

February 1, 2024

The Honourable Stephen Guilbeault
Minister of Environment and Climate Change
Steven.guilbeault5@ec.gc.ca

The Honourable Jonathan Wilkinson
Minister of Natural Resources
Honjonathan.wilkinson@nrcan-rncan.gc.ca

Re: Oil and Gas cap

Dear Minister Guilbeault and Minister Wilkinson

The Canadian Propane Association (CPA) thanks Environment and Climate Change Canada (ECCC) for the opportunity to comment on the proposed Regulatory Framework to implement an [oil and gas emissions cap](#).

The CPA represents over 400 companies in every region of the country. Our members include propane producers, wholesale marketers, transporters, retail marketers and Manufacturers of Appliances, Cylinders and Equipment (MACE) across Canada. Canadian propane is produced, transported, and distributed across a wide-reaching supply chain. We appreciate government's stakeholder engagement efforts with the CPA, as low carbon Canadian propane is an essential component of the national energy system.

With a projected investment of \$2 trillion required to transition towards a net zero economy, we need policy frameworks that are clearly set up to drive capital deployment at speed and scale. As per our recommendations [made to you late last fall](#), such policy frameworks are necessary to incent the scale of investment in technology required to reduce emissions in the oil and gas industry and in accordance with Canada's climate change goals. The proposed emissions cap for the country's oil and gas sector is the wrong policy tool, which we will elaborate on in the following submission.

Affordability for all Canadians

Propane can do its part in providing affordable energy, especially for rural and remote and Indigenous communities who do not have access to natural gas and for whom electricity may be very expensive. At a time when Canadians are experiencing a substantial affordability crisis coincident with record budget deficits, this policy risks impacting energy affordability and availability, along with jobs and government revenues the energy sector contributes to Canada.

Many of our members are multi-fuel distributors, selling other fuels such as heating oil in addition to propane. They report that last winter, the cost of furnace oil at one point was about \$1 per litre more than a litre of propane. While carbon-intense furnace oil does have a higher energy content than low-emission propane, the 95%-97% efficiency of propane appliances offsets any energy advantage of heating oil. In the end, propane is at least 30 percent to 40% less expensive than heating oil and its emissions are 38% less.

Despite the federal government's stated objective that the emissions cap should not put a limit on Canadian oil and natural gas production, the unintended consequences of the draft framework could result in significant curtailments – making this draft framework effectively a cap on production. We are concerned that any impact on production will result in rising costs to consumers, affordability must be a forefront consideration in any climate-based policies.

Achieving Emissions Reductions

To be clear, the CPA appreciates 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 Canada moves towards a lower carbon energy future. No single energy source can meet all needs or solve every environmental challenge, and propane can complement renewable energy systems to reduce emissions while providing reliable energy for homes and critical infrastructure. 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, Canadians deserve an opportunity to choose the energy source that is best for them and that meets the government's stated goals. It is important that propane be given an equal opportunity to participate in Canada's future energy system, as all low emission solutions should be on the table to ensure an equitable energy transformation across the country.

The Canadian propane sector 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 Canadian propane can serve the energy needs of future generations with an even more sustainable solution. In fact, the CPA will shortly finalize the first-ever decarbonization pathway report for Canadian propane, which highlights the pathways for Canadian propane to reduce its emissions, while still providing affordable and reliable energy for rural, remote and Indigenous communities. However, the path to reducing emissions is linked to government policy, specifically how to de-risk financial investments risks, planning and regulatory permitting, changing carbon policies and uncertain future markets. ECCC has a leading role to play in ensuring all energy forms have an equitable opportunity to reduce their emissions and support Canadians in the energy transformation.

Equity for Rural and Remote and Indigenous Communities

More than 280 communities in Canada—home to about 200,000 people—are not connected to the national electric grid and natural gas distribution pipeline systems that provide heat and light to homes and businesses across the country. The remoteness of these community's ranges from fly-in only to accessible by road—some gravel, some seasonally formed by ice. Approximately one-third of these off-grid communities, accounting for over 100,000 residents, are in Canada's northern territories.

Working in partnership with Indigenous, northern, and remote communities, the propane industry can effect real change in reducing GHGs, providing for healthier and more prosperous communities. There is an immediate opportunity to reduce GHGs in Indigenous, northern, and remote communities, ensuring an equity for all Canadians. Propane can and should play a role, either providing primary or back up energy. The proposed cap limits production, and thus limits the opportunities for all Canadians to prosper in the energy transformation.

Jobs & Economic Impacts

The economic impact of Canada's upstream oil and gas sector is significant. In 2022, the sector comprised over 5% of Canada's GDP. The oil and gas extraction sub-industry is the largest goods-producing industry in Canada and is 2X the size of the next largest sub-industries—residential building construction and engineering & other construction activities. When direct, indirect, and induced jobs are considered, the oil and gas sector employs about 800,000 people in Canada. These are well-paying jobs; the average oil and gas worker's total compensation is 2.3X higher than the Canadian average.

Specifically, to propane, the industry extends coast to coast to coast, supporting jobs and generating millions of dollars in taxes and revenues in every single jurisdiction across Canada. The most recent data indicates that propane contributes over \$5.1 billion annually to the Canadian GDP, over \$1.8 billion in government revenue and directly employs almost 30,000 Canadians. The number of households using propane as a main energy source is increasing and in many communities across the country, propane serves as a lower-cost heating fuel in rural, remote and Indigenous. Any limit to oil and natural gas production will directly impact the propane sector, and the companies and jobs across the country that provide energy to millions of Canadians on a daily basis, whether to heat their home, transport children to school, or to power farm equipment to name a few.

Investment Certainty

As world energy demand increases, Canada is well-placed to become a key global supplier of sustainably produced energy, while driving job creation and economic growth here at home and ensuring our Canada's future prosperity. However, the implementation of a specific regime for the oil and gas sector will only add to political division within Canada through litigation or other legal recourse, as has just been experienced with the Impact Assessment Act reference and the recent decision to pause the fuel charge on deliveries of heating oil until the end of 2026-27.

Policies and regulations should be designed to achieve desired goals in a cost and time-efficient manner, avoiding duplication, uncertainty, and unnecessary layering. A confusing and overly complex regulatory environment can negatively affect the country's ability to attract the investments needed to create jobs and national prosperity. In the global competition for investment capital, having an efficient, timely and effective regulatory system is crucial to promoting investor confidence. Canada forging ahead, alone, to implement an emissions cap on the energy sector will only create further instability, at a time when investors require clear, long-term and predictable policy

We see an essential role for fair, responsive, and efficient regulation to build public trust as we develop new infrastructure to support Canada's energy transformation. Our industry has consistently worked with governments and regulatory agencies, providing feedback and proposals to ensure new policies and regulations are effective at their stated goals, while preserving our ability to compete in a globalized world and continue generating strong economic returns for all Canadians.

Conclusion

As Canada continues to examine the path to net zero, it is important to consider that the energy transformation will not look the same across our country and regional considerations must be a pillar of any climate-based policy. We need to ensure that clean energy is accessible to all Canadians and the propane sector looks to the government to support first in-kind propane pathways through financial supports, not further duplicative policies in an already complex system.

A regulated cap on Canadian oil and gas emissions is unlikely to reduce global oil and natural gas emissions overall and may unintentionally create carbon leakage – shifting production away from the low emissions profile of Canada to other unregulated, high emission jurisdictions. The government’s own data shows that Canadian conventional oil and natural gas producers have achieved meaningful absolute reductions in both methane and Scope 1 carbon dioxide equivalent emissions – absent a legislated cap – through investments in decarbonization technologies and other innovations.

The federal government must ensure a balanced approach to emissions reduction, one which includes all sectors of the economy, with equitable and pragmatic approaches to the transformation. The proposed cap-and-trade- system for the upstream oil and gas sector moves Canada away from its more cost-effective and efficient economy-wide approach to carbon pricing. The federal government must take a ‘whole of economy’ approach when looking at emissions reductions to ensure equity, effectiveness and minimal carbon leakage.

We support the federal government’s goal of decarbonizing Canada’s energy system. However, getting there requires a practical and realistic approach to emissions reduction to protect jobs and investment and help provide global energy security. The CPA looks forward to discussing this submission at your earliest convenience.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Shannon Watt', with a large, stylized flourish extending to the right.

Shannon Watt,
President & CEO
Canadian Propane Association