



October 23, 2023

Minister Osborne
Minister of Energy, Mines and Low Carbon Innovation
Government of B.C.
EMLI.Minister@gov.bc.ca

Dear Minister Osborne,

Re: B.C. Oil and Gas Emissions Cap

The Canadian Propane Association (CPA) thanks the Government of B.C. for the opportunity to comment on the [B.C. Oil and Gas Emissions Cap Policy Paper](#).

Propane is one of the cleanest and most versatile energy sources in existence. Canadian propane is a low-carbon, affordable, reliable, and versatile energy source that is safe and abundantly available. B.C. is one of the largest propane producers and the Canadian Energy Regulator states that total natural gas liquid (NGL) production is expected to grow 70% by 2050, predominately due to natural gas growth from the Montney formation.¹ Mainly as a byproduct of natural gas, an increasing amount of propane produced and consumed across Canada will come from B.C.

B.C. is also the leading Canadian export jurisdiction for propane to overseas markets. Propane exports have grown steadily over the past decade, spurred by strong domestic propane production and access to new markets. In May 2019, the exports of propane began from AltaGas's Ridley Island Propane Export Terminal, and export volumes to non-U.S. destinations quickly ramped up as a result. In 2021, 132,000 barrels per day of propane went to the U.S., and 72,000 barrels per day was exported elsewhere – namely South Korea, Japan, and Mexico. As the emerging market for hydrogen, ammonia, and other low-carbon fuels evolves in Asia, existing energy trade relationships developed through LPG exports can enhance and expedite B.C.'s ability to make inroads in these jurisdictions. Alternatively, policy that acts as a headwind for B.C.'s ability to maximize its share of these LPG markets would simply see other countries fill the gap, while risking B.C.'s ability to develop the infrastructure, acumen, and relationships necessary to be a key player in the future energy economy.

Supplying affordable, reliable, and clean energy will continue to be the goal of Canada's propane industry. Our sector supports over 3,000 jobs across B.C. and generates almost \$261 million in annual taxes and royalties - contributing \$658 million to B.C.'s GDP in 2018 alone. As B.C. looks for ways to reduce emissions, propane can play an important role as a clean, affordable and reliable energy source. Over 31,000 households across the province currently use propane as their main energy source and many of these homes are in rural and remote communities and rely on propane to heat their homes and cook their food. The opportunity to displace higher emission sources, such as diesel and heating oil, is an opportunity for B.C. to support rural and remote communities looking to reduce emissions, while maintaining access to reliable and affordable energy sources.

CPA Recommends: The Government of B.C. collaborate with industry to develop a policy approach propane decarbonization that avoids an emissions cap and allows our industry to continue to provide opportunities to British Columbians.

Propane Production

Propane in Canada is a co-product of natural gas production. The CPA notes that Canadian propane production is expected to increase, as evidenced by the recent Canadian Energy Regulator (CER) forecast.¹ The CPA also notes that the outlook for Canada's propane markets are favourable with key factors supporting growth in the coming years. These factors include growing prospects for petrochemicals driven by technology innovation and consumer demand, export terminal projects to diversify exports toward overseas markets and a shift to propane as primary power generation in many of Canada's remote communities. Fuel-switching opportunities across various end-use sectors in Canada also have the potential to boost propane demand and sales significantly, while helping to reduce Canada's GHG emissions.

The industry could further expand by applying propane to hybrid renewable energy power generation projects in remote communities. The propane sector is continuing to partner with new stakeholders as we look for new business and market opportunities, for example, with Indigenous communities across Canada - like Xeni Gwet'in in BC²— as we look to support Indigenous communities replacing diesel with propane as a primary or backup energy source.

While other energy options require large-scale infrastructure spending or further technological development, propane is ready to go today. No matter where they live and work, people and communities and sectors across B.C. deserve an opportunity to choose the energy source that is best for them and that meets the government's stated goals, whether it's reducing GHGs, increasing efficiency or mitigating energy costs. It is important that propane be given an equal opportunity to participate in B.C. CleanBC energy mix as policies and programs are developed.

The CPA supports a sustainable, affordable and equitable transition to clean energy for B.C. The Canadian propane sector, with a carbon intensity comparable to natural gas,³ continues to invest in technology and innovation to decrease the emissions from our sector. With further innovation on the horizon, such as renewable propane and renewable dimethyl ether (rDME), low-carbon propane can serve the energy needs of future generations with an even more sustainable solution.

CleanBC & Propane

Propane is a low-carbon, affordable, reliable, and versatile energy source that is safe and abundantly available. As B.C. seeks to reduce its emissions, it must consider all energy options. The expanded use of low-carbon propane (as compared to other higher emission fuels such as diesel and gasoline) – which is market-ready and requires minimal capital investments – is an important part of that effort. Propane is already recognized by governments around the world for the contribution it can make toward improved indoor and outdoor air quality and reduced greenhouse

¹ [Canada's Energy Future 2021 \(cer-rec.gc.ca\)](https://cer-rec.gc.ca)

² [Hybrid solar power burns cleaner for Xeni Gwet'in | BC Gov News](#)

³ <https://propane.ca/wp-content/uploads/2022/08/CPA-Propane-Emissions-Final-April-28th.pdf>

gas emissions, as evidenced under Canada's *Alternative Fuels Act*.⁴ Supplying affordable, reliable and clean energy will continue to be the goal of Canada's propane industry.

To be clear, the CPA agrees with the goal of reducing emissions. We are committed as an industry to continuing to demonstrate our responsibility to both the environment and the economy as B.C. and Canada moves towards a clean energy future. No single energy source can solve every environmental challenge and propane can complement renewable energy systems to reduce emissions while providing reliable energy for homes and critical infrastructure. The carbon intensity of propane is on par with natural gas and the propane industry expects to see a further reduction in emissions intensity as we explore new technologies, which will provide an easy, available and immediate way to achieve a clean energy future.

The propane sector is a provincial network, owning and operating systems in communities and creating local employment. The propane sector is proud of the longstanding relationships created with communities that own and operate systems, including many Indigenous communities that have switched from diesel to propane to lower emissions and reduce spill contamination and liability. The CPA believes that B.C. needs to have a diverse mix of energy systems and choice must be a fundamental component to creating a resilient and affordable system.

Low & Zero Emission Propane

Renewable propane is already being produced in the U.S. and Europe. Unlike conventional propane, renewable propane can be made from a variety of renewable feedstocks. The most common form of renewable propane today is a byproduct of renewable diesel and sustainable aviation fuel made primarily from plant and vegetable oils, animal fats, or used cooking oil. Renewable propane can be used alone or in blends with other renewable or low-carbon energy - including conventional propane - to further reduce carbon emissions without sacrificing performance. By 2050, renewable propane could meet half the world's demand for propane, according to the World LP Gas Association.⁵

Propane can also be blended with renewable dimethyl ether (rDME), a sustainable fuel source that is produced from renewable feedstocks, such as dairy waste and biogas, or landfills. Today, rDME can be blended at 20% mass into LPG and used in existing LPG appliances, or it can be used as a 100% renewable fuel with limited modifications to equipment. DME, and increasingly rDME, is produced at commercial scale today. Compared to diesel and heating oil, rDME has close to 100% GHG emission reductions and can be produced from multiple renewable feedstocks including waste streams and residues, with a low GHG footprint.

Both renewable propane and an rDME blend can be "drop-in" replacement fuels. This means appliances that currently use propane will be able to seamlessly adapt to these even lower emission propane sources. According to the PERC, a blend of 30% conventional propane, 50% renewable propane and 20% rDME can lower propane's carbon intensity to 0 g/MJ by 2030, with the ability to achieve a negative carbon intensity by 2050.

⁴ [Alternative Fuels Act \(justice.gc.ca\)](https://www.justice.gc.ca)

⁵ [NREL Study: Refineries Increase Revenue and Reduce Carbon Footprint with Renewable Propane | PERC](#)

As we move towards a decarbonized system, we need to ensure that clean energy is accessible across B.C., and with proper support propane can help play that role, but the propane sector seeks to receive incentives and financial supports from governments on research and development and deployment – not more policies in an already complex system. We have seen other jurisdictions – most recently in the U.S. – apply an incentive-based approach for the energy transition, providing financial incentives for sectors focused on reducing emissions. The CPA would like to see the same approach applied in B.C., and a move away from overly prescriptive and punitive regulations.

B.C. Output Based Pricing System

B.C.'s approach to developing its output-based pricing system (OBPS) disadvantages fractionation facilities. The treatment of fractionation facilities under Alberta's Technology Innovation and Emissions Reduction Regulation (TIER) provides a model of how B.C. can classify processing unit performance benchmarks to ensure facilities are being compared on an apples-to-apples basis. Should B.C.'s emissions policy environment drive compliance costs significantly out of step with Alberta, it will eventually become prudent to develop new fractionation facilities in that jurisdiction and simply transport B.C. gas for processing. This would create carbon leakage as investment leaves B.C. for a more cost-competitive environment. Given the significant amount of B.C. propane that is exported, and the global nature of the LPG market with competitors who may not face the same regulatory pressures, making these changes would have a material impact on existing fractionation plants in the province and enhance their ability to continue supporting LPG exports in a competitive manner.

Regulatory Harmonization

The CPA does not believe that Government of B.C. should implement a provincial oil and gas emissions cap. This proposed policy creates redundancy when considering the Output-Based Pricing System (OBPS) and could lead to a negative investment climate when considering the regulatory and financial complexity in navigating the provincial system. As noted recently by BMO, policies such as the emissions cap are inadvertently a production cap for the energy sector in B.C. The energy sector has demonstrated significant progress in emissions reductions, as recent analysis demonstrates that from 2012 to 2021, conventional natural gas producers lowered methane emissions by 38% and growing overall production by 35%. This demonstrates that the energy sector, including propane, is focused on reducing emissions and growing production, within the current policy content. Additional policies only serve to add complexity and uncertainty to a sector that continues to demonstrate progress in emissions reductions.

There is also a significant gap in coordination between provincial governments regarding climate policies, including the proposed emissions caps. This lack of coordination across jurisdictions creates uncertainty, which ultimately impacts investment – a key tenant of emissions reduction for the energy sector. Inconsistent and imbalanced policies also clearly lead to carbon leakage, shifting natural gas and propane production from B.C. and thus detracting from the overall goal of net global emission reductions. Clear and consistent climate policies will ensure that there are no unintended consequences of overlapping or duplicating policies that may unintentionally detract from the ultimate goal of emissions reduction.

Many propane companies are small in scale and struggle to navigate existing regulations. Adding further legislation and unnecessary policies creates further administrative burden for small propane transporters and distributors and does not have a significant impact on overall emissions reductions targets as propane is currently less than 2% of total Canadian energy demand.

Conclusion

Consensus among the propane sector and the energy sector at large is that the world needs more energy from B.C. Whether propane is used domestically or exported, the CPA believes that the government should be encouraging growth and innovation in the propane sector. Propane can be used today to reduce emissions and, with further innovation on the horizon, low-carbon Canadian propane can serve the energy needs of future generations with even more sustainable solutions.

The CPA strongly recommends that government collaborate with industry to develop a policy approach for decarbonizing the natural gas liquids lifecycle that avoids an emissions cap and allows our industry to continue providing opportunities to British Columbians. Rather than additional regulations and policy, B.C. should pursue financial investment incentives such as grants and tax credits into emissions reduction technology rather than pursue a provincial emissions cap. The Government of B.C. should retain the 2050 targets and recalibrate 2030 targets and policy timelines in broader consultations with public, business, First Nations and local governments.

The CPA encourages the Government of B.C. to better collaborate with the propane sector to seek opportunities for investment and partnership to support a future that incorporates low emission propane. Many of our members operate family-run businesses across the province and understand first-hand the importance of creating a sustainable and vibrant community for our businesses and families to live and to thrive. We look forward to engaging with you and your government as we continue to build a bright future for B.C. I look forward to discussing this submission at your earliest convenience.

Sincerely,



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