries like oil and gas, transportation, buildings, and agriculture, ensuring alignment to the national reduction commitment.

In collaboration with the NZAB, the JTAB should interpret sector pathways and priorities to prepare provincial just transition plans for 2030 with interim goals for 2025. The plans should be informed by a mapping of regional and community strengths such as existing Indigenous-led clean energy generation projects, identifiable low carbon transition opportunities, projections of the evolution of industry, and anticipated educational requirements and consumer needs.

The JTAB should plan and execute cyclical provincial and regional engagement activities with robust rules for public participation, delivered in partnership with Indigenous communities and municipalities.

Recommendations formulated by the JTAB should inform policy at the Ministries of Health, Education, Labour, Finance, Agriculture, Environment and Climate Change, Natural Resources.

What is the best way to ensure that regional and local views are heard? How should the advisory body engage Canadians?

The best way to ensure inclusive engagement is to task the JTAB with developing a transparent and cyclical public engagement plan in collaboration with the NZAB to ensure the inclusion of perspectives from regional, urban, and remote areas.

The plan would provide for regular hybrid in-person/virtual regional townhall meetings, workplace roundtables, focus groups, interviews, and surveys to ensure adequate accessibility for stakeholders, especially for those in remote and underserved communities. It would include communication channels to receive feedback from participants, explain evaluation criteria, report on progress, demonstrate how stakeholder feedback is being considered in the development and evolution of regional transition plans, and how the regional roadmaps align with the national pathway to meet Canada's 2030 target to reduce domestic greenhouse gas emissions by 40 to 45 percent below 2005 levels.

PRI recommends that the Canadian government set out robust rules for public participation, establish social and environmental safeguards, and develop independent grievance mechanisms for all proposed climate solutions.

What role should the federal government play in supporting the work of the advisory body?

The federal government should underscore its commitment to a people-centred just transition as part of its net-zero climate strategy in Speeches from the throne and include direction on the principles in Ministers letters. Funding and administrative support for the coordination and delivery the JTAB mandate and action plan should be included in the national transition budget.