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Subject: Notice of Objection to the Proposed Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations Published in the Canada Gazette, Part I, November 9, 2024

To Whom It May Concern,

This letter constitutes as a formal notice of objection to the proposed Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations published in the Canada Gazette, Part I, on November 9, 2024, through which we request that a board of review be established under section 333 of the *Canadian Environmental Protection Act*.

As we have outlined in our previous submissions, Enserva's position remains in full opposition to a sector-specific emissions cap on the oil and gas industry. This policy is fundamentally flawed, prioritizing ideology over evidence-based solutions and jeopardizing Canada's economy, energy security, and global competitiveness. Below, we outline the significant concerns underpinning our objection.

Economic and Energy Security Impacts

The proposed emissions cap threatens to severely undermine Canada's economic stability. Independent analysis indicates potential GDP losses of up to $1 trillion and the elimination of 151,000 jobs by 2030, many of which are concentrated in regions highly dependent on the energy sector.[1] This is not just an issue for oil-producing provinces – reduced federal government revenue by $84-151 billion between 2030 and 2040 would severely impact the government's ability to fund critical public services, exacerbated by further revenue losses to provincial governments due to the cap.[2]

The oil and gas sector plays a vital role in ensuring Canada's energy security while supporting global energy needs. Imposing an emissions cap on a single industry undermines this strategic asset. By targeting oil and gas while leaving other high-emissions sectors relatively unaffected, the policy disrupts the principle of neutrality embedded in Canada's carbon pricing framework. Moreover, this uneven application creates investment uncertainty, encourages capital flight to jurisdictions with less stringent regulations, and erodes Canada's standing as a reliable energy supplier.

Overlap and Overcomplication in Regulatory Frameworks

Canada's energy sector is already subject to robust carbon policies, including carbon pricing on heavy emitters, methane reduction targets, and the Clean Electricity Regulations, in addition to

[1] Government of Alberta, Proposed Federal Oil and Gas Emissions Cap: Regulatory Framework – Government of Alberta Technical Submission, December 2022, https://open.alberta.ca/publications/proposed-federal-oil-and-gas-emissions-cap-regulatory-framework-goa-technical-submission.
[2] Government of Alberta, Proposed Federal Oil and Gas Emissions Cap.

provincial policies. The addition of an emissions cap exacerbates the already complex regulatory landscape, making it increasingly burdensome for businesses to navigate. This layered complexity deters investors and drives capital away, making it harder to do business in Canada. Rather than fostering innovation, these overlapping policies stifle progress and risk diminishing Canada's appeal as a destination for investment in clean technology.

Industry Achievements and Market Distortions

Canada's oil and gas industry has made significant strides in reducing emissions intensity. Over the past decade, emissions intensity in natural gas production has decreased by 17%, while conventional oil has seen a reduction of 27%.[3] Despite increased production, emissions from oil sands operations have stabilized, demonstrating the sector's commitment to innovation and sustainability. These achievements highlight that existing carbon policies are already delivering measurable progress and the industry is rising to the challenge. A punitive emissions cap disregards this progress and penalizes an industry that is actively contributing to Canada's climate objectives.

The proposed regulatory framework risks creating unintended market distortions. By imposing rigid caps while allowing limited credit trading, the regulation could suppress investment in clean technology and disrupt established carbon markets. Potential oversupply or scarcity of carbon credits could destabilize pricing, further reducing incentives for emissions-reducing projects. In addition, this framework will add another carbon trading market to Canada's existing roster, which is already a large patchwork of markets with different design elements and conditions under which they operate. This fragmentation hampers their effectiveness and constrains Canada's progress in developing low-carbon industries.

Misalignment, Constitutional Concerns, and Compliance Challenges

Canada's largest trading partner, the United States, has not implemented similar emissions restrictions on its energy sector. This regulatory disparity places Canadian producers at a competitive disadvantage, incentivizing capital flight and weakening North American energy integration. Such misalignment not only harms Canada's strategic energy interests but also diminishes the global impact of its climate leadership efforts.

The proposed emissions cap raises significant legal questions under the Canadian Constitution. By effectively regulating natural resource development, a jurisdiction reserved for provinces, the federal government risks overstepping its authority. The regulation's reliance on criminal law provisions seems legally tenuous, especially given the selective targeting of oil and gas emissions while excluding other industrial sectors with similar emissions profiles.

Furthermore, the aggressive timelines and retroactive benchmarks proposed by the emissions cap further complicate compliance for industry stakeholders. Emissions targets based on historical production averages fail to account for future growth or technological advancements, penalizing producers planning expansion or upgrades. This approach stifles innovation and threatens the long-term viability of the industry.

Alternative Approach Based on Collaboration

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[3] Peter Tertzakian, "Deep Dive: It's Time for a Carbon Policy Time-Out," The Hub, November 2, 2024, https://thehub.ca/2024/11/02/deepdive-its-time-for-a-carbon-policy-time-out/.

The Government of Canada must abandon this punitive and ineffective policy. Instead, a collaborative approach is essential to develop balanced, evidence-based solutions that secure environmental progress while preserving economic resilience. Enserva urges the government to:

1. Engage industry stakeholders in a transparent consultation process that values industry feedback to develop practical and equitable emissions reduction strategies.
2. Conduct a comprehensive review of Canada’s carbon policy framework to ensure coherence, transparency, and alignment with provincial regulations.
3. Prioritize investment in research and development to accelerate the adoption of clean technologies across all sectors, encouraging emissions reduction in the most cost-efficient areas first.

In conclusion, the proposed Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations threaten to undermine Canada’s economy, energy security, and environmental goals. We request that a board of review be convened to thoroughly assess the policy and its far-reaching implications. A collaborative, evidence-based approach will better serve the interests of all Canadians, ensuring sustainable progress without compromising economic stability or competitiveness.

Sincerely,

Gurpreet Lail

President and CEO
Enserva

CC Hon. Justin Trudeau
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