

29 September 2022

Environment and Climate Change Canada (ECCC)  
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Gatineau, Quebec K1A 0H3

Via email: [planpetrolieretgazier-oilandgasplan@ec.gc.ca](mailto:planpetrolieretgazier-oilandgasplan@ec.gc.ca)

**Re: Feedback and Recommendations to the Discussion Paper on Options to Cap and Cut Oil and Gas Sector Greenhouse Gas Emissions to Achieve 2030 Goals and Net-Zero by 2050**

On behalf of the Saskatchewan Chamber of Commerce (SCC), thank you for providing an opportunity to submit input on the options to cap and cut Oil and Gas (O&G) Sector greenhouse gases (GHG) emissions. Since 1920, the SCC has represented the Saskatchewan business community, advocating on behalf of businesses of all sizes and from all sectors, as well as local chambers of commerce and professional associations. The SCC is continuously engaged with its members, seeking insight from the local business community to provide recommendations that will help to make Saskatchewan the best place to live, work and invest. According to the SCC's 2022 membership survey, a favourable resource economy is the second greatest priority of the local business community, falling only slightly behind the availability of skilled labour. Further to this, during consultations the SCC has found significant community support for the growth of the O&G sector with respondents not only looking to maximize the economic benefits of O&G extraction but also energy independence for Canada and enhanced, responsibly produced O&G in the global economy.

With this support for the O&G sector in mind, it is important to note that the Saskatchewan business community is still actively working on the transition to a low carbon economy and has, in some instances been a world leader in its environmental protection. The SCC is proud to be a leading voice in Saskatchewan pushing the move to a low carbon economy.<sup>1</sup> Our positions on how Saskatchewan businesses, with the support of the Governments of Canada and of Saskatchewan, can successfully make this transition, are available in our 2021 document, *Building the Low Carbon Economy: Exploring Opportunities and Challenges for Saskatchewan*.

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<sup>1</sup> Saskatchewan Chamber of Commerce. *Building the Low Carbon Economy: Exploring Opportunities and Challenges for Saskatchewan*. 2021. <https://saskchamber.com/isl/uploads/2021/03/Building-the-Low-Carbon-Economy-Exploring-Opportunities-and-Challenges-for-Saskatchewan.pdf>

Based on the finding of that report and our recent consultations, the SCC recommends that the federal government focus on building a unified emissions reductions framework that does not harm the competitiveness of O&G businesses, relative to both industry competitors abroad, or to other industries within Canada. Specifically, we ask that the Government of Canada:

**1) Focus on attracting, and making, de-carbonization investments**

The SCC questions why only two options were considered in the discussion paper. This is a multifaceted issue that will require the use of a variety solutions. Fundamentally, the ability to permanently and structurally reduce GHG emissions is dependent upon the ability to put emission reduction technologies into place. Since many Saskatchewan companies/industries already have high levels of environmental performance relative to global competitors, improving upon the environmental protection measures already in place is not a simple task. Canada will be unable to achieve its desired GHG emission reductions without a significant investment in green energy infrastructure.

These investments need to be happening now. In fact, an underlying premise of International Energy Agency (IEA) Net Zero by 2050 report, (which the discussion paper references to provide an estimate of future reduced fossil fuels use as cited by ECCC), is the need for a massive expansion of clean energy installation in the 2020s. As this group of projects will likely be more complex and expensive than earlier investments, we believe the Government of Canada should work with industry to incentivize de-carbonization investments now. Attracting investment into de-carbonization activities is a global competition and other countries are seizing a leadership position; Canada cannot afford to fall behind. Further to this, we submit that the most effective way to reduce GHG emissions is not just to impose a carbon tax, but to ensure the proceeds of that tax are utilized to invest in technologies to help businesses meet our 2030 goals and to move toward a net-zero economy.

Under the proposals in this paper, and without these foundational investments in place, from both the government and the private sector, producers will be forced to cut production to achieve compliance with the GHG emissions reduction requirements. Further, adding another layer of regulation as proposed in the discussion paper will present a great risk to investors and restrict the resources available to support the advancement of clean technologies. The SCC argues this is not the right direction given the current global energy security challenges. We advise the federal government to focus on making and facilitating investments to support broad, national de-carbonization efforts. These investments will be key to the achievement of 2030 GHG emissions goals with current economic activity in Saskatchewan and Alberta.

## **2) Work with industry to develop GHG emission reduction goals while building energy security**

The Saskatchewan business community appreciates the important role that the O&G Sector plays in Canada. The O&G Sector has a significant role in funding existing royalties, corporate taxes, and income taxes from workers in the industry, as well as the spinoff economic activity generated by the Sector. We appreciate the federal government's desire to set ambitious goals for GHG reductions, but urge the government not to do so at the expense of the sector. Shifting O&G production out of Canada is a real concern, and pushing this production outside the country to less regulated jurisdictions will drive-up global emissions while damaging Canada's economy.

Despite its domestic production, Canada still spends \$20 billion or more on oil imports annually. The SCC believes that this production should be subjected to the same GHG emissions reduction burden as domestic O&G production. The federal government needs to properly design policies for imported O&G while facilitating additional pipeline transport within Canada to balance domestic versus imported supply conditions.

For Canada, a competitive international position is not only important for our own energy security but also to global stability. Due to these considerations, having the federal government work with the O&G industry to get the timelines right is paramount with regard to any changes to the GHG emission regulations. Changes need to be considered sequentially with other key policies and investments, as well as global competition. The O&G sector must be afforded the compliance flexibility to invest in emissions reduction technology that does not negatively impact their global competitiveness and avoids carbon leakage. The federal government must work more closely with the industry to properly identify these opportunities.

## **3) Give current regulations an opportunity to work**

The current regulatory framework should be afforded the proper time to demonstrate its effectiveness before layering on additional regulatory requirements. Given that the carbon tax is set to rise to \$170 per tonne of CO<sub>2</sub> equivalent by 2030, we encourage the Government of Canada to give such mechanisms time to facilitate private sector de-carbonization before adding additional regulation to the O&G Sector. Further, the proposed additional layer of regulations may impact the effectiveness of the existing policy measures as elements within those programs may lose their value when reductions are required via regulations. These current programs have played an important role in emission reductions and continue to deliver cost effective reductions across different areas of the economy, they should be enabled to continue. The federal government needs to allow more time for programs and incentives such

as the Low Carbon Economy Fund, the Canadian Infrastructure Bank, the Strategic Innovation Fund, the Low Carbon Fuels Fund, the Smart Renewables and Electrification Pathways Program, and the Investment Tax Credit for CCUS to spur investments in lower-emissions technology and innovation, prior to imposing an emissions cap. The federal government must also immediately step-up investment in green energy and infrastructure, to have these facilities available for use well before 2030.

The discussion paper assumes the ‘global economy is transitioning to net-zero’ unfortunately we have not yet seen evidence that such has begun in earnest, despite the many promises. The SCC believes that the Government of Canada cannot rely upon this premise to help drive its GHG goals. Given this, a regulated cap on Canadian O&G emissions is unlikely to reduce global O&G emissions. Instead we run a real risk of future investments moving abroad to other jurisdictions without the same regulatory standards, which could unintentionally lead to carbon leakage and increased global emissions. To that end, the SCC opposes the two options presented in the discussion paper and recommends that ECCC further engage and collaborate with industry to explore potential options to best pursue significant and timely GHG emissions reductions.

#### **4) Study the regulatory environment as a whole**

Prior to adding additional requirements for GHG emissions, the SCC urges the federal government to evaluate its proposals in context of the current operating environment of this sector. All regulations, policies, and initiatives have an impact on O&G businesses and none of them operate independently. Instead, they compound together to increase the cost of doing business in Saskatchewan and in Canada. This concern is not limited solely to the costs generated by GHG emission regulations, but the overall cumulative impact of the growing burden imposed by fees, taxes, and regulations that the private sector is facing.

The ability for companies within Canada, and particularly Saskatchewan, to grow and compete in the global marketplace is being threatened, as is the country’s ability to attract global investment and build resiliency. It is the combined impact of environmental policies that matters most, and the federal government needs to consciously consider and articulate how these policies work together and overlap with each other in order to prevent the unintended consequences of too much regulation on competitiveness. Specifically, prior to the introduction of another layer of regulations, the SCC requests that the federal government conduct a thorough evaluation of the impacts of the current environmental legislation and regulations to identify opportunities for harmonization and streamlining, as well as the ultimate amounts of, and opportunities to reduce, the government-imposed cost to business.

## 5) Avoid sector specific regulations

The SCC also does not support the placement of the O&G Sector in a separate silo for emission reductions. Different industries have unique opportunities to reduce emissions, it is the net result that is material for the environment. Therefore, an emissions framework should not impede the ability of the O&G sector from helping other jurisdictions accelerate their transitions to cleaner forms of energy consumption. The government should allow a flexible sector-by-sector approach to policy tools for de-carbonization [e.g. the Output Based Performance System (OBPS)], rather than specific hard caps, which will slow emission reduction progress overall.

Further, we do not believe that there would be merit in excluding or taking an approach that results in lower compliance costs for emissions generated from the production and processing of fuels used to support the development of clean fuels. This would only entangle fossil fuel emissions into future production of energy intended to be fossil-fuel-free.

The SCC submits that it is not appropriate to set a higher carbon price for the O&G sector. If the general price for carbon is not sufficient to cause the emissions reductions desired, then it should be increased. A higher carbon cost for this sector compared to others will only decrease production, especially if green energy infrastructure is not available or if the commodity price decreases. Instead, regulations should encourage emission reductions regardless of in which sector they occur.

Thank you for the opportunity to submit input on the options to reduce O&G sector GHG emissions. The business community in Saskatchewan supports dedicated efforts in reducing GHG emissions, and we know that such an effort will require successful partnerships between all levels of government and businesses operating in the province. We hope to address the concerns outlined in this letter together and are ready to work with you to transition Saskatchewan to a low carbon economy. Please contact me with any further questions or concerns you may have.

Sincerely,



Prabha Ramaswamy,  
Chief Executive Officer  
Saskatchewan Chamber of Commerce