Mark Cauchi  
Executive Director, Oil, Gas and Alternate Energy Division  
Environment and Climate Change Canada  
351 Saint-Joseph Boulevard  
Gatineau, Quebec K1A 0H3  

April 14, 2016  

Dear Mr. Cauchi,  

The Canadian Energy Pipeline Association (CEPA) shares the Government of Canada’s (Government’s) commitment to reducing greenhouse gas (GHG) emissions while ensuring the nation’s sustainable prosperity during the transition to a lower carbon future.  

Collectively, our members operate approximately 117,000 kilometers of pipeline in Canada. These energy highways transport approximately 1.2 billion barrels of liquid petroleum products and 5.4 trillion cubic feet of natural gas each year. Pipelines remain the safest, most efficient and least GHG intensive way of moving large volumes of liquid petroleum products and natural gas on land over long distances.  

CEPA members understand that we have a responsibility to ensure that Canada’s pipelines also deliver good GHG performance. We are also very supportive of the Government’s desire to attract global capital to sustainably develop our country’s energy resources. With this in mind, we have reviewed the Department of Environment and Climate Change Canada’s (ECCC) proposed Methodology for Estimating Upstream GHG Emissions (the draft) posted in the Canada Gazette, Part 1, vol. 150, no. 12, p. 786, March 19, 2016 [GHG Methodology] and respectfully submit the following comments. Thank you for providing an avenue for meaningful input and we look forward to continued engagement with the Government and other interested stakeholders on these important issues.  

CEPA’s comments are provided in two parts:  

1. Specific comments on the draft GHG Methodology; and  
2. Broad comments on the policy aspects, objectives and potential implications of the draft. In this section we highlight opportunities for further engagement with CEPA and other stakeholders on the draft and related policy matters.  

COMMENTS ON PROPOSED GHG METHODOLOGY  

The proposed GHG Methodology, as indicated above provides a two-part test, that 1) first (Part A) provides a quantitative estimate of the maximum upstream GHG emissions that could be caused or enabled by a project; and 2) secondly (Part B) provides a qualitative discussion of why the upstream GHG impacts could be less than the maximum amounts determined in Part A. Although CEPA agrees that such information is useful we offer the following observations with respect to this approach:
1. Expressing the maximum upstream GHG emissions quantitatively (Part A) and the possible reasons that the impact would be lower qualitatively (Part B) presents the risk that the reader might assume that the quantitative maximum upstream GHG emissions which may be enabled have greater validity than warranted. For example, an oil pipeline project might not enable any new oil production projects; rather it might merely displace rail or other types of transportation that are more GHG intensive than an oil pipeline. Similarly, oil pipelines may be built to increase netbacks, or provide certainty to producers in financing their projects, or provide optionality. Thus the oil pipeline might reduce upstream GHG intensity. Although Part B of the proposed Methodology would qualitatively describe the reasons that this might not be so – without quantifying such – it is likely misleading to the reader because Part A is quantified and Part B is not. The Part B analysis should indicate that the true result is likely to be significantly less than the estimated maximum as quantified in Part A.

2. The draft suggests that ECCC will discuss a project’s potential impact on Canadian and global GHG emissions, and will use appropriate data sources determined on a sector-by-sector basis that could include information from any number of industrial, academic or other sources. In doing so, however, it is important that ECCC use validated data that is applicable to the Canadian context. There is risk associated with using sources that have not been tested for validity. GHG emissions associated with foreign sources cannot be validated because they lie outside of Canadian jurisdiction. Furthermore, many GHG sources within Canada have not been validated, such as those that include emitters that fall below reporting thresholds. It is essential that it be clear and stated in estimation processes whether data has been validated.

COMMENTS ON POLICY ISSUES AND IMPLICATIONS

CEPA recognizes that the Government’s approach to meeting Canada’s GHG commitments is in development and is subject to negotiations with the provinces. We also recognize that the development and application of the draft is an important step in helping the Government gather facts that could be used in developing broader strategies, including the desire for improved federal/provincial collaboration on a plan to meet Canada’s international targets on GHG emissions.

As the government moves forward in further developing the draft as well as more specific policy approaches in the coming months, CEPA highlights the following issues as cornerstone to achieving a successful outcome that will advance environmental, social and economic priorities.

1. Recognition of Provincial Role on Climate Action

In 2015, a number of Canadian provinces launched new or updated strategies and plans for climate action. There is broadly-based agreement that new provincial frameworks need to be recognized and considered in any assessment of upstream GHG and this is obviously the intent in Part B of the draft.

As an example of Provincial initiatives, the Government of Alberta has recently introduced an ambitious climate strategy, which includes plans to introduce carbon pricing, legislate limits on oil sands
emissions, reduce methane emissions, and transition its electrical grid from coal to natural gas and renewables. All of this will require a significant investment at a time when the province’s energy industry and economy is facing massive challenges.

Alberta’s expressed intent of these policy recommendations is to reduce emissions and drive carbon competitiveness in the oil sands and other sectors of the economy. As a result, the estimated upstream GHG emissions when combined with these policy scenarios will conceivably be lower than currently assessed.

CEPA believes it is important for the draft and future federal policy actions to account for existing and/or proposed legislative actions by Alberta, as well as other provinces, to address emissions from upstream oil and gas projects. This is essential for a complete assessment of upstream GHG impacts. We recommend that any assessment of GHGs arising from upstream facilities should incorporate any quantification and policy decisions applied by the regulatory bodies with jurisdiction over those facilities.

In particular, we believe there is a critical role for the federal government in validating Alberta’s significant steps to implement a comprehensive climate action strategy that addresses sectoral issues and the province’s economy-wide emissions profile.

2. Ensuring Global Environmental Progress and Domestic Economic Growth

Oil and gas are global commodities and CEPA understands that GHG emissions must be reduced globally if one hopes to achieve the desired environmental benefit. Without this recognition at the forefront of Canadian policy, Canada’s GHG emissions could be reduced at great cost to our economy, while depriving other higher emitting countries of the resources they need to reduce their GHG emissions. An example would be Canada abandoning efforts to export liquefied natural gas (LNG) to Asian countries that would otherwise build new coal burning power generation plants. While this could have a smaller, short term, positive impact on reducing Canadian GHG emissions, it could have the counter effect on a global basis by slowing down the phase-out of coal-fired electricity abroad, and have a larger, long term, negative impact on global GHG emissions.

On the issue of carbon pricing, it will be important for any federal policy to consider the twin issues of the competitiveness of Canada’s emissions-intensive, trade-exposed (EITE) industries, including the oil and gas sector, and the risks of "carbon leakage". CEPA would value the opportunity to work with the Government as it considers its approach to carbon pricing to ensure any future policy can successfully reduce domestic emissions, while also preventing carbon leakage (and therefore the unnecessary loss

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1 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 greenhouse gas 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.htm](http://ec.europa.eu/clima/policies/ets/cap/leakage/index_en.htm))
of domestic jobs and prosperity). We believe this will require targeted and transparent measures to protect the global competitiveness of Canada’s EITEs in cases where domestic companies are competing against companies from jurisdictions that do not have carbon pricing.

CEPA recognizes that addressing climate change is a global challenge and we are committed to working with government and other stakeholders to advance approaches that will result in a net reduction of greenhouse emissions on a global basis. We believe this must be done in tandem with implementing measures to protect and foster Canada’s economic and carbon competitiveness.

3. Mitigating Capital Investment Risk and Flight

In order to make investments, foster economic growth and create jobs, businesses require clear and consistent rules and processes as they interact with government(s). This is particularly relevant for businesses operating in Canada’s highly regulated oil and gas industry as Canada faces fierce competition from other countries eager to attract limited, portable and time sensitive investment capital.

As the Government moves towards estimating industrial GHG emissions upstream of major oil and gas projects, it will be important to improve clarity, and build credibility, on how the Government will consider these emissions and what that consideration means for pipeline projects undergoing federal environmental review. Without better understanding of the role that upstream GHG estimation will play in the overall evaluation of a project, regulatory uncertainty will increase for energy companies attempting to develop major infrastructure projects in Canada.

To this end, CEPA would be interested in participating in a conversation with policy makers and other stakeholders on how we can work together to ensure that environmental objectives are met, while reducing regulatory risks for investors by providing greater clarity and certainty about how upstream GHG impacts are being addressed in project decision making.

At a time when investments in infrastructure have been identified by the federal government as essential to supporting the Canadian economy, CEPA believes our members can play an important role in advancing the government’s economic agenda, while also contributing to a constructive path forward in addressing climate change.

4. Ensuring Fairness and Competition

To attract investment to sustainably develop Canada’s energy resources, businesses competing in the Canadian market place require consistent application of government policy to ensure a level playing field.

The risk of selectively assessing NEB regulated pipelines is that it is a process that creates an un-level playing field by limiting assessments to one subsector of the oil and gas industry (NEB regulated pipelines as opposed to all pipelines, rail and other forms of energy transport). Narrowly assessing NEB regulated pipelines could obviate the Canada’s GHG reduction objectives and result in an overall
increase in national GHG emissions as a result of encouraging the use of rail and other forms of energy transport that are not incorporated in a more comprehensive program.

CONCLUSION

In summary, CEPA and its members look forward to engaging with the Government to better understand when an assessment of upstream GHG emissions should be undertaken, how this information will be incorporated in a more complete review of global climate impacts and the role it will play in the overall review of projects. We also look forward to gaining further clarity around the criteria that will be used to evaluate projects, including mechanisms to ensure validity of data source.

We support the Government’s efforts to collaborate with provincial counterparts in the development of climate policy solutions. In particular, we believe it is vital for federal policies, regulations and assessments to account for provincial actions to reduce GHG emissions. Finally, we look forward to working with the Government to advance broader climate policy solutions that account for fairness and competitiveness issues both domestically and internationally and that provide the certainty required to reduce investment risk and attract private sector capital for major energy-related infrastructure projects.

Thank you again for providing this opportunity to share our thoughts and concerns regarding the draft. We look forward to working constructively with Environment and Climate Change Canada to ensure the mutual objectives of environmental protection and the sustainable development of Canada’s energy resources are successful.

Yours sincerely,

Jim Donihee
Chief Operating Officer

CC: Hon. Catherine McKenna, Minister of Environment and Climate Change
CC: Hon. Jim Carr, Minister of Natural Resources
CC: Marlo Raynolds, Chief of Staff to the Minister of Environment and Climate Change
CC: Janet Annesley, Chief of Staff to the Minister of Natural Resources