



December 12, 2022

Attention: Honourable Stephen Guilbeault
Minister of Environment and Climate Change

Sent via email Steven.guilbeault5@ec.gc.ca and methane-methane@ec.gc.ca

Dear Minister Guilbeault,

Re: Proposed regulatory framework for reducing oil and gas methane emissions to achieve 2030 target

The Canadian Propane Association (CPA) welcomes the opportunity to comment on the [Proposed regulatory framework for reducing oil and gas methane emissions to achieve 2030 target](#).

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, and we appreciate ECCC engagement efforts with the CPA, as lower carbon Canadian propane is an essential component of the national energy system.

Propane is used daily by millions of Canadians, from heating homes, drying crops, powering forklifts and transporting children to school. The industry extends across Canada's regions and sectors, supporting jobs and generating millions of dollars in taxes and revenues in every single jurisdiction across Canada. 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. Propane can and should be the energy of choice to displace the over 3.5 million Canadian homes that still rely on high emission diesel and wood for home heating.

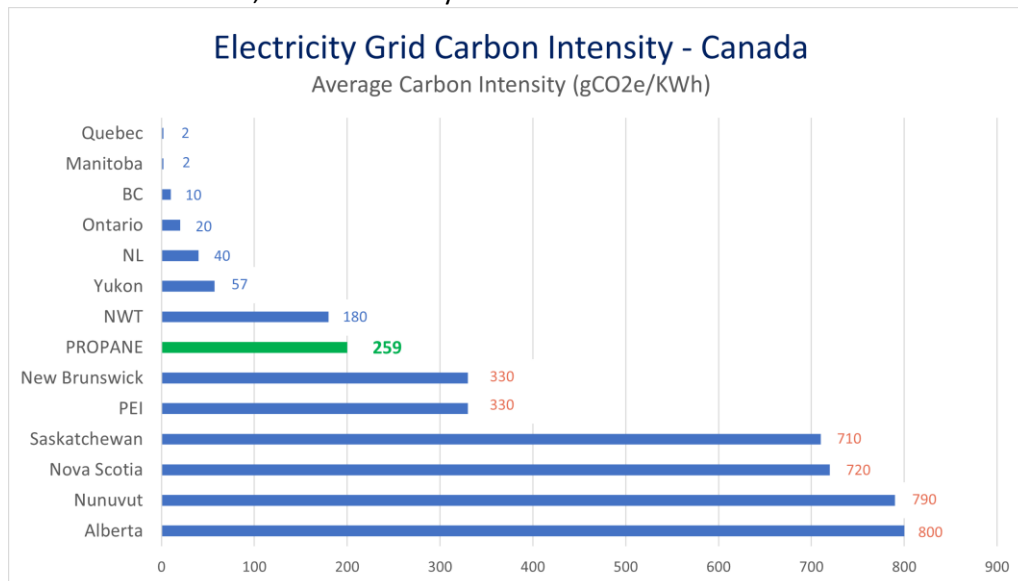
Propane serves an important role for millions of Canadians and any constraints on natural gas production activities would have a direct impact on propane production across Canada, as most propane in Canada is produced as a byproduct of natural gas.¹

Methane emissions are on track to meet the 2025 targets set by Canada, and overall emissions and emissions intensity from the conventional oil and natural gas sector are falling, as evidenced by the National Inventory Report. The proposed annual increases to the price on carbon to 2030 and the development of more stringent policy on methane emissions will drive further reductions. The proposed amendments to the federal methane regulations add further complexity and stringency to the natural gas sector, which has invested billions of dollars in methane reduction and capture technology and infrastructure. Canada should be proud of its methane reductions and ECCC should enable and support the sector with practicable and achievable policy.

¹ [Government of Canada](#)

Propane and the Energy Transition

As Canada seeks to reduce its emissions, it must consider all energy options. The expanded use of lower-carbon propane which is market-ready and requires minimal capital investments – is an important part of that effort. Natural gas and propane can and should be part of the energy transition. Propane has a lower carbon intensity than the electrical grids of 6 provinces and territories in Canada, as illustrated by the chart below.



Sources: <https://community.carbonleadershipforum.org/t/electricity-grid-carbon-intensity-canada-us-global/2440> and S&P Global Commodity Insights

According to the International Energy Agency (IEA), the world's current trajectory for natural gas consumption will continue to increase through to 2050. Even in the IEA's net zero scenario, natural gas continues to be a part of the energy mix. And from 2010 to 2019, emissions intensity from producing natural gas, natural gas liquids and condensate decreased by 33 per cent even as production grew by over 30 per cent.² In fact, a Stanford study done in 2018 found — if the rest of the world adopted just our flaring practices — global emissions from oil and natural gas production could be reduced by up to 23%.³

There is a significant opportunity for natural gas in Canada to help global emission reductions and play a role in global energy security. Canada has a critical role to play in addressing global climate change through displacing coal as natural gas emits 50 per cent less CO₂ emissions per unit of energy than coal.⁴ Exporting LNG from Canada to markets in Asia and Europe would reduce net global emissions by displacing coal and would enhance both Canadian and our allies' energy security and prosperity and help address energy poverty in developing areas. Natural gas has a

² [Canadian Association of Petroleum Producers](#)

³ [Study concludes Canadian oilpatch flaring rules could cut global emissions](#)

⁴ U.S. EIA



significant role to play in a lower-carbon future and policy should encourage the production and utilization of natural gas.

Low emission propane is part of Canada's decarbonization goals

The CPA agrees with the goal of reducing methane emissions. However, any policy impacting natural gas production has a direct impact on propane, as propane is mainly a byproduct of natural gas in Canada. Therefore, we work closely with natural gas producers and distributors to ensure that propane is produced in the most efficient and low emission manner, while also ensuring it reaches people across the country that rely on it every day to cook their food, heat their homes and dry their crops.

We are committed as an industry to continuing to demonstrate our responsibility to both the environment and the economy as Canada moves towards a clean energy future. Renewable propane is already produced in the U.S., Canada 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 made primarily from plant and vegetable oils, animal fats, or used cooking oil. By 2050, renewable propane could meet half the world's demand for propane, according to the World LP Gas Association.

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 rDME 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 Propane Education Research Council, 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. 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 cleaner energy future for Canadians.

Incentivizing Investment

To maintain and increase investment in Canada, the primary future policy vehicles employed by the federal government should be tax credits and incentive funding. This type of policy approach will make decarbonization more accessible across industries while promoting an investment environment. For example, the U.S. Inflation Reduction Act (IRA) offers a multitude of opportunities for propane, including:



- The Alternative Fuel Tax Credit (\$0.37 credit for each gallon of propane sold in the transportation sector, including off-road vehicles like forklifts)
- Extension of second-generation biofuel incentives (applies to the production of rDME, which can be deployed to reduce the carbon intensity of both conventional and renewable propane)
- Alternative fuel refueling property credit (propane refueling infrastructure qualifies for this credit)
- Diesel Emissions Reductions (provides Environmental Protection Agency with \$60 million for Diesel Emissions Reduction Act grants for projects addressing diesel emissions from goods movement facilities (e.g., airports, railyards, and distribution centers) and from vehicles servicing those facilities. This provision provides additional funding for DERA, which funds clean school bus rebates along with other general diesel emission grants).
- Clean fuel production tax credit (could encourage more production of rLPG)
- Energy infrastructure reinvestment financing (this provision may be utilized for funding for LPG/rLPG along with DME/rDME infrastructure)

Rather than additional regulations and policy, the federal government should pursue financial investment incentives such as grants and tax credits into emissions reduction technology, similar to what was recently passed in U.S. IRA legislation.

Proposed Methane Emissions Scope

The proposal to expand the application of the regulatory measures to “apply to virtually all facilities potentially handling natural gas” requires clarity. It is unclear whether ECCC proposes to expand regulations to the broader natural gas supply chain or if the intent is to include a multitude of sectors that use natural gas as a fuel source or feedstock.

CPA notes that there is substantive potential for duplication with the proposed changes to the regulatory measures. For example, some facilities are already included in the Output-Based Pricing System Regulations and under provincial pricing programs such as Alberta’s Technology Innovation and Emissions Reduction Regulation (TIER) and under Alberta Energy Regulator’s (AER’s) Directive 60. The majority of available methane reduction opportunities have already been advanced, and a regulatory framework is already in place to monitor and report on methane management performance. Expanding the scope of the methane regulatory measures beyond the current methane regulation scope will increase this overlap between carbon pricing systems and methane regulations.

Conclusion

The world needs more Canadian energy. Whether propane is used domestically or exported, the CPA believes that the government should be encouraging growth and innovation to ensure that Canadian propane is world class in terms of emissions intensity. The Canadian energy sector is a national leader in clean technology investment, annually representing about three quarters of all spending on clean tech in the country. As the energy sector, we make up about 40 per cent of all



investment in environmental protection – precisely because we understand the scale of this challenge.⁵

Energy policies in Europe serve as a cautionary tale of the challenges Canada could face, including issues related to security, affordability, and reliability. Canadians are facing higher fuel prices, and our allies are in desperate need of energy to end dependence on unstable energy suppliers. We can't afford to negatively impact our economy by creating a business environment full of uncertainty and added costs that risk shrinking production. The path to lower consumer costs is enabling growth in supply from democratic nations like Canada to help match growing demand.

CPA strongly recommends further engagement with industry and subject matter experts prior to further advancement of the amendments outlined in the proposed framework. Government is also encouraged to ensure that any further engagement provides the necessary detail and sufficient timelines to allow all parties to meaningfully contribute to the stated methane reduction ambitions.

We support the federal government's goal of methane reduction, however, getting there requires a practical and realistic approach. The CPA looks forward to discussing this submission at your earliest convenience.

Sincerely,



Katie Kachur
Vice President, Government Relations, West,
Canadian Propane Association

⁵ [Canadian Association of Petroleum Producers](#)

