

March 27 2024 Yedlin Open Letter regarding emissions cap



Calgary Chamber

MARCH 27 2024

Calgary businesses sign open letter calling for the withdrawal of the oil and gas emissions cap



The Honourable Steven Guilbeault P.C., M.P.

Minister of Environment and Climate Change

Dear Minister Guilbeault,

On behalf of Calgary's business community, the Calgary Chamber of Commerce urges the federal government to reconsider proceeding with an Oil and Gas Sector Greenhouse Gas Emissions Cap, given the profound consequences it would have on Canada's economic prosperity.

The Calgary Chamber and its members are aligned with the federal government's commitment to reducing emissions – recognizing the significant challenge climate change poses to our planet and economy. However, we know a sector-specific cap on emissions is neither an effective nor efficient tool to address this challenge. Rather than support investment, the emissions cap would create uncertainty, unfavourable economic conditions and a punitive regulatory environment, all of which would strand investment and innovation in decarbonization projects.

In the absence of the proposed emissions cap, we are seeing momentum, with the desire to decarbonize creating a period of unprecedented collaboration. Emissions from conventional oil and gas production have fallen by 24 per cent from 2012 through 2021, and oil sands producers have continued to reduce the emissions intensity per barrel, achieving a 23 per cent reduction since 2009. Carbon pricing, coupled with strategic incentives, such as Alberta's Technology Innovation and Emissions Reduction (TIER) Regulations, has proven to be both effective and efficient. This calls into question the merits of implementing a blunt instrument like an emissions cap – particularly given it would have a direct impact on energy costs for both businesses and consumers, compromise opportunities for Indigenous economic reconciliation, and negatively affect continental energy security by limiting the domestic supply of oil and gas products, making us reliant on international supply to maintain energy security.

The added regulatory burden, compliance costs and loss of production associated with the implementation of an emissions cap would increase both the price to produce and consume energy. This would come at a time when businesses and households are already struggling with high inflation and energy costs – both nationally and internationally. Higher energy costs have a significant impact across sectors. For example, natural gas accounts for approximately 80 per cent of the cost to produce fertilizer. Raising these input costs would limit our energy, transportation and agricultural industries' competitiveness, while also increasing the cost of essential goods for Canadians, including food, heating and transportation. We must ensure that Canadians have continued access to affordable, sustainably sourced energy as we move forward with decarbonization policies.

The emissions cap would also have a direct impact on Indigenous communities in Canada. Currently, 7.4 per cent of the energy sector's workforce identifies as Indigenous, more than twice the national average. In its proposed state, the emissions cap would lead to a drop in production, and consequently a decline in employment opportunities currently available to Indigenous peoples. The emissions cap also inhibits Indigenous communities' ability to participate in the energy industry at a time when the industry is actively investing in partnership opportunities with communities. Equity

partnerships have already been struck between communities and industry; should the emissions cap render these projects uneconomic, the opportunities for economic reconciliation would be greatly reduced. Employment and financial stability – current and future – is at stake for Indigenous communities.

Energy security is of growing concern globally. By imposing a sector-specific cap-and-trade policy, the government has proposed a system that by its very nature, limits production. This system would undermine the ability of energy-producing provinces to regulate and develop their own resources – directly inhibiting the ability of Canadian producers to safeguard national and continental energy security. For example, the majority of natural gas used to heat homes in Eastern Canada is supplied by Western Canada, as is the oil used in refineries to produce gasoline. Shortages of either commodity will raise prices and create instability in the market.

Finally, an emissions cap would compromise the valuation of the Trans Mountain Pipeline (TMX), as the government looks to sell the asset. If there is a risk that TMX might not be able to rely on a steady and predictable flow of oil from the oil sands production, it will result in a lower valuation by investors and a lower price received when the asset is sold.

Ultimately, the emissions cap is based on flawed economic, social and environmental policy. It sets us up to miss targets – not meet them, running counter to actual emissions reduction. Considering these facts, we call on the government to:

1. Withdraw the proposed emissions cap to allow the broad-based commercial carbon pricing and the provincial equivalents to effectively reduce emissions.
2. Urge the government to advance and bolster further investment in decarbonization technologies, including Carbon Capture, Utilization and Storage through legislating the proposed Investment Tax Credits and increasing funding to the Canada Growth Fund to support the development of Carbon Contracts for Difference.
3. Engage in further consultation with all sectors of the Canadian economy to understand the social, financial, and regulatory impacts of the proposed emissions cap and other legislation such as the Clean

Electricity Regulations, with the goal of minimizing unintended consequences, maintaining economic stability and allowing the Canadian energy industry to capitalize on decarbonizing the economy in support Canada's long-term prosperity.

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