

Enserva Briefing Note: Proposed Oil and Gas Emissions Cap

Introduction

Yesterday, once again on the margins of COP28 in Dubai, Steven Guilbeault, Canada's Minister of Environment and Climate Change, and Jonathan Wilkinson, Minister of Energy and Natural Resources, introduced a draft framework to cap emissions from the oil and gas sector. The federal government is stressing that the proposed cap is on *emissions* and not on *production*, however, the fact that they are inextricably linked weakens the argument immensely, rendering it a hollow talking point. The draft [Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap](#) proposes to cap 2030 emissions at **35 to 38 percent below 2019 levels**, while providing compliance flexibilities to emit up to a level about **20 to 23 percent below 2019 levels**. According to the federal government, the emissions cap has been designed to “ensure greenhouse gas emissions from the sector decline, while providing compliance flexibilities to respond to global demand for oil and gas.” Specifically, facilities will be able to buy a limited amount of carbon offset credits or contribute to a decarbonization fund, for a limited volume of emissions above the cap. The federal government says these flexibility options will help reduce emissions as offsets will result in reductions in other sectors. Proceeds from the decarbonization fund will then be reinvested to support emissions reductions within the oil and gas sector.

Background

- Capping emissions from the oil and gas sector is one of the key measures outlined in Canada's 2030 Emissions Reduction Plan (ERP), released in March 2022, that is a sector-by-sector roadmap to cut emissions to achieve 40 to 45 percent below our 2005 emissions levels.
- The federal government also published the first [Progress Report on the 2030 ERP](#) to provide an update on progress toward the 2030 target, based on Canada's most recent inventory of historical emissions and recently updated emissions projections.
- The federal government proposes to implement the national cap-and-trade system through regulations to be made under the *Canadian Environmental Protection Act, 1999*. The Government is planning to publish draft regulations by mid-2024.
- The cap-and-trade system would cover all direct greenhouse gas emissions, while also accounting for indirect emissions related to the production of oil and gas and carbon storage. The greenhouse gases covered would include carbon dioxide, methane, nitrous oxide, and others. Each emission allowance will be equivalent to one tonne of carbon dioxide equivalent emissions (CO₂e).
- The greenhouse gas pollution cap would regulate upstream oil and gas facilities, including offshore facilities, and would also apply to liquefied natural gas facilities.

- The emissions cap will cover activities such as oil sands, conventional oil production, natural gas production and processing, and production of liquified natural gas.

Reaction from the Official Opposition

Conservative Leader Pierre Poilievre blasted the plan in its entirety saying it would “kill jobs” and is yet more proof of the federal government’s ideological opposition to the sector. Conservative Energy and Natural Resources Critic Shannon Stubbs said the proposed cap will function as a production cap and “that is exactly what the NDP-Liberals actually want.”

Reaction from Provincial Governments

The Government of Saskatchewan was equally critical of the proposed cap saying it encroaches on provincial jurisdiction and simply adds more “red tape and regulations” to the sector which will make it less competitive. The Government of Alberta called it “punitive” and an attack on Alberta that “undermines the unity of our country.”

What’s Next

The federal government says the proposed cap remains under discussion with all stakeholders including industry, Indigenous groups, provinces, territories. Enserva will survey its members and prepare a submission to the proposed framework. Written comments must be submitted by February 5, 2024, so we will be in touch with members very soon about the contents of our submission.

For further reading

- [A Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap](#)
- [Backgrounder: Canada’s Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap](#)
- [Roadmap for the Decarbonization of Canada’s Oil and Gas Sector](#)
- [The 2023 Progress Report on the 2030 Emissions Reduction Plan](#)