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Department of Energy
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Subject: Energy Sector Industrial Base Supply Chain Review

The Canadian Chamber of Commerce is Canada's largest business organization, representing companies of all sizes in all sectors and regions of the country. The Canadian Chamber welcomes the opportunity to participate in the Department of Energy's contribution to the review of supply chains initiated under Executive Order 14017. As each other's most important trading partner, it is critical for our countries to work collaboratively to secure a resilient continental energy sector industrial base.

Canada has a diverse abundance of energy resources including crude oil, coal, nuclear energy, renewable energy, natural gas, and more. In 2019, Canada exported energy products to 141 countries – with energy exports to the U.S. accounting for 90% by value (C\$121.5 billion). The bulk of these exports to the U.S. are made up of crude oil, which primarily ships to refineries in the Gulf Coast and the Midwest, where local refineries process into end use petroleum products. In the same year, Canada imported energy products from 117 countries – with the U.S. accounting for 74% of energy imports by value (C\$35 billion).

Importantly, the energy relationship between Canada and the U.S. goes beyond trade of energy products. The two countries share common priorities pertaining to economic development, security, and environmental stewardship. The advancement of these priorities has been codified through the United States-Mexico-Canada Agreement (USMCA). Within the USMCA – including an energy-focused side letter between Canada and the U.S. - our countries have committed to enhanced regulatory transparency and cooperation in the North American energy sector.

General Principles

The Canadian Chamber encourages the ongoing review of energy sector supply chains to enhance cross-border infrastructure and priorities, as well as the need for supporting supply chains to be reinforced and expanded to secure shared prosperity. To advance energy supply chain resiliency, we urge the Department of Energy to recognize the following principles in its review:

- Binational approaches should be the default to advanced shared interests in the areas of cross-border energy development and critical minerals supply chains.
- The development of North American energy supply chains is vital to advancing shared environmental, social and governance standards and priorities while mitigating reliance on less reliable markets, such as China.

Energy Infrastructure

With existing energy trade and joint strategic priorities in mind, it is vital to recognize ongoing challenges that create material risks to Canada-U.S. energy sector supply chains. The current Canada-U.S. relationship on energy issues is causing serious concerns for provincial and state governments, as well as the business communities on both sides of the border.

Although the Governor of Michigan recently abandoned a lawsuit designed to shut down Line 5, state officials have communicated their intent to leverage other legal remedies to close the pipeline. Line 5 transports an average of 540,000 barrels of oil and natural gas liquids (NGLs) daily. If Line 5 were not available, the same volumes would require approximately 2,000 trucks or 800 rail cars travelling one way each day and either

transportation methods, if available, would produce higher GHG emissions than pipelines. Additionally, shutting down Line 5 would not reduce demand for energy – it would only serve to damage our economies while requiring more carbon intensive logistics to support the export of oil and gas to meet business and consumer needs.

Pipelines are safer than transporting oil and gas via rail and provide the opportunity for Indigenous partnership/ownership. Ultimately, unilateral action to restrict energy trade between Canada and the U.S. are not conducive to the development of energy sector supply chain resiliency. **It is critical for the Canadian and U.S. governments to find a negotiated solution that will enable the continued operation of Line 5.**

Power Grid Cooperation

Our power grids are becoming increasingly integrated – notably in the Northeast U.S., where clean hydropower generation in Canada has provided the U.S. with a reliable, sustainably produced, and cost-effective source of energy. Similarly, hydropower generation in Washington State is readily sold to the British Columbia market. There are also recent efforts to further integrate our power grids – as seen in the Montana-Alberta Tie Line (which provides cross-border flow of energy from wind sources) and the New England Clean Energy Connect (which provides Maine with clean and inexpensive hydropower from Quebec).

As a result of accelerating electrification, our countries must continue to work together to integrate low carbon emitting technologies in our power grids. In particular, the deployment of carbon capture, utilization, and storage (CCUS) as well as hydrogen technologies have been identified as central to advancing net zero goals. Moreover, both technologies will be essential to creating a just energy transition for the oil and gas sector. **Accordingly, Canada and the U.S. should collaborate on the deployment of CCUS and hydrogen technology.**

There are also opportunities in the field of nuclear energy. In 2019, the Canadian Nuclear Safety Commission and the United States Nuclear Regulatory Commission signed a Memorandum of Cooperation related to Advanced Reactor and Small Modular Reactor (SMR) Technologies. As the nascent SMR industry develops, it is critical for the two governments to proactively develop standards around technology usage, building on the framework created by the Memorandum of Cooperation. Using this technology is critical to reaching shared climate targets. **Canada and the U.S. should take a proactive approach in developing mutually agreed upon regulations around the usage of SMR to ensure companies' products are designed with similar purposes in mind (e.g., zoning and planning usage). This should be taken up through the Regulatory Cooperation Council.**

Critical Minerals

The Canada-U.S. Joint Action Plan on Critical Minerals Collaboration recognizes the need and associated opportunities for further cross-border collaboration to advance energy supply chain resiliency. Within the Joint Action Plan, our countries have committed to working together to reduce critical mineral reliance on other countries, such as China, for the energy sector – as well as other priority areas (e.g., aerospace, communications, defense). To that end, Canada should be seen as a reliable partner in supplying critical minerals vital to North American development of clean technologies and energy supply chain resiliency – inclusive of providing minerals required to develop solar photovoltaic systems, wind energy, energy storage solutions, smart grids, hydropower, nuclear energy, hydrogen, semiconductors, magnets, catalysts, CCUS technologies, and other digital components vital for cybersecurity. In many of these areas, the U.S. currently sources required critical minerals (as well as finished products) from China, which presents risks to our shared economic, security, and environmental priorities. **Canada and the U.S. should accelerate collaboration under this mechanism and explore the use of government procurement and tax and regulatory measures to support the extraction of these products.**

Offset Markets

Alongside emissions reductions, offsets will play a key role in reaching climate target ambitions. Presently, Quebec and California enjoy the benefits of a cap-and-trade agreement that has played a significant role in driving green investment and providing heavy emitting industries in both jurisdictions with cost effective offsets. **It would be beneficial to seek a common framework allowing carbon offsets to be freely exchanged. Additionally, the two governments should establish a robust and accessible global offset market that ensures a common protocol on what constitutes an offset opportunity in North America.**

This will require close coordination defining the conditions of additionality and creating common approaches to technologies that are eligible for offset creation and those that are considered business as usual. **Canada and the US should work to include other nations in an international offset framework, create opportunities for clean technology exports, and grow a global offset market recognized by governments and financial markets in North America.**

Appliance Energy Efficiency

Natural Resources Canada is moving forward with a new regulatory plan that will make Energy Star efficiency levels mandatory for up to 1.7 million units of products sold in Canada (e.g., refrigerators, freezers, washing machines, dryers, and dishwashers) that will no longer be available as of July 1, 2023. In parallel, the U.S. is revising its own energy standards for similar goods. Given the supply chains in the appliance sector, it is critical for our countries to stay aligned. **The Regulatory Cooperation Council should be used as a forum for the two governments to align regulatory standards for appliance and implementation timelines to ensure that consumers can access a wide range of products and that suppliers do not face disruptions to their supply chains.**

Carbon Border Adjustment Mechanisms

With an increasing focus on levelling the playing field for domestic producers through carbon border adjustments, it is essential to take a continental approach. The current integration of supply chains means that any unilateral application by either Canada or the U.S. risks disrupting supply chains. **Canada and the U.S. should enhance discussions with stakeholders to ensure any proposed measures have been thoroughly consulted with businesses.**

Green Procurement

The Canadian and American governments have signalled intent to ensure procurement practices leverage lower carbon materials and processes as a means to support lowered greenhouse gas emissions. Businesses agree on the importance of these objectives to achieve climate change targets. However, it is important to ensure that these practices do not create difficulties for companies that do business on both sides of the border. **The two governments should proactively develop common approaches to “buy clean” procurement, including metrics and standards for how products are assessed to be “clean”.**

In closing, Canada and the U.S. have a significant opportunity to coordinate complimentary domestic policies that will serve to advance the resiliency of cross-border energy sector supply chains. Rather than solely pursuing unilateral objectives, the Canadian Chamber encourages the Department of Energy to utilize this opportunity to advance the shared interests of our two countries.

Submission provided by:

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