



Pierre Boucher
Acting Director, Oil, Gas and Alternative Energy Division
Clean Fuel Standard
Energy and Transportation Directorate
Environment and Climate Change Canada
351 St. Joseph Boulevard, 12th Floor
Gatineau, QC
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April 21, 2017

Dear Pierre Boucher,

Re: Clean Fuel Standard

The Canadian Energy Pipeline Association (CEPA) would like to thank Environment and Climate Change Canada (ECCC) for the opportunity to comment on the discussion paper regarding the development of a Clean Fuel Standard (CFS: the Discussion Paper).¹

CEPA members collectively operate 119,000 kilometres of transmission pipeline in Canada. These energy highways transport approximately 1.2 million barrels of liquid petroleum products and 5.4 trillion cubic feet of natural gas each year. Pipelines remain the safest, most efficient and least greenhouse gas (GHG) intensive means of connecting energy producing regions to consumers across Canada and to international markets.

Given the need for natural gas in electricity production, cogeneration and home heating, transmission pipeline companies have a duty to serve Canadians. As coal-fired power plants are phased out and renewable energy increases in the overall generation mix, there is likely to be an increased reliance on cogeneration and natural gas-fired electricity, resulting in increased overall emissions from the natural gas transmission sector. However, any increases will be more than offset from conversion from higher carbon fuels to natural gas. The potential increase in emissions from the natural gas transmission sector should be taken into consideration when developing policy to manage emissions from this sector.

CEPA remains supportive of the government's long term objective to manage domestic GHG emissions and we acknowledge the complexity of this challenging task. This objective is consistent with CEPA's commitment to minimizing the environmental impact of pipelines throughout the entire pipeline lifecycle.

¹ Environment and Climate Change Canada. February 2017. Clean Fuel Standard: Discussion Paper. <https://www.ec.gc.ca/lcpe-cepa/default.asp?lang=En&n=D7C913BB-1>



CEPA has provided the following comments and recommendations regarding the Discussion Paper, focusing on: the proposed regulatory framework; the scope of the CFS; life-cycle GHG emissions intensity; and, policy implementation and continuous improvement.

Proposed Regulatory Approach

Regulations to reduce methane at various jurisdictional levels are either in place or have been proposed. In developing the CFS we encourage ECCC to avoid unnecessary duplication of current regulations aimed at reducing the carbon intensity (CI) of midstream operations. This is particularly important for the natural resources sector which operates in a highly competitive integrated North American energy market. Regulatory overlap and a lack of harmonized standards could reduce the competitiveness of Canada's energy industry relative to US competitors. In this context, CEPA recommends that ECCC provide clarity regarding the feasibility of extending the CFS policy tool to non-transportation sectors, including understanding the rationale from peer jurisdictions (e.g. British Columbia, California) for limiting its application to the transportation sector.

It is important that any federal GHG policy consider the twin issues of the competitiveness of Canada's emissions-intensive, trade-exposed (EITE) industries, including the oil and gas sector, and the risk of "carbon leakage"². CEPA would value the opportunity to work with the Government of Canada as it considers its approach to GHG policy to ensure future policy can successfully inform initiatives to reduce domestic GHG emissions while also preventing carbon leakage. Further regarding competitiveness concerns, fuels that are bound for export should not be subject to the CFS in order to ensure they remain viable and competitive options in international markets.

More generally, a non-prescriptive, outcome-oriented approach to new regulations that incorporates flexibility in the mechanisms for achieving compliance should be pursued. This ensures regulated companies have the ability to use the most efficient and cost/operationally feasible compliance mechanisms while pursuing the ultimate objective of the policy: reducing Canada's GHG emissions.³

Scope

CEPA recognizes that ECCC's proposed regulatory approach includes addressing the CI of fuel used in the industrial sector, including natural gas⁴ which makes up 46 percent of

² Carbon leakage is the term often used to describe the situation that may occur if, for reasons of costs related to climate policies, businesses were to transfer production to other countries which have lower or no regulatory constraints on GHG emissions. Depending on the displacement issues involved, this could lead to an overall net increase in total emissions at the global level. (European Commission Climate Action: http://ec.europa.eu/clima/policies/ets/cap/leakage/index_en.html)

³ Clean Fuel Standard: Discussion Paper. Section 1: Introduction.

⁴ ECCC CFS webinar. March 24, 2017. Slide Scope: Industry Section 4.



energy use in Canada's buildings sector⁵. In order to ensure this energy continues to meet the needs of Canadian businesses, CEPA recommends that ECCC consider the reliability challenges associated with using alternative fuels in the operation of natural gas-fired transmission pipelines. This is particularly important for transmission pipelines as natural gas is the primary energy source used to “push” gas through the pipelines and is sourced directly from within the pipeline itself.

Lifecycle GHG Emissions Intensity

CEPA recommends that reductions in the CI of the delivery of natural gas along its transmission infrastructure be considered as a potential mechanism for generating credits provided the reductions are made ‘beyond-compliance’ relative to existing regulations. As ECCC moves forward with the development of methodology for establishing/defining CI energy frameworks and factors, we encourage staff to consult with CEPA and its members. Industry has made significant progress in this area which should be leveraged to the extent possible.

Policy Implementation and Continuous Improvement

CEPA recommends that ECCC assess the frequency of updates to lifecycle emission factors to reflect improvements made by the industry to reduce methane emissions and other improvements. For years, our sector has worked hard to manage the release of GHGs from combustion at compressor stations and lower-emitting sources (e.g valve sites and meter stations). These efforts have contributed in part to a 26 percent reduction in Canadian natural gas transmission pipeline emissions between 2005 and 2015 (approximately 3.15 MtCO₂e, see Figure 1).⁶ In 2015, GHG emissions from the natural gas transmission sector accounted for only approximately 1.25 percent of Canada's total GHG emissions.⁷

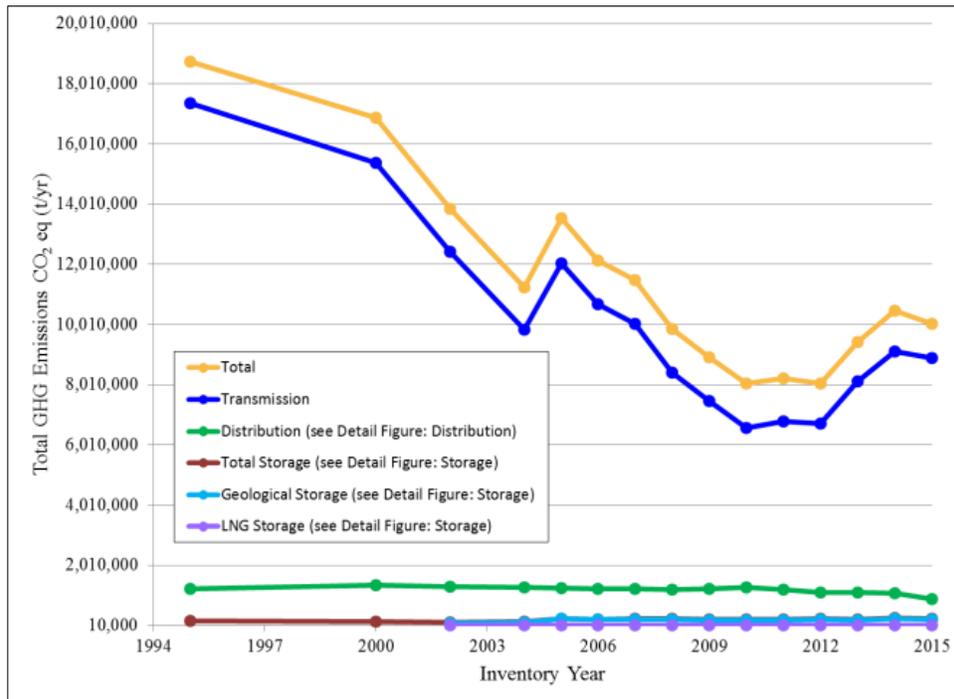
⁵ Clean Fuel Standard: Discussion Paper, pg. 8

⁶ Canadian Energy Partnership for Environmental Innovation (CEPEI). March 2016. Canadian Natural Gas Transmission and Distribution Companies 2015 GHG Inventory. Pg. 8, Table 6. For information about historic total annual GHG emissions change variables, see Pg. 9.

⁷ GHG emissions for the natural gas transmission sector (CEPA members, affiliates of CEPA members, and a few transmission facilities owned by companies that are not members of CEPA) in 2015 were 8.9 MtCO₂e. This number may not directly compare to other publications prepared by CEPA that contain only CEPA-member information. Reference: CEPA March 2017. GHG emissions in Canada in 2015 were 722 MtCO₂e. Environment and Climate Change Canada, National Inventory Report 1990-2015: Greenhouse Gas Sources and Sinks in Canada - Executive Summary. <https://www.ec.gc.ca/ges-ghg/default.asp?lang=En&n=662F9C56-1>



Figure 1: Comparison of Total Reported GHG Emissions by Segment⁸



Closing

CEPA appreciates ECCC's open sessions during the development of the CFS, including the provision of all presentations and Discussion Papers. In order to ensure the CFS is effective and efficient we have the following recommendations:

- pursue a non-prescriptive, outcome-oriented approach to new regulations that incorporates flexibility in the mechanisms for achieving compliance;
- avoid unnecessary duplication of current regulations aimed at reducing the carbon intensity of midstream operations;
- provide clarity regarding the feasibility of extending the CFS policy tool to non-transportation sectors;
- ensure fuels bound for export are not subject to the CFS;
- consider the challenges associating with using alternative fuels in the operation of natural gas-fired transmission pipelines;

⁸ Canadian Energy Partnership for Environmental Innovation (CEPEI). March 2016. Canadian Natural Gas Transmission and Distribution Companies 2015 GHG Inventory. Pg. 9, Figure 3.



- consider reductions in the CI of the delivery of natural gas along its transmission infrastructure as a potential mechanism for generating credits; and,
- Assess the frequency of updates to lifecycle emission factors to reflect improvements made by the industry to reduce methane emissions and other improvements.

CEPA looks forward to continuing our participation in future consultation opportunities with ECCC and other stakeholders. Please do not hesitate to contact the undersigned if you have any questions or require clarification regarding any of the comments made above.

Sincerely,

Cathy Hay

Director, regulatory and business environment