07 January 2025

The Hon. Steven Guilbeault, P.C. M.P
Minister of Environment and Climate Change
House of Commons
Ottawa, Ontario, K1A 0A6

Notice of Objection and Request for Board of Review in relation to the *Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations* under the *Canadian Environmental Protection Act,* 1999, *Canada Gazette,* Part I, Volume 158, Number 45 – November 9, 2024

Dear Minister Guilbeault;

Energy Connections Canada (ECC) represents energy transmission companies that transport a significant amount of Canada's crude oil and natural gas to markets across North America and beyond. Our members are global leaders in the safe and responsible delivery of energy products that fuel life in Canada and around the world.

As you appreciate, pipelines are critical to Canada's efforts to decarbonize:

- 464 kilometers of pipelines are shipping CO_2 in Canada today, sequestering 7 megatonnes of CO_2/year[i]. Twenty-four carbon capture, pipeline and storage projects are being proposed in Alberta alone[ii].
- Pathway's Alliance submitted its applications in 2024 to proceed with its 400-kilometer carbon capture, pipeline and storage project[iii].
- The 670-kilometer Coastal Gas Link pipeline is complete and will deliver cleaner-burning natural gas to offshore markets, where natural gas can displace coal in power generation[iv].
- The Prince Rupert Gas Transmission project – owned by the Nisga'a Nation – is a 750-kilometer pipeline project intended to ship natural gas to LNG facilities on the West Coast to also provide cleaner-burning natural gas for export markets.[v]
- Pipelines are the most economic vehicle for transporting hydrogen[vi] at a large scale, as the production, distribution and export of that molecule develops across Canada.

Great strides are already being made by our country's oil, gas and pipeline industries to decarbonize Canada and to aid in global decarbonization.

However, to achieve Canada's ambitious goals of reaching Net Zero by 2050, RBC estimates that $2 trillion[vii] of investment is required. This amount of investment deployed over a short period of time is staggering. To ensure this capital will be deployed, Canada requires a profound degree of investor confidence, a coherent federal and provincial emissions policy regime, and efficient and predictable regulatory approval processes.

Energy Connections Canada has written to express its concern with the Government of Canada's ***Oil and Gas Sector Greenhouse Gas Emissions Cap*** regulation (Emissions Cap Regulation) as it undermines investor confidence and the need for coherent federal and provincial policy regimes.

Moreover, ECC respectfully files this notice of objection on the basis of the reasons set forth below, and respectfully requests that a board of review be established under section 333 of the *Canadian Environmental Protection Act*, 1999.

This regulation impacts the pipeline industry by detrimentally impacting the economics of Canada's oil and gas industry. It risks deterring future investment in that sector and it risks deterring that sector's interest – and our sector's interest - in investing the amounts of money required to decarbonize Canada.

With this regulation, the Government of Canada is choosing an unnecessarily confrontational approach to decarbonization. Instead, a thoughtful and collaborative approach would be much more effective in driving the numerous projects that, up until now, have been keen to proceed.

Threatening investors to invest – in a world where capital is mobile – simply does not and will not work.

Instead of creating an environment conducive to decarbonization investment, the Government of Canada has introduced a regulation which:

- Singles out one industry for a cap and trade regime, even though a national carbon pricing regime exists. This has a compounding impact on Canada's pipeline industry as upstream producers would face the economic implications of a cap and trade regime, and the pipeline industry would face the economic implications of the national carbon price.
- Creates a disproportionate economic impact to Canadians by singling out emissions from one of the country's highest-value sectors, given the energy sectors' over-sized contribution to taxation, wages, royalties and economic benefit to communities.
- Impedes efficient emissions abatement by placing stringent climate policies on one sector, irrespective of the potential for more cost-effective reduction opportunities in other sectors.
- Triggers carbon leakage by reducing Canadian energy production, which would only be displaced by other jurisdictions' increased production and associated emissions.
- Includes criminality as an enforcement mechanism for one group of our country's greenhouse gas emitters by tying this regulation to the *Canada Environmental Protection Act*. That strikes us as being a very un-Canadian approach to a national challenge.
- Cross-threads provincial carbon policy regimes, which have secured equivalency, created industrial baselines, developed their own stringency regimes, and provided optionality in the form of offsets and emissions production credits.
- Impedes the successful, open offset market which has spurred investment in other sectors, such as renewable electricity generation in Alberta.
- Has immediately triggered the threat of legal challenges from provinces which will only add delay and uncertainty to the development of a coherent Canadian emissions reduction framework.
- Compounds upon the existing emissions policy conflicts including the cost, reliability implications and legality of the Government of Canada's *Clean Electricity Regulation*[viii] and compounds upon the existing constitutional challenges underway against the Government of Canada's Competition Act amendments regarding environmental claims[ix].

Rather than proceed with its current approach, ECC recommends that the Government of Canada rescind this regulation and instead pursue a strategy to bolster investor confidence in decarbonization via the following two approaches:

1) The Government of Canada should rely on the existing national carbon pricing regime, but focus on de-risking the carbon price via supports such as contract-for-differences/offtake agreements. If the Government of Canada believes in its current carbon pricing trajectory, it should cement that trajectory with investors. Unfortunately, very few agreements, representing very little in the way

of GHG volumes, have been struck to date[x]. In fact, some projects, such as Capital Power's Genessee CCUS, project have been announced and subsequently shelved as they are not economically feasible[xi]. That project did not receive any carbon contracts for differences or off-take agreements from the Canada Growth Fund.

2) The Government of Canada should dramatically improve the federal regulatory regime associated with project development. Canada's federal regulatory approval process has become protracted, costly and unpredictable. That reality undermines investor confidence and investment. To the point, industry, shareholders, and financial institutions are all well aware of the state of Canada's regulatory review process given the history of Kinder Morgan's attempt to increase the capacity of its existing pipeline across two provinces. The Trans Mountain Expansion Project took twelve years[xii], numerous cost increases, an acquisition by the Government of Canada and the ultimate exit of Kinder Morgan from Canada. As an important and sadly ironic footnote to this story, Kinder Morgan is a globally recognized responsible pipeline operator and is the largest CO_2 shipper in North America - 1.5 billion cubic feet/day[xiii] - and thus a leader in decarbonization.

$2 trillion is required to reach Net Zero by 2050, with Canada's energy industry and pipeline industry representing much of that investment potential. Dozens of projects were poised to proceed but are now at risk due to the confrontation chosen by policies such as this regulation and others.

We urge the Government of Canada to rescind this regulation, continue to rely upon the existing carbon pricing regime and the many successful equivalency agreements struck with provinces, de-risk the federal government's carbon price trajectory by advancing carbon off-take agreements/carbon contracts for differences, and vastly improve the predictability and timeliness of federal project review processes.

Canada's energy industry is poised to continue its investments and efforts to decarbonize, but is seeking thoughtful, coherent federal policy that contributes to ensuring investor confidence. Collaboration and investor confidence in turn will lead to investment, job creation and more progress towards Canada's decarbonization goals

Sincerely,

Evan Bahry
Executive Director

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[i] CER – Market Snapshot: Canada is expanding its CO2 pipeline network
[ii] Carbon capture, utilization and storage – Carbon Sequestration Tenure | Alberta.ca
[iii] Pathways Alliance to make regulatory application for CCUS megaproject | Calgary Herald

[iv] "Reduce global GHG emissions as natural gas replaces the use of coal" About Us | LNG Canada
[v] B.C. pipeline project co-owned by Nisga'a Nation seeks to shorten route - The Globe and Mail
[vi] **review of hydrogen storage and transport technologies | Clean Energy | Oxford Academic**
[vii] The $2 Trillion Transition: Canada's road to Net Zero (rbc.com)
[viii] Ontario says federal clean electricity regulations would add $35B in costs | CBC News
[ix] NEWS RELEASE: ICBA and AEG Take on Trudeau Government's Flawed Bill C-59 - The ICBA Independent
[x] Canada Growth Fund | Canada Growth Fund
[xi] Plans for $2.4B carbon capture and storage project near Edmonton have been cancelled | CBC News
[xii] A timeline of the Trans Mountain pipeline expansion's major milestones and setbacks | BOE Report
[xiii] Carbon Dioxide (CO2) Operations | Kinder Morgan