



Suggested responses to public consultation on:

*Options for Cutting Emissions from Canada's Oil & Gas Sector to Reach 2030 goals & Net-Zero by 2050*

### What is it?

The federal government is asking members of the public for their thoughts about how Canada's oil and gas industry should meet targets for reducing greenhouse gas emissions.

### What should I say?

We've tried to make responding as easy as possible by compiling analysis that's been done by Climate Action Network, Climate Messengers, and Environmental Defence - and by providing some additional thoughts to consider. All of that appears in the table below.

### How do I respond?

You can copy any of the suggested responses in the table and/or add your own thoughts. **You don't have to reply to all of the questions.** Send in whatever responses you can, and if you can only choose one, we suggest responding to the first one: *How do you envision the future of the oil and gas sector in the Canadian economy or your community?*

1. Email your response **by Sept. 30** to: [PlanPetrolieretGazier-OilandGasPlan@ec.gc.ca](mailto:PlanPetrolieretGazier-OilandGasPlan@ec.gc.ca)
2. Please copy [hello@forourkids.ca](mailto:hello@forourkids.ca) on your email.

### What if I want to learn more?

If you have time and would like to take a deeper look at the excellent analysis provided, here are links to the original backgrounders:

- [CAN-RAC's backgrounder](#)
- [Climate Messenger's toolkit](#)
- [Environmental Defence's backgrounder](#)

And [here's the link](#) to the federal government's public consultation page.

[This article provides a general summary](#) of the issue and is a quick read. Basically:

- At the COP26 summit in Glasgow in Nov 2021, Trudeau committed to placing a cap on GHG emissions from the oil and gas sector to reach net-zero by 2050, with targets the industry will need to meet every 5 years on the way. It was the first time any caps on the industry have been announced.
- The [government's Emissions Reduction Plan](#) specifies reductions from the oil and gas sector of 31% below 2005 levels (42% below 2019 levels) by 2030, and net-zero by 2050. (Note: like everything about climate discussions, those numbers aren't always consistent.)
- In July, Minister Steven Guilbeault announced the plan to tie the industry to meeting those targets, and there's been a strong lobby from the industry ever since, saying it's not possible and the targets are too stringent. It's really important for the government to hear that ordinary Canadians support the targets, to counteract the industry lobby.
- There are two options proposed in the plan Guilbeault announced, and that's what they are looking for public input about. Info on the two options is included in the table.

Question	Analysis	Suggested responses
<div data-bbox="24 226 399 321" style="border: 2px solid red; padding: 5px; margin-bottom: 10px;"> <p>If you can only respond to one question, make it this one!</p> </div> <p>1. How do you envision the future of the oil and gas sector in the Canadian economy or your community?</p>	<p>From CAN-RAC:</p> <ul style="list-style-type: none"> <li>• <i><u>Experience has shown</u> that prolonging declining industries on which we are over-dependent, and for which global demand is soon peaking, risks a socially and economically disruptive forced decline, with devastating impacts on workers and communities. The transition away from fossil fuels and towards clean energy is happening: the question is, will we plan for it now and increase our economy and our society's resilience, or will we wait to be left behind?</i></li> </ul>	<ul style="list-style-type: none"> <li>• Clearly, the future of the sector as extractors of fossil fuels for energy use is declining and making Canada less economically competitive.</li> <li>• Renewable energy sources are favoured internationally because the impacts of emissions-related global warming are being felt more intensely every day.</li> <li>• The sector needs to plan for its own phase-out, using the profits it has accumulated to plan a just transition for those working in the sector and for the communities most affected. It also needs to address the damage that extraction has caused environmentally and socially to the communities most directly affected.</li> </ul> <p>Think about what a “transitioned” oil &amp; gas sector could look like:</p> <ul style="list-style-type: none"> <li>• those working in the sector would be supported to move to jobs in renewable energy and building infrastructure to manage ongoing climate-related weather events like flooding and heat waves</li> <li>• oil &amp; gas sector profits would be used to support transition and clean up sites</li> <li>• economic benefits would shift from centring profits in a small group of individuals and multinational corporations</li> <li>• short-term focus on resource extraction at the expense of medium- and long-term health of people and environment would be replaced by a more conscious and collective plan for managing and meeting the need for energy sources, learning from Indigenous knowledge about resource management and from models around the world</li> <li>• reduced health-care costs, fewer climate-related weather events along with the astronomical costs incurred</li> <li>• collaborative relationships rather than violation of Indigenous rights from forcible extraction and disproportionate</li> </ul>

		<p>health and environmental effects on already disadvantaged communities</p> <ul style="list-style-type: none"> <li>● bottom line: we see the future of the oil and gas sector declining and our communities benefitting from the transition away from dependence on that sector for economic and energy needs</li> </ul>
2. What do you see as the role of your organization or community in contributing to reducing oil and gas sector emissions in Canada?	None of the groups commented on this question.	<p>Interesting question: could look at the personal choices parents/families are already making by using alternative transportation, changing travel plans, installing heat pumps, etc.</p> <p>BUT need to note that individual and even community choices depend on capacity (finances, time, etc.) and the kind of reduction in emissions that is urgently needed has to be focused on the oil &amp; gas industry itself.</p>
3, What are the benefits or drawbacks of the options outlined in the discussion document?	<p>Option 1 - Using the Canadian Environmental Protection Act (“CEPA”) to create a regulated cap-and-trade system</p> <p>Option 2 - Using the Greenhouse Gas Pollution Pricing Act (the “GGPPA”) to create a modified (almost certainly higher) “carbon tax” that will apply only to oil and gas production.</p> <p>The approach from Environmental Defence, Climate Messengers, and Canadian Climate Institute is that the most important factor, regardless of which option is chosen, <b>is to keep targets firm, urgent, and set out the details for implementing the plan.</b></p>	<ul style="list-style-type: none"> <li>● We don’t have a good track record for meeting climate action targets.</li> <li>● Either option could be effective in meeting the emissions reduction targets set out in the Emissions Reduction Plan, and either one could fail if it gets tangled up in federal/provincial jurisdictional arguments and industry influence.</li> </ul>
4. Of the two approaches outlined, is there an approach your organization or community would prefer?	<p>Climate organizations generally slightly favour option 1</p> <p>From Environmental Defence: <i>Both of the policy options proposed in the discussion paper are concessions to the oil and gas sector. However, the cap and trade model does provide more certainty and is the stronger option out of the two - if strong rules are put in place to ensure ambitious emissions reductions from within the oil and gas sector</i></p>	<p>Building on the previous question, whatever option is chosen, a detailed plan needs to be set and implemented URGENTLY. There cannot be any wiggle room for industry to delay or weaken the targets.</p> <p>Parents and kids know that rules need to be set and that there are consequences to actions - as an analogy, governments need to hold industry accountable for the harm that’s been done, the greenwashing that’s happening now, and for the urgent</p>

	<p>From Canadian Climate Institute:  <i>Option 1, with the design changes we recommend, may have a better chance of achieving the government's goals because it could be more easily implemented. Granted, Option 1 is an entirely new system that has to be built largely from scratch. However, Option 2 requires changes to existing policy that risk being extremely complex, whereas by leveraging design elements from the federal OBPS and existing legislation, as we recommend, the cap-and-trade option could be implemented more quickly. But how these and other criteria should be weighed is something that the government will have to consider in determining which option to pursue.</i></p> <p>From CAN-Rac:  <i>The government must choose a policy option that will quickly and effectively drive down oil and gas emissions; the most obvious way to do so would be a hard, declining cap on oil and gas emissions. Among the options presented in the discussion paper, a cap-and-trade system would provide the most clarity and certainty, but Ministers Guilbeault and Wilkinson must ensure the policy does not allow for industry to game the system with false solutions and delays.</i></p> <p><i>The carbon pricing approach (option 2) would not enshrine emissions reduction targets in regulations, and therefore there is no way to enforce a specific target level or ensure certainty that targets will be met.</i></p>	<p>change that's needed.</p>
<p>5. Do you have suggestions on how to improve the options outlined?</p>	<p>From Canadian Climate Institute:</p> <ul style="list-style-type: none"> <li>● A hard, declining cap on oil and gas industry emissions is the best option for quickly and effectively driving down emissions.</li> <li>● Allowing for trade carries the risk of weak rules that could undermine the effectiveness of the cap. To safeguard against loopholes, strict trading rules must be developed to ensure that the oil and gas industry is finally held accountable for their emissions.</li> <li>● Follow through on commitment to having</li> </ul>	<p>Adding the parent voice:  Stand strong against lobbying from the oil and gas industry. Keep a liveable future for our kids and future generations the top priority.</p>

final regulations in place before the end of 2023. Announce targets for 2025 and 2030 before the end of the year in order to send immediate and clear signals to the industry.

From CAN-RAC:

If the federal government is sincere in ensuring Canada does its fair share on a global scale, and is serious about prioritizing our health and future over profits, it must include the following principles in the emissions cap.

- Aligned with the Paris Agreement of keeping global warming below 1.5°C. The emissions cap needs to reflect Canada's responsibility to do its fair share of emissions reduction to keep global temperatures below 1.5°C, which would be an emissions reduction of 60% from 2005 levels for the oil and gas sector, by 2030. A strong 2025 target is critical to favor early and ambitious emissions reductions. Front-loading climate action, paired with long-term planning over several years, is the most cost-effective way to reach a given temperature target. Failure to reduce emissions early could make later emissions targets impossible to achieve.
- An enforceable, hard cap on absolute levels of emissions.
- No loopholes and relief valves that let companies off the hook. Emissions reductions must happen within the sector, not through purchasing offsets for reductions elsewhere. Companies should only receive credit for proven reductions, not hypothetical reductions based on speculative technologies.
- Has strong within-sector trading rules in place. There must be robust rules in place to guard against the risks inherent in cap and trade approaches. Well-documented pitfalls have plagued different trading schemes, including the over-allocation of free 5 credits (sometimes referred as "hot air"), price ceilings (that prevent prices from reaching levels that drive down emissions) and delayed timelines. Key trading considerations:
  - Limit trade to within the oil and gas sector.
  - No free allocation of credits.
  - No price ceilings.

• Exclude offsets, including Internationally Transferred Mitigation Outcomes (ITMOs)

• Exclude any early-reductions carryover. Emissions reductions achieved before the cap is implemented should not be accounted for and rewarded by the policy.

• Include strong enforcement measures. Penalties or fines should be significant amounts that serve as a strong deterrent rather than allow companies to internalize these as a small cost of doing business. Compliance mechanisms that are not financial should also be considered, such as mandated production cuts or use of the criminal powers allowed under CEPA.

• Establish cap at 2019 levels. Canada produces a greenhouse gas inventory with a two year delay. Therefore when the Prime Minister promised to cap at today's levels in the fall of 2021, the available emissions data was for 2019: 191 million tonnes. That should be established as the baseline year above which emissions can't rise. The need for additional GHG emissions data should not be used as an excuse for delay.

• Do not subsidize oil and gas companies for regulatory compliance. Canadian environmental policy is founded on the Polluter Pays principle. Oil and gas companies collectively made \$86 billion in post-tax revenues in 2021, and are projected to make over \$100 billion this year. It is reasonable to expect that these companies will clean up their own mess without having to rely on taxpayers to foot the bill, including for unproven technologies such as CCUS and blue hydrogen. The implementation of the cap should also not undermine the Government of Canada's commitment to phase out fossil fuel subsidies.

• Uphold Indigenous rights. The policy must uphold the inherent title and rights of Indigenous peoples and other rights affirmed in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), including securing Indigenous Peoples' free, prior, and informed consent for energy development on their territory.

• Integrate equity into policy development. Taking care of people and their communities should be the first priority of the federal government when considering unintended

	<p>consequences of climate action. Potential impacts related to implementation of the cap should be assessed and fully integrated into broader just transition planning, so that affected workers and communities can be fully supported. Proceeds from the auctioning of emissions credits under the cap and trade model should be used to support affected communities and workers, and communities who have been negatively impacted by the sector historically, specifically low-income, Indigenous and racialized communities.</p> <ul style="list-style-type: none"> <li>• Include all emissions from the production of oil and gas. The vast majority of fossil fuel emissions - 80-85 per cent - are produced when the oil and gas is burned, mostly overseas. In fact, in 2019 the emissions from the fossil fuels exported by Canada were 954 million tonnes, considerably greater than Canada's entire domestic emissions (730 million tonnes). Though the policy mechanism for these 'downstream' emissions won't be the same as the hard cap on direct emissions, other policy approaches should be considered, for example the federal government could impose limits on oil and gas exports.</li> </ul>	
<p>6. What potential short or long-term socio-economic impacts do you foresee or anticipate for particular regions or population groups resulting from an oil and gas emissions cap in general, and more specifically, the two proposed regulatory options?</p>	<p>From Climate Messengers:  <i>I foresee strong long-term socio-economic benefits, especially for the disadvantaged groups of Canadians, resulting from either of the two proposed regulatory options. A healthier climate leads to healthier, more productive, safer, and happier Canadians who will thrive in this beautiful country. In addition, there will be many green jobs that emerge as the world transitions away from oil and gas, which Canadians will be early adopters of.</i></p> <p><i>Obviously employees of the oil and gas sector, and communities that rely heavily on revenues from that sector, are going to be impacted if the cap results in declining production. However, this is not more important than reducing emissions, and should not be addressed as part of the cap. This issue belongs in the Just Transition Act.</i></p>	<ul style="list-style-type: none"> <li>• In the short term, clearly those currently working in the oil &amp; gas sector and the communities most dependent on the sector for employment and infrastructure, would feel the impact of a rapid reduction in production of oil and gas. That's the main reason the government needs to provide Just Transition legislation and a plan for transition that leaves no one behind.</li> <li>• The sector itself should be accountable for supporting those who have been providing the labour from which the sector has benefitted immensely, so they can transition to careers outside the sector: e.g. in renewable energy, building infrastructure to manage ongoing climate-related weather events like flooding and heat waves</li> <li>• Existing jobs cannot be used as an excuse for continuing down a path that creates more climate chaos, environmental destruction, severe and</li> </ul>

	<p><i>Please enact the cap quickly and don't be lenient on the fossil fuel industry.</i></p> <p>From CAN-RAC: <i>Taking care of people and their communities should be the first priority of the federal government when considering unintended consequences of climate action. Potential impacts related to implementation of the cap should be assessed and fully integrated into broader just transition planning, so that affected workers and communities can be fully supported.</i></p>	<p>chronic illnesses, and economic failure.</p> <ul style="list-style-type: none"> <li>● The benefits of cutting our dependence on oil &amp; gas in the medium and long term far surpass the challenge of designing a transition to that state - including better health for people and the planet, more functional communities and relationships, and improved economic outcomes and self-sufficiency</li> </ul>
<p>7. Should consideration be given to facility emission thresholds to set different approaches and requirements for small versus large emitters?</p>	<p>From Climate Messengers: <i>No, there should be no consideration given to set different requirements for small versus large emitters. All GHGs contribute to climate change, regardless of the size of the facility that they come from. Setting different requirements could introduce leniencies that undermine the goal of the cap.</i></p>	<p><i>See the suggested response from Climate Messengers</i></p>
<p>8. Should the cap include petroleum refineries and natural gas transmission pipelines?</p>	<p>From CAN-RAC: <i>Yes. The cap should be comprehensive in scope. All oil and gas activities and facilities in Canada, including pipelines, refineries and liquefied natural gas (LNG) export facilities, should be covered by the cap.</i></p>	<p><i>See the suggested response from CAN-RAC</i></p>
<p>9. Are there other considerations relevant to determining the scope of the cap?</p>	<p>From CAN-RAC:</p> <ul style="list-style-type: none"> <li>● <i>Factor in the full life-cycle of GHGs. Data from Environment Canada — <a href="#">secured by Ecojustice</a> — shows that in 2019, Canada's domestic emissions were 730 megatonnes (Mt) of CO<sub>2</sub>, while emissions from exported fossil fuels were 954 Mt. Though the policy mechanism for these 'downstream' emissions won't be the same as the hard cap on direct emissions, other policy approaches should be considered; for example, the federal government could impose limits on oil and gas exports.</i></li> </ul>	<p><i>See the suggested responses</i></p>

	<ul style="list-style-type: none"> <li>● <i>Include all GHGs in Canada’s National Inventory Report, including methane. Methane emissions should be properly reported - you cannot manage, or reduce, what you don’t measure.</i></li> <li>● <i>Cover existing and planned oil and gas infrastructure including inactive and orphaned infrastructure.</i></li> <li>● <i>Ensure full coverage of all emissions and avoid any exemptions. All of the emissions associated with the extraction, production and refinement of oil and gas must be covered by the cap. This includes emissions from primary production, enhanced oil recovery, co-generation activities, and new upgrading - all sources of emissions associated with the sector.</i></li> </ul> <p>From Climate Messengers:  <i>Yes, the cap should include petroleum refineries and natural gas transmission pipelines. All GHGs contribute to climate change, regardless of what stage of the production process or facility they come from, and should be treated equally. Furthermore, this contributes to some “equality” across the country, given that refineries and transmission pipelines are located in many different provinces. Excluding them from the cap would make it easier to accuse the government of disproportionately burdening Alberta, which is where the bulk of the production happens.</i></p>	
<p>10. What are the relevant considerations for determining a GHG emissions trajectory, particularly over the first 10 to 15 years?</p>	<p>From Climate Messengers, CAN-RAC and Canadian Climate Institute:</p> <ul style="list-style-type: none"> <li>● <i>Canada is one of the largest producers of oil and gas in the world. According to the U.N., to limit warming to 1.5 degrees, global emissions have to drop 7.6% every year this decade. Canada will not reach its share of that target without addressing oil and gas emissions.</i></li> <li>● <i>Oil and gas is the largest contributor to Canada’s emissions of any sector</i></li> </ul>	<p>Basically, relevant considerations are:</p> <ul style="list-style-type: none"> <li>● <i>Meeting Canada’s international commitments</i></li> <li>● <i>Recognizing that we are a high-emitting country and taking responsibility for the fact that we are causing the disproportionate harm being experienced by those who are not contributing to emissions.</i></li> <li>● <i>Recognizing that we are overly dependent on extraction as well as use of oil &amp; gas</i></li> <li>● <i>The climate-related crises our kids are</i></li> </ul>

- Canada is projected to produce way more fossil fuels than what would be consistent with limiting warming to 1.5 degrees C
- WE ARE IN A CLIMATE CRISIS and need to drive our emissions down NOW
- Align with the Paris Agreement long-term objective to limit global warming to 1.5 degrees, in a fair and equitable manner. As a wealthy and high-emitting country, Canada has the capacity and responsibility to lead globally in phasing out fossil fuel emissions and undertaking a just transition. According to the recent report [A Fair Shares Phase Out](#) (published as a Civil Society Equity Review), expansion of fossil fuel extraction around the world must be halted immediately, including in Canada, and the phase down in Canada must immediately start and must be completed swiftly, lest we forgo the possibility of limiting warming to 1.5°C, shift undue burden to the most vulnerable, or both. The emissions cap for the sector must therefore reflect the rapidly shrinking global carbon budget and Canada's responsibility and capacity to do its fair share of the global effort to limit warming to 1.5°C.
- [Analysis by Climate Action Network Canada](#) shows that in order for Canada to do its fair share of the global effort to limit warming to 1.5°C, emissions must be reduced by at least 60% below 2005 levels by 2030.
- Although the 60% reduction in emissions is ambitious, it is both necessary for the climate and possible. Oil and gas companies can meet the reduction target by:
  - Reducing methane emissions: According to [Canada's GHG inventory](#), nearly 30 per cent of GHG emissions from oil and gas facilities are in the form of methane (and scientific research

- already dealing with, which will escalate in the future and will become unliveable if we do not limit warming to 1.5 degrees.
- We don't have time to delay

shows that's a [significant underestimate](#)). Reducing those 50 million tonnes is very cheap—[88 per cent methane reductions are possible right now at less than \\$25/tonne](#). A dozen large oil companies have even [pledged to reach “near zero”](#) methane emissions by 2030. The Government of Canada has existing regulations in place to decrease methane emissions by 2025, and is currently developing 2030 regulations.

- [Not developing any new oil or gas projects](#). [According to the International Energy Agency](#), there can be no new fossil fuel projects on the pathway to 1.5 degrees. If this guidance is heeded, natural decline from existing projects would lead to a [drop of just over 30%](#) in Canadian oil and gas output from 2020 to 2030.
- [Reducing emissions from the production of oil and gas](#), for example through electrification, switching to green hydrogen and operational efficiencies.
- If oil and gas companies aren't able to meet the target through the above measures, then companies will have to curtail production to stay within cap levels. Production cuts are likely necessary in order to ensure a safe future. In fact, a [recent report](#) has found that wealthy, economically diversified countries like Canada need to phase out their extraction of oil and gas by 2034 for the world to maintain a 50% chance of limiting warming to 1.5°C.
- A strong 2025 target is critical to favor early and ambitious emissions

	<p>reductions. Front-loading climate action, paired with long-term planning over several years, is the most cost-effective way to reach a given temperature target. Failure to reduce emissions early could make later emissions targets impossible to achieve.</p> <ul style="list-style-type: none"> <li>● Regulations should be adopted and in place in 2023. Companies must receive advance notice of the obligations they must meet so they can make the necessary investments in decarbonization to meet Canada’s 2030 targets, and be in line with 2050 objectives.</li> </ul>	
<p>11. How should the trajectory of the oil and gas emissions cap be designed to support Canada's 2030 targets and achieve net-zero by 2050? Should the cap set annual or multi-year emission levels?</p>	<p>From CAN-RAC:</p> <ul style="list-style-type: none"> <li>● Be consistent with Canada’s current Nationally Determined Contribution (NDC) target for 2030, as well as an ambitious 2026 interim objective required by the Canadian Net-Zero Emissions Accountability Act. Canada’s NDC target range of 40 to 45 percent below 2005 levels is inadequate (see aforementioned analysis by Climate Action Network Canada), and the Glasgow Climate Pact requests for parties to revisit and strengthen the 2030 targets in their NDCs to align with Paris targets by the end of 2022. The oil and gas emissions cap should at minimum allow for Canada to reach its own climate objectives. To do so, the Trottier Energy Institute <a href="#">recommends</a> reducing oil and gas emissions by 30% by 2026, and 60% by 2030 below 2019 levels.</li> <li>● Equitably share the decarbonization burden across Canadian economic sectors. According to Canada’s 2021 National Inventory Report, the oil and gas sector accounts for the largest share - 26% - of the country’s emissions, which have grown by 87% (89 Mt CO2 eq) between 1990 and 2019. During the</li> </ul>	<p>Basically, don’t put off the hard targets for 2050 - start deep cuts immediately.</p> <p>We’re clearly not on a path to keep global warming below 1.5 degrees and delaying the inevitable will only add to the destruction we’re causing and lead us to the point of no return earlier.</p> <p>Setting the strong and urgent targets that are needed and sticking to them will give our kids the message that we understand what needs to happen and we’re willing to do what it takes. Otherwise, we continue to add to the already overwhelming burden we’ve piled on their shoulders.</p>

same time period, emissions from combustion-based electricity generation have decreased by 36%. The pathway identified must avoid unfairly shifting the burden of mitigation from oil and gas to other sectors, workers and consumers.

- Favour early and ambitious emissions reductions. In its [Initial Observations](#), Canada's Net-Zero Advisory Body (NZAB) recognizes that "the most likely net-zero pathways prioritize early and deep reductions." The pathway chosen for the cap should favour frontloading and prevent backloading. The 2025 cap must require emissions reductions from the baseline year that are aligned with Canada's fair share of the global effort to limit warming to 1.5 degrees, with existing regulations fostering significant reductions by 2025. Failure to reduce emissions early could make later emissions targets impossible to achieve.

From Climate Messengers:

*Regardless of whether you choose annual or multi-year targets, please implement an emissions reduction trajectory that is AT LEAST as ambitious as the trajectory for the rest of the country's economic sectors. The oil and gas industry should be expected to reduce their emissions by 20% by 2026 and by 40-45% by 2030 in order to be like the rest of the country. The "31% by 2030" figure for the oil and gas sector cited in the government's Emissions Reduction Plan is not adequate. The fact that the oil and gas producers increased their emissions so much between 2005 and 2019 is no reason to give them a break on the emission reductions they must undertake. The fossil fuel industry contributes the most to our country's emissions, why should they be forced to do the least?*

<p>12. Should the trajectory be fixed out to 2050, or should the approach include steps to ratchet up the trajectory at one or more fixed intervals?</p>	<p>From Climate Messengers:  <i>If “steps to ratchet up the trajectory” is an excuse to keep the trajectory lenient in the next few years because “we’ll be ratcheting up the trajectory in the future”, then absolutely not. Fix out the trajectory to 2050 and make sure that the trajectory for the next few years is very ambitious. Whatever you do, do not give into the fossil fuel lobby’s demand for leniency and delayed action.</i></p>	<p><i>See suggested response from Climate Messengers</i></p>
<p>13. What design features should be considered to maintain Canadian competitiveness and minimize the risk of carbon leakage?</p>	<p>From CAN-RAC:  <i>Cap and trade schemes typically grant free allowances to covered firms to prevent leakage (climate measures in Canada simply leading to increased emissions outside Canada) and safeguard competitiveness. But this feature has drawbacks - it fails to give full incentives to firms to decarbonize, and it fails to transmit the carbon price down the value chain to consumers. As such, a cap-and-trade scheme for oil and gas should not offer free allocation, but rather should auction off all emission allowances, with a price floor. For the Canadian oil and gas sector, leakage in the domestic market is not a threat - there is no real possibility that non-carbon-priced imports to Canada will displace domestic production of oil and gas. Leakage in our export markets is not likely to be significant either, as many of Canada’s export buyers have few available alternative supplies of heavy crude. Increased costs for Canadian producers would more likely simply mean less profit, but not lost markets.</i></p> <p>From Climate Messengers:  <i>I am unconcerned about Canada’s oil industry remaining competitive. In fact, I think it’s inevitable that it will become less and less competitive as we move closer to a global low-carbon economy, due to its high emissions intensity. I care more about making sure that an emissions cap is</i></p>	<p>Basically, competitiveness is less important than cutting emissions. Canada’s oil and gas sector is already losing competitiveness because of the global switch to renewables.</p>

	<p><i>implemented quickly and without any loopholes for industry that would undermine the objective of the cap.</i></p>	
<p>14. What compliance flexibilities should be allowed, and what conditions should determine eligibility?</p>	<p>From CAN-RAC:</p> <ul style="list-style-type: none"> <li>● <i>Offsets should not be used at all, as they would only allow for a subverting of obligations.</i></li> <li>● <i>There should be no compliance flexibilities as it has not been demonstrated how these would benefit communities, workers, and/or the climate.</i></li> </ul> <p>From Climate Messengers:</p> <ul style="list-style-type: none"> <li>● <i>No “compliance flexibilities” whatsoever should be permitted. The policy in question is about reducing GHG emissions from the production of a product where roughly 80% of the total harm to the planet comes from the product being consumed. Ultimately, the world needs to stop consuming the product. There should be no consideration given to making it easier for producers to produce it.</i></li> <li>● <i>The federal government has already provided “compliance flexibility” by way of an investment tax credit which, according to the Financial Post, is expected to cost Canadians \$2.6 Billion in the first five years of the program — reaching up to \$8.6 Billion by 2030. This is after buying the TMX Pipeline to help the producers get their product to market when no private company would do so, at what is expected to be the cost of \$21.4 Billion. This is before considering the federal government’s other fossil fuel subsidies.</i></li> </ul> <p><i>The federal government has already spent far too much on “carrots” for Canada’s oil and gas producers. The federal government now needs to employ the “sticks” to reduce the producers’ GHG</i></p>	<p><i>See suggested responses from CAN-RAC and Climate Messengers</i></p>

	<i>emissions.</i>	
15. Should the use of compliance flexibilities decline over time? If so, to what extent?	From all sources: Compliance flexibilities should not be introduced at all.	Providing “flexibility” to the oil and gas industry is not called for and would demonstrate once again that the industry’s profits are more valuable than the people dealing with the outcomes of its non-compliance.
16. Under a potential cap-and-trade option, should distribution of allowances be done through auction, free allocation, or a combination of the two?	<p>From CAN-RAC:</p> <ul style="list-style-type: none"> <li>• <i>No allocation of free credits. Credits must be auctioned.</i></li> <li>• <i>Over allocation of free credits is a well-documented pitfall of trading schemes, and allocating free credits waters down the effectiveness of the cap.</i></li> </ul> <p>From Climate Messengers: <i>Regardless of how you choose to allocate allowances, do not use the proceeds to support Carbon Capture, Utilisation, and Storage (CCUS) projects. I am troubled by the fact that this is on the table at all. CCUS isn’t reliable yet and the revenue could be used for other projects that will actually reduce emissions, as opposed to capturing and storing them.</i></p>	<i>See suggested responses</i>
17. Would there 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 (e.g., natural gas required for low carbon hydrogen production)?	<p>From CAN-RAC: <i>No. There is more and more research that proves that using hydrogen is not a climate-safe option. A recent study from Cornell and Stanford found that blue fossil hydrogen is even worse for the climate than burning coal or fossil gas directly, and concludes there is no role for fossil hydrogen in a carbon-free future.</i></p> <p>From Climate Messengers: <i>No, there would be no merit in excluding such emissions. There are effectively no fossil fuel emissions that we should be encouraging in any way. The example of natural gas required for “low carbon hydrogen production” is particularly egregious, because the actual emissions</i></p>	<i>See suggested responses</i>

	<p><i>from converting natural gas to hydrogen, and then to electricity, have been found to be higher than directly burning natural gas to generate electricity. (See Robert W. Haworth and Mark Z. Jackson, “How green is blue hydrogen?” <u>Energy Science &amp; Engineering</u>, 26 July 2021.)</i></p>	
<p>18. How should the Government of Canada ensure that the cap in cents investments in diversification and other preparations for a clean energy transition?</p>	<p>From Climate Messengers:  <i>The Government of Canada should not even try to have the cap incent investments in diversification and other preparations for a clean energy transition. The federal government should use the cap to reduce emissions from the production of oil and gas and, to the greatest extent possible under Canada’s Constitution, to reduce the production of oil and gas in Canada. The federal government should incent investments in diversification and other preparations for a clean energy transition by entirely other means, including but not limited to massive direct investment in clean electricity generation, vast improvements to the national electricity grid, and a “Just Transition Act”.</i></p> <p>From CAN-RAC:</p> <ul style="list-style-type: none"> <li>● <i>Ensure that the carbon price offered under either option is not watered down by free allocation, which dampens the incentives of firms to make transformative investments in decarbonization.</i></li> <li>● <i>Ensure that strategies to achieve the cap avoid asset stranding and dead ends, including by explicitly prohibiting subsidies, public financing and other fiscal supports for compliance or emissions reductions, including for CCUS. In its <a href="#">Initial Observations</a>, the NZAB warns of dead ends, and calls for “avoiding locking-in systems and technologies that will become emissions liabilities.” Credible pathways to achieve Canada’s emission reduction targets require a rapid decline</i></li> </ul>	<p><i>See suggested responses</i></p>

	<p><i>in fossil fuel production and use. It makes little sense to invest in expensive and underdeveloped technologies like CCUS to reduce the emissions of fuels of sectors that will soon be facing declining global demand, that are in their sunset phase.</i></p> <ul style="list-style-type: none"> <li>● <i>Canadian environmental policy <u>is founded on the Polluter Pays principle</u>. Oil and gas companies collectively made <u>\$86 billion in post-tax revenues in 2021, and are projected to make over \$100 billion this year</u>. The sector is well placed to clean up their own mess without having to rely on taxpayers to foot the bill, including for <u>unproven technologies such as CCUS and blue hydrogen</u>. The implementation of the cap should also not undermine the Government of Canada’s commitment to phase out fossil fuel subsidies.</i></li> <li>● <i>Channel a portion of the revenues from auction toward diversification away from O&amp;G over-dependence for workers and communities. The policy should come with strong and sufficient Just Transition mechanisms that ensure no workers and communities are left behind. Potential impacts related to implementation of the cap should be assessed and fully integrated into broader just transition planning, so that affected workers and communities can be fully supported.</i></li> <li>● <i>The Just Transition Act that has been promised by the government must set up an advisory working group on just transition in charge of establishing the process, mechanisms, tools and funding for a just transition. Trade unions must be consulted from the beginning of planning, and be part of this group. The funding that comes with the Act must be scaled up - the CAD 2 billion Futures Fund is a small start but amounts will need to be vastly increased to fund the transition.</i></li> </ul>	
<p>19. How would each potential cap</p>	<p>From Climate Messengers:</p>	<p><i>See suggested responses</i></p>

approach interact with other climate measures?

*Option 2 (the GGPPA and the OBPS) would probably interfere with other climate measures, in that it would substitute an existing and, ideally economy-wide carbon price for a special carbon price for one particular industry.*

*By contrast, Option 1 (CEPA) would decidedly complement existing climate measures. If the climate measures that already exist for oil and gas production (including the existing “carbon tax”, the new methane regulations, and the investment tax credit for CCUS) are already sufficient, then the cap will have little to do, and will simply be the relatively unobtrusive “icing on the cake”. If, as is more likely, those existing measures are flawed and ineffective at achieving the required emission reductions, then a definitive cap under CEPA can “take up the slack” of those other measures and implement the certain and decisive emission reductions that we require.*

From CAN-RAC:

- *There are already existing and planned Canadian regulations that aim to limit and reduce the emissions of the oil and gas sector: carbon pricing, through the Output-Based Pricing System, as well as methane regulations and the Clean Fuel Standard. These policies should keep getting strengthened. The oil and gas emissions cap should not be fixed at an amount that simply reflects the sum of the emissions reductions that occur from these policies; but rather should be a new, additional policy that requires additional emissions reductions.*
- *The oil and gas emissions cap should be reproducible for other sectors, which all have to reach net zero by 2050, keeping in mind that this should not be an excuse to delay or dilute the necessity for the oil and gas sector to do its equitable share of the effort*

<p>20. What opportunities exist for coordination among federal and provincial and territorial measures?</p>	<p><i>The federal government has jurisdiction over regulating emissions. Make the cap part of the “federal backstop”, and make the provinces and territories adopt it if they don’t come up with an adequate equivalent. Coordination and cooperation are nice, but if certain provinces end up being intransigent, then you’ll just have to do what’s right and force the cap on them.</i></p>	<p><i>See suggested response</i></p>
<p>21. How should a cap on GHG emissions be implemented to maximize emission reductions while avoiding potential challenges related to layering of multiple policies and regulations?</p>	<p>From Climate Messengers:  <i>The avoidance of potential challenges related to “layering” of policies should not be an issue of concern. Reducing GHG emissions is not a matter of convenience: It is a matter of necessity. “Layering” would not be a relevant issue at all if previous attempts to reduce GHG emissions from oil and gas production had been successful, but they have not. This is despite the fact that, as the Discussion Document sets out, there have been decreases in absolute GHG emissions of 52% from the electricity sector and 18% from heavy industry from 2005-2020.</i></p> <p><i>Moreover, “layering” is a necessary evil to deal with the other “necessary evil” of Canadian federalism, by which the provinces, and in this instance Alberta and Saskatchewan in particular, are given exclusive jurisdiction over the production of fossil fuels. Alberta and Saskatchewan disproportionately benefit from their production, but the rest of Canada – and the rest of the world – share in the costs and detriment of their production.</i></p>	<p><i>See suggested responses</i></p>
<p>22. What other factors related to implementation should be considered in developing an approach to cap and cut GHG</p>	<p>From Environmental Defence:  <ul style="list-style-type: none"> <li><i>Energy markets are shifting rapidly. The IEA predicts that on the pathway to achieving net-zero emissions by 2050, global oil demand will drop to 24 million barrels per day in 2050, down from 98 million barrels per day in 2019. As high-emission, high-cost oil, the Canadian oil sector is particularly vulnerable to drops in oil demand. An</i></li> </ul> </p>	<p>Although working out the details is a formidable challenge, it is also a huge opportunity to make real progress</p>

emissions from the oil and gas sector?

*emissions cap is an opportunity to steer our economy towards a more competitive direction in a global context that is fast evolving.*

- *A well-designed cap with a prescribed trajectory to achieve zero emissions by 2050 would provide predictability to industry, workers, and communities. This in turn will drive innovation and private investments, and will lower the risk of stranded assets and dead end approaches.*
- *The oil and gas sector is experiencing record revenues because of rising oil and gas prices due to the crisis in Ukraine and cost-cutting measures achieved through automation, consolidation and workforce streamlining. Given these high revenues, the sector is well-placed to invest in additional emissions reductions now.*
- *Without a robust target for reducing oil and gas emissions, a greater burden for emission reductions would shift to other sectors of the economy and onto individuals.*

From CAN-RAC:

- *The design and implementation of oil and gas emission cap and related policy must uphold the inherent title and rights of Indigenous peoples and other rights affirmed in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). The oil and gas emissions cap must be aligned with a full and sincere implementation of UNDRIP. This includes securing free, prior, and informed consent from each impacted Indigenous people for any and all new energy projects, regardless of the degree to which a project is already complete.*
- *There should be meaningful engagement of rights-holders throughout the design of the policy to ensure its implementation takes into account Indigenous knowledge and expertise, for instance on the impacts of the proposed regulations.*
- *The oil and gas emissions cap, if it is to result in real and tangible emissions reductions, must include robust enforcement mechanisms and avoid any*

*“relief valves” for industry that could reduce the policy’s stringency.*

From Climate Messengers:  
*The most important factor is that the new emission reductions policy for oil and gas production needs to be implemented immediately. When the present government sought re-election in 2021, it promised that it would: “[m]ake sure the oil and gas sector reduces emissions at a pace and scale needed to achieve net-zero by 2050, with 5-year targets to stay on track to achieving this shared goal. **And driving down pollution starts with ensuring that pollution from the oil and gas sector doesn’t go up from current levels.**” [Liberal Party of Canada. Forward. For Eveyone. (Liberal Party of Canada 2021 federal election campaign policy promises book). Released in Summer of 2021. p. 44. Retrieved from <https://liberal.ca/our-platform/> on 14 August 2022. Emphasis added.]*

*That means that GHG emissions from oil and gas production must be lower in 2022 than they were in 2021. The UNIPCC has been crystal clear that what we do between now and 2030 is crucial if we are to avoid catastrophic global warming. The government of Canada must alert the oil and gas industry that its emissions from productions must be lower this year than in 2021 and that, if they are not, the industry will have to make up the difference when these new policies become law. Then the government of Canada must enact the new legislation within a matter of months, with 2023 being the first full year that it is in force and with the oil and gas producers made liable to make up for any increases over 2021 emission levels.*

