

# Enserva Member Brief

## The Proposed Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations

November 6, 2024

### Overview

On November 4, 2024, Environment and Climate Change Canada (ECCC) [released](#) draft regulations to implement a greenhouse gas emissions cap for the oil and gas sector. ECCC aims to cap greenhouse gas emissions from oil and gas production by 35% below 2019 levels by 2030-32 through a cap-and-trade system.

Public consultation on the [draft regulations](#) will be open from November 9, 2024, through January 8, 2025. Final regulations are anticipated in 2025.

### Key Elements

#### Scope and Coverage:

- The emissions cap applies broadly across upstream oil and gas activities, including onshore and offshore production, oil sands production and upgrading, natural gas production and processing, and LNG production.

#### Compliance System:

- Facilities will receive emissions allowances that decrease over time, with the cap tightening to achieve 27% below 2026 levels by 2030-2032.
  - 27% below emissions reported for 2026 is estimated to be equivalent to 35% below 2019 emissions.
- The emissions cap will be set based on 2026 reported data, with full remittance compliance starting in 2030.

#### Flexibility Options:

- Operators will be able to cover up to 20% of emissions using GHG offsets or by contributing to a decarbonization program.

#### Annual Reporting Requirements:

- Large emitters (365,000+ barrels/year) will start reporting in 2027 for their 2026 emissions and production levels. Reporting for small operators would start in 2029 for their 2028 levels.
- All operators will be required to report, but only large operators will be required to remit allowances.

#### Allowance Distribution and Trading:

- Allowances will be distributed annually and pro-rated across facilities based on past production and can be traded among operators.

## Potential Impacts

### Cap on Production

The proposed emissions cap essentially acts as a cap on Canadian energy production itself, placing severe limits on an industry that powers the economy, provides jobs, and supports communities across the country. For many industry participants, curtailing production will be the only cost-feasible way to meet the mandated emissions reductions. Advanced emissions-reduction technologies, like carbon capture, utilization, and storage, are still prohibitively expensive, making compliance particularly challenging without scaling down production.

By limiting production, governments will also see a reduction in royalty revenue from the oil and gas sector – revenue which funds healthcare, public transportation, social services, infrastructure, and community programs in every area of the country.

### Threat to Jobs and Communities

The cap has the potential to put up to [151,000 jobs at risk](#) and could drain billions from Canada's economy. For families in rural and Indigenous communities, where energy sector jobs are essential, the impact could be devastating. Pulling support from these communities risks reversing years of economic progress and threatens to destabilize local economies that rely heavily on energy-related jobs for their livelihoods and continued growth.

### Global Competitiveness and a Punitive Approach

Other countries with significant energy sectors are not imposing similar restrictions, highlighting a potential competitive disadvantage for Canadian companies. By taking a uniquely punitive approach, Canada risks deterring investment, leading to job losses, and ultimately pushing production abroad to countries with lower environmental standards – undermining the very environmental goals this cap intends to support.

With the emissions cap, oil and gas is the only sector in Canada facing industry-specific limits. This runs counter to the industry-agnostic approach of the federal carbon tax and places a higher value on emissions created through the oil and gas sector, resulting in an inefficient strategy to emissions reduction.

### Commitment to Clean Technology and Emissions Reduction

Canada's energy sector has already invested billions into clean technology and emissions reductions, demonstrating a serious commitment to sustainability progress. Despite this record, the proposed cap acts as a punitive measure more than a supportive step towards innovation. The energy services sector has been a pioneer in emissions reduction for decades, achieving impressive gains in efficiency and reducing carbon footprints without being mandated to do so. Indirectly capping production

would directly limit the industry’s ability to further innovate within the energy supply chain.

## Next Steps

In the coming weeks, Enserva will submit a response during the open consultation period, outlining our strong opposition to an emissions cap of any level on the oil and gas sector. Our submission will emphasize the potential negative effects this approach will have on the industry, particularly around impacts on production levels, employment, global competitiveness, and the industry’s significant efforts around emissions reduction and clean technology innovation.

Members who would like assistance in drafting their own submissions for the open consultation are encouraged to reach out for support. Please contact Taylor Hides with any questions at [thides@enserva.ca](mailto:thides@enserva.ca).

## Additional Resources

Government of Canada Materials:

- [Oil and Gas Sector Greenhouse Gas Pollutions Cap](#)
  - [Draft Regulations](#)
- [Oil and Gas Greenhouse Gas Pollution Cap Backgrounder](#) – November 4, 2024
- [Quantification Methods for the Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations](#) – November 4, 2024

Enserva Materials:

- [Enserva Statement: Enserva Responds to the Proposed Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations](#) – November 4th, 2024
- [Enserva’s Consultation Submission in Response to the Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap](#) – February 7, 2024
- [Enserva Responds to Federal Government Emissions Cap Framework](#) – December 18, 2023
- [Enserva Member brief: Proposed Oil and Gas Emissions Cap](#) – December 8, 2023

Media:

- BOE Report: [Never let a good crisis go to waste – the timing of the Federal emissions cap announcement](#)
- Global News: [Alberta premier, oil and gas industry slam Ottawa’s new emissions cap](#)
- Energy Now: [Enserva Responds to the Proposed Oil and Gas Sector Greenhouse Gas](#)

- QR Calgary: [CHQR \(Global News Radio\)](#)