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Environment and Climate Change Canada

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RESPONSE TO DISCUSSION DOCUMENT ON OPTIONS TO CAP AND CUT OIL AND GAS SECTOR GREENHOUSE GAS EMISSIONS TO ACHIEVE 2030 GOALS AND NET-ZERO BY 2050

The Canadian Chamber of Commerce welcomes the opportunity to respond to Environment and Climate Change Canada's [discussion paper](#) centered on capping and cutting greenhouse gas emissions within the oil and gas sector. As Canada's largest business organization, representing companies of all sizes in all sectors and regions of the country, we are staunch supporters of net zero – and we believe that how we get there matters.

In 2020, Canada's oil and gas sector provided \$105 billion to Canada's gross domestic product and maintained nearly 400,000 jobs across Canada. The sector's annual revenue to governments is vital for the development and maintenance of Canada's infrastructure – such as roads, schools, and hospitals.

At the same time, Canada's oil and gas sector accounts for approximately 27% of the country's total greenhouse gas emissions. Accordingly, having a strategy to decarbonize the sector while maintaining the economic benefits of continued production is vital. This requires significant collaboration between the Government of Canada, provincial governments, and industry.

While the Government of Canada has made significant strides to supporting industrial decarbonization, such as the introduction of carbon capture tax incentives and the Net Zero Accelerator Initiative, the options presented in the discussion paper ([1] a new cap-and-trade system under the Canadian *Environmental Protection Act* and [2] modification of the current carbon pricing approach under the *Greenhouse Gas Pollution Pricing Act*) are not supported by the Canadian Chamber.

The Canadian Chamber of Commerce opposes the directions being considered to curb oil and gas sector emissions. We encourage Environment and Climate Change Canada to consider the following:

- **Canada has already established a regulatory framework to transition to net zero — give it time to work.** Existing policy measures, such as the federal carbon tax, are designed to expedite decarbonization over time. Given the carbon tax is set to rise to \$170 per tonne of CO₂ equivalent in 2030, we encourage the Government of Canada to give such mechanisms time to facilitate private sector decarbonization. Altering and creating a siloed regulatory and policy landscape may dissuade continued efficient investments in Canadian operations, clean energy development, and decarbonization technologies.
- **The Government of Canada has several initiatives to support net zero transitions; however, more support is required to achieve deep decarbonization.** Financial supports such as the Net Zero Accelerator Initiatives and input tax credits are welcomed by industry. Yet other countries have surpassed Canada's efforts to drive domestic private sector investment in lowering emissions. We recommend progressively adopting an incentives-based approach to net zero, similar to the United States.



- **Establishing sector-by-sector regulations risks proliferating different policy tools that will ultimately create regulatory uncertainty.** While the oil and gas sector does represent a significant percentage of Canada's overall emissions, the Government of Canada should avoid mandating sector-specific decarbonization strategies. Instead, efforts should be placed on advancing broad policy tools to support national decarbonization – allowing each sector of our economy to develop and deploy their own net zero strategy (e.g., [the decarbonization strategy created by the Pathways Alliance](#)).
- **The proposed options to cap and cut emissions do not position Canada to support global decarbonization efforts and energy needs.** Ongoing conflict in Europe has reinforced the need for Canadian leadership to support international energy security. At the same time, Canadian energy products and innovative clean technologies hold significant opportunity to displace carbon intensive alternatives within international markets. To that end, Canada should deploy a net zero strategy that seeks to sustainably develop its energy sector and maximize global decarbonization efforts – instead of maintaining a focus on domestic reductions.

As climate change is a global issue, Canada's contribution to the decarbonization should be focused on reducing its own consumer demand for high carbon products (e.g., effective carbon tax policy that considers the full supply chain) and developing/implementing technologies that would allow its high carbon industries to reduce their carbon footprint and be the supplier of choice in the face of shrinking global demand for these products. Arbitrarily curtailing production through carbon caps will not have any significant impact on global carbon emissions, as it will not affect the global demand for oil and gas and will just transfer carbon emissions from Canada to other countries.

Above all, we believe that the Government of Canada should work with industry to incentivize decarbonization investments and transition to low carbon emitting energy across all sectors of the Canadian economy. A strong investment environment requires stable federal programs and policies. To that end, the Canadian Chamber is opposed to the options presented in the discussion paper.

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