

Consultation on Capping and Cutting Oil and Gas Emissions

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1. Assessment and Recommendations:

- **The policy focus on emissions from only the production of oil and gas in Canada, underestimates the industry's current and historical contribution to global warming, minimizes the cuts expected from it, and places an unfair burden for emissions reductions on the rest of the Canadian economy.**
- **Neither of the policies proposed by the government to cap and cut emissions from the oil and gas industry will do so effectively by 2030 or even 2050.**
- **The government has the authority under existing law to implement a third option that**
 - a) **imposes and enforces a hard cap on the oil and gas industry's GHG emissions at today's levels and ratchets it down annually, at a minimum in line with Canada's pledge to reduce emissions by 40 to 45% by 2030;**
 - b) **ends all federal government subsidies to the industry;**
 - c) **regulates Canadian financial institution investment in the oil and gas industry and licences public banks mandated to invest in local, green projects;**
 - d) **rapidly expands the supply of alternate, renewable energy sources and use;**
 - e) **markedly increases investment across all sectors of the economy to reduce demand for fossil fuels.**
- **Countries have just two years to bend the GHG emissions curve to limit ever more extreme impacts of global warming. Canada has no time to lose to take effective action to cap and cut emissions from the oil and gas industry and make the alternative, green renewable energy, readily accessible.**

2. Who we are:

Seniors for Climate Action Now! (SCAN!) is dedicated to educating, motivating, and mobilizing seniors to engage in the social movement advocating for an urgent just transition to a more sustainable, equitable, low carbon economy and society - for the producers and consumers of energy. We are a voice for one of the social groups most vulnerable to the impacts of global warming, figuring heavily among its casualties, and most concerned about our legacy for future generations. Our purpose in contributing to this consultation is to express that perspective based on our lifetimes of knowledge and experience.

3. Introduction:

Scientists from around the world, speaking through the Intergovernmental Panel of Climate Change (IPCC), agree that the principal cause of global warming is greenhouse gas (GHG) emissions primarily from the burning of fossil fuels by humanity since the industrial revolution. We are now living with more frequent and more severe storms, floods, fires, heat, and droughts. Here in Canada and around the world we face species extinctions and ecosystem degradation. All have devastating costs to life and livelihoods. The climate crisis is an existential threat.

That is the reason 198 countries agreed in Paris in 2015 on the goal of limiting global warming to 1.5 to 2 degrees Celsius (C) above pre-industrial levels. GHG concentrations in the atmosphere are now one-third greater, and the current global average temperature is 1.1 degrees C higher. Both are still climbing. For a reasonable probability of achieving the Paris goal, the UN states that global emissions must peak by 2025 and be cut by 43% by 2030. Canada, in its nationally determined contribution (NDC), is committed to a 40 to 45% reduction from 2005 levels by 2030, and that is now embedded in law, in the 2022 Canadian Net-Zero Accountability Act.

The International Energy Agency maintains that there should be no new fossil fuel projects as of 2022 to achieve that goal.¹ Shifting our energy system off carbon intensive fossil fuels is non-negotiable. Nevertheless, this year the government of Canada approved Baie du Nord, a new offshore project that alone will produce another 200,000 barrels of oil a day for 30 years once on stream. We've seen such incoherence in Canadian government policy and action before in the announcement of an agreement on Canadian carbon pricing followed a day later by the purchase of the Kinder Morgan pipeline. It is evident yet again in the two options the government is proposing to reduce GHG emissions from Canada's oil and gas industry that are the subject of this consultation.

Greenhouse gas emissions (GHGs) from the production of oil and gas make up the largest share of emissions of any sector of the Canadian economy: 27% or 191 megatonnes (Mt) in 2019. Those emissions increased by a staggering 97% since 1990. And those emissions are from just the production of oil and gas. If we add GHG emissions from its domestic consumption and from exports that are burned elsewhere, emissions from Canada's oil and gas are much greater. In fact, the policies being proposed to cap and cut emissions from production address less than 15% of the GHG emissions originating from Canada's oil and gas industry.²

The federal government's focus on just emissions from production by the industry derives from its perception of two constraints. The first is the international GHG accounting convention established by the UN which stipulates that each nation is to account for emissions generated by production and consumption within its own borders. Fossil fuels are produced in a relatively small number of states

¹ <https://www.iea.org/reports/net-zero-by-2050>

² 2019 emissions from Canadian oil and gas production in Megatonnes: From production, 191, from consumption at home 238.5, from consumption abroad 954 = 1,383.5. 191 Mt from production = 13.8% of the total. Because of oil and gas imports, and emissions originating from other economic sectors, Canada's total GHG emissions in 2019 were 730 Mt.

with most of the output exported for consumption internationally. So, while the accounting rule makes sense practically, it is inherently lenient to any nation’s fossil fuel industry with large exports.

The second constraint is the constitution of Canada, which in its division of powers gives jurisdiction over rights to permit the production of material resources to provincial authorities. Measures taken by the federal government are thus restricted to addressing emissions rather than the production of fossil fuels. In Canada’s evolving climate litigation jurisprudence, that constraint on its powers may well be overstated. But if the government accepts it, its policy to cap and reduce GHG gases from the oil and gas industry must be far more rigorous in terms of baselines and timelines for cutting specific amounts of emissions and it must be transparent and strictly enforced. Similarly, its efforts to decarbonize the economy must be more focused and ambitious in promoting renewable energy.

Morally, targets for emissions reductions should also reflect Canada’s historical responsibility or fair share of GHG emissions in the atmosphere, and they should be fair to other sectors of the economy. Canadian policies, including the two being considered here, do neither. If we were to live up to our historical responsibility for GHGs in the atmosphere, as CAN-RAC has stated³, our commitment would be to at least a 60%, not 40 to 45%, reduction by 2030. And that target needs to be coupled with major financial commitments to support mitigation and adaptation efforts and loss and damage claims in countries of the global south that have much lower responsibility for present and historical GHG emissions.

- **Oil and Gas Industry: Unfairly treated or a free ride?**

The government is not demanding a fair share of emissions reductions from the oil and gas sector - the goal for their reduction is only 31% by 2030 from 2005 levels. That is considerably lower than the 40 to 45% reduction stipulated for Canada as a whole.⁴

	Where we were in 2005 (Mt)	Where we were in 2019 (Mt)	Where we could be in 2030 (Mt)	Per Cent Reduction from 2005 Levels
Oil and gas	160	191	110	-31%

Between 2005 and 2019 industry emissions in production grew to 191 (Mt). Cutting them to reach 110 Mt is a 42% reduction from 2019 levels. Baselines and base years matter. The industry and its lobbyists from the Canadian Association of Petroleum Producers (CAPP) and Pathways Alliance, which represents

³ <https://climateactionnetwork.ca/2019/12/02/canadas-fair-share-towards-limiting-global-warming-to-1-5c/>

⁴ [2030 Emissions Reduction Plan: Canada’s Next Steps for Clean Air and a Strong Economy](#) (pp 89-90):

the six largest oil sands producers, responsible for about 95% of its production, are claiming they're being unfairly treated – totally ignoring the 2005 baseline stipulated in Canadian law.⁵

Industry leaders are proposing a cut of just 22 Mt, about a quarter of what the government is stipulating, and they are demanding subsidies of multiple kinds to achieve even that. This is consistent with the industry corporations' denial, cover-up, and greenwashing since 1959 of the role of fossil fuels in causing GHG emissions and global warming. They act in their own vested interest of continued growth and profitability.

Their claims to be a vital Canadian industry also dissemble. It is 70% foreign owned⁶, employs less than 1% of the Canadian labour force (185,200 of 18,870,000 in August of 2022), contributes just 7.5% to Canada's GDP, and shifts most of its profits out of the country. It continues to cause often irreparable damage to large swaths of Canada's air, land, and water, much of which is on unceded indigenous territories. Our health and that of many species and ecosystems is affected. That may be an externality in the accounts of these capitalist businesses, but these are real and mounting costs to the people of Canada – and the world given the amount of fossil fuels exported and the amounts of emissions created when consumed at home and abroad.

- **SCAN!'s first position then is that the limited scope of fossil fuel emissions addressed by the proposed policies and the lower reduction requirement from the 2005 levels being asked of the oil and gas industry are clearly inadequate. They jeopardize achievement of Canada's overall emission reduction target and put an unfair burden on other, lower emitting sectors of the economy.**
- **Effective regulation not elusive technology:**

Canada is the 4th largest producer of oil and gas in the world, and much of the oil production is from mining the tar sands. The oil is recognized everywhere as the most polluting – the dirtiest - kind of oil in the world and not just in particulate pollution. The amount of GHG emissions per unit produced - its carbon intensity - is among the highest in the world.⁷ Further evidence of that relatively low quality - so-called Western Canadian Select is almost always priced well below other varieties of oil in the market.

The two measures to reduce oil and gas industry emissions being proposed by the government 1) a cap-and-trade system or 2) a new price on industry emissions, presume that a much lower carbon intensity can be achieved so that production can continue to grow while emissions from it are effectively

⁵ <https://pathwaysalliance.ca/key-oil-sands-groups-join-forces-under-pathways-alliance-banner/>

⁶ Foreign ownership is higher than that in just the oil sector of the industry. See "Posing as Canadian" a webinar with Gordon Laxer: <https://youtu.be/OsNXwL2lhMc>

⁷ The amount of CO₂e emissions released in grams per Megajoule (Mj) produced, the carbon intensity of oil production, in Canada is 17.6 gCO₂e/Mj. The world average is much lower - 10.3 gCO₂e/Mj.

eliminated. Not only is that physically improbable, but it also again totally ignores the fact that most emissions from oil and gas arise during its consumption/use.

Over the last three decades, the industry in Canada has lowered its carbon intensity considerably, largely by deploying an array of existing technologies and efficiencies. But the industry's rapid growth has meant, in absolute terms, emissions from production have increased. The most accessible and least expensive reductions in carbon intensity have thus been made. Still, the industry and the Canadian government seem to believe that zero carbon intensity can be achieved by 2050 with carbon capture and storage (CCS) technologies enabling continued production.⁸

Several decades of research and development of CCS has resulted in just 27 operational plants worldwide. They do not achieve the extent of reductions promised. Independent researchers are very sceptical that the technology can be improved in efficiency let alone scaled to significantly reduce emissions from oil production in Canada and around the world in time to meet the targets of the Paris Agreement. A recent independent analysis, for example, of Shell Canada Energy's Quest CCS project near Edmonton Alberta, which started operating in 2015, found that if all emissions created in the operation of the facility are tabulated, it is emitting more greenhouse gases (GHGs) than it is capturing and storing.⁹

CCS technology facilities are still experimental and very expensive despite considerable government investment, such as the 5.8 billion by Canadian governments since 2000.¹⁰ Now the industry and its powerful lobbyists contend that since the federal government will be forcing them to build and use CCS by either one of the options being considered to reduce emissions, then the government should pay for that technology - to the tune of 50 billion dollars. This is despite the industry currently being in a boom phase, raking in incredible profits.¹¹ In Europe and Great Britain, where the Ukraine war has caused a serious energy crisis, excess profits taxes are at least being considered. Even the Secretary General of the UN is calling for windfall profits on the industry. The Canadian government has not taxed the excess profits of the fossil fuel industry here.

⁸ According to estimates by the Canadian Energy Regulator (<https://www.cer-rec.gc.ca/en/data-analysis/canada-energy-future/>), oil output will increase from 4.9 billion barrels a day in 2019 to 5.8 billion in 2032, declining to about 4.8 billion by 2050. Natural gas production is expected to be sustained over the next 20 years at around the 15.5 billion cubic feet produced in 2020, rising or falling slightly under different market and regulatory scenarios.

⁹ <https://www.theenergymix.com/2022/01/24/shells-milestone-ccs-plant-emits-more-carbon-than-it-captures-independent-analysis-finds/>

¹⁰ <https://environmentaldefence.ca/report/buyer beware/> The amount of Canadian emissions captured using CCUS: .05%.

¹¹ <https://www.theglobeandmail.com/business/article-oilsands-greenhouse-gas-emissions-canada/> and <https://www.theglobeandmail.com/business/article-oilsands-greenhouse-gas-emissions-canada> Canada's oil sands are making billions – and very little of it is going to net-zero commitments.

Indeed, this year the federal government budgeted a very generous tax credit for investments in technologies meant to reduce carbon intensity such as CCS. Such a tax credit pays for the technology in foregone tax revenues, so the government could well go a long way toward meeting the industry's demand.

- **It is SCAN!'s position that this a mug's game of trying to sustain and even increase oil and gas production over the next several decades while attempting - at great public cost - to reduce emissions by one or another complex market pricing scheme and a high-risk gamble that CCS can significantly decrease the carbon intensity of production. If instituted the game will be played at the expense of the major investment needed to transition to a sustainable, low carbon economy.**

4. The government's options fail the climate test:

The government is proposing two options, a cap-and-trade system, or a carbon pricing system. Both options are based on two faulty assumptions. One is that the oil and gas industry is genuinely interested in doing its fair share to reduce GHG emissions. The second is that the government can effectively influence fossil fuel company behaviour through marginal, carbon market mechanisms.

- **Option 1: A new cap and trade system instituted under the Canadian Environmental Protection Act (CEPA).**

This is a proposal to place a hard, declining cap on emissions from the oil and gas industry. Producers would be incentivized to meet the cap, specified by their levels of production and emission involved, either through a grant or an auction of permits/credits that add up to the cap. The cap would be ratcheted down on a timeline aligned with meeting Canada's emissions reduction goals. To incentivize compliance, a market exchange for trading those credits would be established enabling corporations reducing their output to benefit financially by selling them. Of course, those unable or unwilling to meet their allocation would be the buyers of those permits, so this is just a net-zero market game played at the specified emissions level.

The complexity and cost of the design, accounting, and administration of such a market are very great. Are there enough qualified bureaucrats in ECCC or NRC or elsewhere in Canada to administer such a system? We think not. This is an expensive system for which the Canadian government is not well equipped, and it would be irresponsible to let the industry guard the hen house.

But more important, cap and trade schemes are systemically flawed. The experience of existing carbon markets around the world reveals numerous and significant problems. These include weak emission caps, instances of fraud and manipulation, volatility on emission allowance prices, limited emission reductions, overly generous emission allowances, weak regulation, inadequate monitoring, misuse of offset credits, the growth of carbon loopholes, land access conflicts, green grabbing and a regulatory regime that favours big business to the disadvantage of communities. Relying on market forces to reduce GHG emissions from one of the most powerful industries in the world is a recipe for failure.

In the event that the government proceeds with a cap-and-trade system it should impose the following conditions:

1. The policy should apply not just to emissions from fossil fuel producers but also to those from refiners and distributors, including natural gas pipelines.
2. The cap level should be set annually in advance so that it is well known to members of the industry, the cost of allowances can be recorded and published, emissions monitored, and levels of compliance registered.
3. Emissions credits from outside Canada, referred to as internationally transferred mitigation outcomes (ITMOs), should be completely prohibited from the exchange market. Carbon offsets of that sort are riven with fraudulent greenwashing. They often exploit developing countries and indigenous lands by commodifying their forests, for example. It is immoral to do that to offset emissions from Canada's fossil fuel industry. Only carefully monitored and well-regulated domestic offsets should be allowed.
4. The polluter pay principle needs to be clearly established in any credit pricing system.

- **Option 2: A pricing system instituted under the Greenhouse Gas Pollution Pricing Act (GGPPA).**

This is a proposal to place a charge for carbon emissions on producers within the industry. Many Canadians are now familiar with the carbon charge on fuel imposed under that same act. The revenues from that fuel charge are for the most part remitted by the government to consumers, with some even receiving more than they spend on gasoline for vehicles, home heating and their other oil and gas uses. It is supposed to induce lower consumption/emissions, but that depends heavily on the amount of the charge, the availability and price of alternatives. To date the charge has been so low that it is unclear it is having any effect on consumption at all. It's not worth the cost of changing one's car, stove, furnace, etc., for the current amount of the rebate. So, the first point to note is that the amount of such charges matters. The second is that it is very difficult to measure effects except through long-term purchasing pattern changes that could well be due to other factors. In the deepening climate crisis, we need immediate solutions.

Producers would not receive rebates of the carbon charge being proposed for the fossil fuel industry. It is obvious why. The businesses affected will pass it along, like any other operating cost, to their consumers in the prices of their products. So first, industry's behavior will not be changed. But second, the cost pass-through would fuel inflation, embedding it in the prices of every use of fossil energy throughout the economy. The price on carbon for the industry would be aligned with Canada's carbon charge. While that is still relatively low at \$50 per tonne in 2022, it is scheduled to increase by \$15 a year until it reaches \$170 in 2030.

Since the arrival of Covid 19 in 2020 and the start of the war in Ukraine this year, in which fossil energy has been weaponized, people around the world have become all too familiar with the rising costs caused by supply chain disruptions. These disruptions have been capitalized on by large producers and distributors of industrial and consumer products, especially oil and natural gas, but also food. Even at current levels of global warming, climate impacts can be expected to deliver such inflationary shocks

repeatedly to global supply chains providing the necessities of life, particularly energy, food, shelter, and health. Government policy should address, not exacerbate, these problems.

- **In sum, it is SCAN!'s assessment that both market-based options proposed by ECCC are seriously flawed and will not achieve even the limited emissions reductions stated or make the contribution required to Canada's commitment of emissions reductions of 40 to 45% by 2030 – let alone 'net zero' by 2050.**

5. There is a better alternative:

The IPCC has warned, "Any further delay in concerted global action will miss a brief and rapidly closing window to secure a liveable future." We need a coherent climate plan that shifts Canada off fossil fuels quickly and builds a distributive and regenerative economy that respects planetary boundaries and addresses human needs.

- **It is SCAN!'s position that government policy and resources must be focused immediately on reducing demand for fossil energy by lowering energy consumption overall and by investing in alternate sources of clean, renewable energy as a cheaper alternative for business and individual consumers.**
- **The government of Canada, under either Section 4 of the Canadian Environmental Protection Act (CEPA) or the Emergencies Act, has full legal and constitutional authority to impose a mandatory, legally binding hard cap on oil and gas industry emissions.** Recall that in 2019, the parliament of Canada formally recognized that we are in a climate emergency - an existential climate crisis.

The cap should start at the level of emissions today and be ratcheted down annually to achieve the oil and gas industry's fair share of reductions in national emissions. The government would use its legal and regulatory powers to monitor and enforce the cap and impose appropriate fines for those producing, refining, and distributing businesses that fail to meet their fair share of reductions. Business-specific as opposed to industry-wide costs are harder to pass on to consumers of commodities, but undoubtedly some would be.

- **It is also necessary to stop digging the hole: The federal government's power of the purse should be exercised - eliminating subsidies to the oil and gas industry of all kinds,** including tax credits, stopping the expansion of the Trans Mountain pipeline, which directly facilitates growth in the industry, and ceasing funding for the industry's clean-up liabilities.
- **The Canadian Environmental Protection Act (CEPA) should be updated and made more rigorous** so that environmental impact assessments have the legal grounds to reject projects like Baie du Nord. Would Health Canada approve a product that kills as many people a year as the particulate and GHG emissions from fossil fuel pollution do?
- Canadian banks are among the world's largest investors in the growth of the oil and gas industry and therefore in GHG emissions. **Federally regulated banks and other financial institutions**

(insurers and pension funds) should be required to produce climate investment plans that align with Canada’s emissions reduction targets and timelines.¹²

The only effective, rapid way to reduce GHG emissions and transition to a low carbon economy is to reduce demand for fossil fuels. For that three things are necessary:

- **First, the supply of alternate forms of energy – clean renewable energy including electricity and hydrogen not produced by burning of fossils – must be increased massively and rapidly, reducing their increasingly competitive cost, and thereby the demand for fossil energy. So far, the federal government has no specific plan to increase the supply of truly clean, renewable energy in Canada. That should be the principal policy implemented to reduce emissions from fossil fuels.**
- **Second, demand must be reduced by facilitating less energy use in transportation, buildings, industry, waste management and agriculture.**
- **Third, there needs to be a comprehensive and well funded Just Transition to protect workers and communities affected by the coming energy transition.**

While the federal government has regulations and policy initiatives underway to reduce demand in different sectors of the economy, they are not large or strong enough to be effective given the short timeline remaining to 1.5 degrees of global warming. These are some focal points for increased effort:

- In electricity, the grid across Canada must be upgraded faster than it is now and built to enable local distributed renewable sources of energy and storage for resilience to weather disasters.
- In buildings, subsidies such as the just announced Low Carbon Economy Fund to retrofit housing with heat pumps and other energy saving products to reduce heating and cooling energy needs should be drastically increased. Building standards for greater efficiency need to be specified. Given the level of inequality in Canada, affordable public housing built to such standards should be a priority investment.
- Manufacturing and service industries, especially small businesses, and public institutions, need tax incentives and direct grants or loan subsidies to transition from fossils to clean renewable energy.
- In transportation the transition to public transit and electrified vehicles has now been scheduled in regulation, but greater subsidies geared to individual income and public sector capacity are needed to make the transition.
- Much greater investment must be made to relieve agriculture and indigenous nations of the need to burn fossil fuels by providing renewable alternatives.
- Authorizing and seed-funding national and municipal green climate banks with a public mandate to fund local green project entrepreneurs as provided for in the U.S.’s recent Inflation

¹² Ecojustice, Environmental Defence, et. al. 2022. [“Finance is the next front in climate accountability.”](#)

Reduction Act is another promising avenue to increase the production and use of alternate sources of renewable energy.¹³

5. In conclusion:

- **Oil and gas production, its product diversification through refining and manufacturing from plastics to blue (which is not green) hydrogen, and fossil fuel distribution by any form of transport should have no place in an ecologically sustainable Canadian economy of the future.** All sectors of the economy must have access to non-emitting sources of renewable energy. Electricity from renewables must be used to power all our endeavours to ensure the health and the well being of Canadians and our environment. That, and not the continued growth and profitability or competitiveness of a predominantly foreign-owned industry, should be the government's objective.

We thank you for considering our views and encourage you to take urgent, comprehensive, and effective action to reduce carbon emissions from the oil and gas industry both in Canada and around the world.

¹³ <https://www.theguardian.com/us-news/2022/sep/11/green-bank-clean-energy-climate-change>