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The Honourable Steven Guilbeault
Minister of Environment and Climate Change
Government of Canada

To: PlanPetrolieretGazier-OilandGasPlan@ec.gc.ca

Subject: Enserva's Consultation Submission in Response to the Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap

Dear Minister Guilbeault,

On behalf of our over 200 member companies representing the energy services, supply, and manufacturing sectors, we present the following submission to the Government of Canada's Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap.

Having reviewed the framework as it is currently presented, Enserva urges Environment and Climate Change Canada to stop its planned introduction of this sector-specific emissions cap and pursue an emissions reduction path that will not cause crippling harm to the Canadian energy industry, and by extension the entire Canadian economy.

Canada has the capability to be a key global supplier of cleaner energy sources with ESG standards that are second-to-none. Canadian energy can displace the use of coal as well as Russian-supplied oil that funds war in Ukraine and is not held to Canada's regulatory standards. Canadian oil producers and service companies are also actively investing in technology and practices that reduce emissions produced across the entire energy value chain and have been doing this work for decades.

While an emissions cap is not directly a cap on production, the technical assumptions and short timeline proposed in the framework have a severe risk of requiring production at levels below market demand, which would effectively make it a production cap.

The positive work of the oil and gas sector, along with the roughly 500,000 jobs across the country supported by the energy industry will be jeopardized by a sector-specific emissions cap. Canadian GDP, competitiveness, private sector wages, government revenue and more will all feel the negative repercussions of this policy.

Inefficient sector-specific approach

The sector-specific nature of the framework goes against the methodology championed by the Government of Canada through the carbon tax – that all sources of emissions are treated equally. A neutral approach ensures emissions are reduced in the most cost-efficient areas first, avoiding reductions in inefficient areas that do not bring added benefits and come at additional costs, as argued by economist Trevor Tombe.[1]

[1] Trevor Tombe: Capping oil and gas emissions is a bad idea. The Hub. Accessed January 31, 2024.

With an industry-specific cap, the government is claiming that emissions from the oil and gas sector are more damaging than those from any other heavy industry, such as manufacturing or transportation, negating any claims at reducing emissions at the lowest possible cost to Canadian consumers.

Jeopardizing economic reconciliation

The energy industry – specifically, the energy services industry – is the largest employer of Indigenous peoples in Canada. In addition to employment levels, the energy services industry has made proactive efforts to build relationships and mutually beneficial agreements with Indigenous communities. The proposed emissions cap and subsequent limits on production would hinder the capital allocation for expanding on these economic partnerships, impeding our industry's work towards continued engagement and reconciliation.

Beyond the many Indigenous partnerships, employment, and training opportunities funded by the sector, Indigenous engagement and ownership in resource projects is at an all-time high. Since 2012, First Nation and Metis communities across Canada have acquired nearly $10 billion in equity in energy and resource projects, $1.8 billion of which has been in pipelines alone, with hundreds of millions more in discussion.[2] Many of these projects have only been possible because of loan guarantee programs by provincial governments, such as the Alberta Indigenous Opportunities Corporation, which the province is able to fund because of royalties from the oil and gas sector.

These projects provide tangible and long-lasting economic benefits that can support First Nations for decades through reliable funding and career opportunities. They also are a clear indicator of Indigenous consent and successful consultation, supporting overall reconciliation efforts.

Curtailing the oil and gas industry will jeopardize the wealth and stability of every Indigenous community with equity in these projects and those looking to secure loans for future projects, inevitably setting back Canada's and private industry's efforts at economic reconciliation. For several years, the government has committed to supporting initiatives that unlock the potential of First Nations lands and return decision-making over the use of that land to Indigenous communities. First Nation ownership in resource projects is that work at play, and government interference in these projects and the profitability of these contracts goes against the spirit of reconciliation.

Repercussions on entire Canadian economy

In 2022, total capital expenditures in the oil and gas sector reached over $37 billion, resulting in nearly $270 billion in revenue to be put back into the Canadian economy via technological innovation, job creation, and community support programs.[3]

In addition to the direct benefits of the oil and gas revenue, the indirect benefits – namely though royalties paid to provincial and federal governments – pay for the social services that set Canada apart and make it an attractive country for newcomers and young people to call home.

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[2] Indigenous equity and its growing role in Canadian energy and resource development. Heather Exner-Pirot, the Macdonald-Laurier Institute. December 2023.
[3] Oil and gas extraction, 2022. Statistics Canada. Accessed January 31, 2024.

Modeling done to date on the proposed approach has found that an accelerated phase out of oil gas beyond market demand will result in:[4]

1. A slowing of Canada's growth rate to a result of $100 billion in lost GDP by 2050. Of the potential $100 billion loss in growth potential, over half of it is attributed to loss of growth in Alberta alone.
2. A decline in incomes of Canadians across sectors due to stifling one of the country's most productive industries.
3. A reduction in net exports due to the loss of a valuable resource and in demand from consumers due to lower income.

The vastly unequal harm that falls to Alberta in the modelling cannot be ignored nor understated, as a decline in Alberta's growth to the severity predicted will have ripple effects throughout all of Canada.

Impact on competitiveness and investment attraction

The need for long term certainty, clear policy, and stable regulatory requirements has never been more necessary as Canadian industry finds itself competing for investment with the United States' Inflation Reduction Act. An emissions cap gives investors reason to disregard Canadian projects, solely due to the many unknowns in how this path will affect the energy industry, as well as the many other industries that benefit from a thriving oil and gas sector such as commercial real estate, housing, manufacturing, transportation, and more.

Not only that, but an industry-specific emissions cap demonstrates that Canada values certain emissions above others and other sectors may soon face similar restrictions, creating another layer of uncertainty for investors outside of the energy industry. It sets a precedent that harms Canadian competitiveness across the board on a global scale.

Conclusion

For the reasons above and more, it is clear that the negative repercussions of an emissions cap on the oil and gas sector would be severe, wide reaching, and felt across Canada for generations.

The industry agrees that emissions need to be reduced and all companies are taking steps to do so. However, the emissions generated by oil and gas production do not outweigh the massive benefits that the industry brings to Canadian communities, the national economy, and global energy users.

A delicate balance must be struck between environmental considerations and economic viability, and emissions must be considered within a global context to see meaningful reduction. An emissions cap on the sector does not strike this balance. To truly make an impact on reducing the global carbon footprint, responsibly produced Canadian natural gas is needed to replace global use of coal and emissions-intensive energy that does not adhere to our ESG standards.

[4] Modeling Energy Transition Scenarios for Canada: Aggressive decarbonization vs. accelerated oil and gas phaseout. The Public Policy Forum. May 2023.

The damage done by stifling the industry by means of an emissions cap would outweigh the benefits of the emissions reduced, which could also be achieved by means that allow the industry to continue functioning based on market demand.

Enserva and our members are seeking to be part of the solution in the discussion around reducing emissions within the energy sector. For meaningful consultation on this policy to occur, direct consultation needs to be held with the energy services, supply, and manufacturing sector, along with the energy industry at large. If given the opportunity, we would be glad to work with Environment and Climate Change Canada to discuss alternative approaches that serve all Canadians and help reach Canada's goal of net-zero by 2050.

Sincerely,

Gurpreet Lail
President and CEO, Enserva