



Canadian Association
Propane canadienne
Association du propane

September 22, 2022

The Honourable Stephen Guilbeault
Minister of Environment and Climate Change
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The Honourable Jonathan Wilkinson
Minister of Natural Resources
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Dear Minister Guilbeault and Minister Wilkinson

Re: Oil Options to Cap and Cut Oil and Gas Sector Greenhouse Gas Emissions to Achieve 2030 Goals and Net-Zero by 2050

The Canadian Propane Association (CPA) thanks Environment and Climate Change Canada (ECCC) for the opportunity to comment on the guiding principles, policy design considerations, and regulatory options presented in the [Options to Cap and Cut Oil and Gas Sector Greenhouse Gas Emissions to Achieve 2030 Goals and Net-Zero by 2050](#) paper.

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 stakeholder engagement efforts with the CPA, as low 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. 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 and remote areas where natural gas is unavailable.

Canadian propane is a low-carbon, affordable, reliable, and versatile energy source that is safe and abundantly available. As Canada 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 gas emissions, as evidenced under Canada's *Alternative Fuels Act*.¹ 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 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 for all Canadians. However, the CPA believes that the federal government should pursue an approach similar to the U.S. approach in the Inflation Reduction Act, which motivates US energy companies to adopt carbon-reduction technology with credits rather than emissions caps. The legislation offers nearly \$370 billion to address climate change with grants and tax credits for more renewable fuel and power development. This type of financial incentive for the Canadian energy sector would greatly help the propane sector accelerate our advancement towards our low emissions goal.

The CPA submits the following comments to ECCC as it pertains to the proposed *Options to Cap and Cut Oil and Gas Sector Greenhouse Gas Emissions to Achieve 2030 Goals and Net-Zero by 2050*. The following text provides detailed responses to the discussion questions posed in the paper.

Question #1 How do you envision the future of the oil and gas sector in the Canadian economy or your community?

The CPA is focused on supporting Canada's climate change goals while continuing to ensure access to a secure, reliable and affordable energy supply for Canadians, including those living in Indigenous, rural and remote communities. Propane is one of the most versatile energy sources with an unmatched distribution infrastructure, reaching Canadians where the electrical grid cannot. It can be made available – today - to every Canadian, from coast to coast to coast.

Many businesses across the country make up the industry's robust distribution network, including oil and gas production companies; processing and storage firms; transportation and logistics businesses; and wholesale and retail fuel sellers. Canadian propane markets are diverse, with most of the supply coming from gas plants across Canada and with industrial, commercial, and residential users accounting for a significant share of domestic demand—mainly across Ontario, Alberta, and Quebec. Propane often supports small businesses across our country; for example approximately one-third of CPA members' (producer, retail or wholesale) annual volumes are under 3,999 m³ or gross annual sales under \$500,000.

As propane in Canada is a coproduct of natural gas production, propane production will closely follow natural gas production. The CPA notes that Canadian propane production is expected to increase over the medium term, as evidenced by the recent Canadian Energy Regulator (CER)

¹ [Alternative Fuels Act \(justice.gc.ca\)](https://www.justice.gc.ca)

forecast.² The CER notes (in the Current Policies Scenario), that total NGL production grows 70% to 1,967 Mb/d (313 10³m³/d).³ 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 and supporting value-added and economic diversification programs. The industry is comprised of the some of the largest and best known energy companies in Canada, that concentrate on the production side, and many small to medium sized businesses that direct the wholesaling, retailing, marketing and transportation segments. 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 Xení Gwet’in in BC⁴— as we look to support Indigenous communities replacing diesel with propane as a primary or backup energy source.

Propane serves a modest but important role for millions of Canadians and any constraints on natural gas production activities would have a direct impact on propane production – and use – across Canada. Canada’s strong and growing propane industry involves hundreds of businesses, tens of thousands of employees, and millions of customers across Canada. Jobs would be at risk if there was reduction in natural gas and oil production in Canada.

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, whether it’s reducing GHGs, increasing efficiency or mitigating energy costs. It is important that propane be given an equal opportunity to participate in Canada’s energy mix as policies and programs are developed.

Question #2 What do you see as the role of your organization or community in contributing to reducing oil and gas sector emissions in Canada?

The CPA supports a sustainable, affordable and equitable transition to clean energy for all Canadians. The Canadian propane sector, with a carbon intensity comparable to natural gas,⁵ 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.

² [Canada’s Energy Future 2021 \(cer-rec.gc.ca\)](https://www.cer-rec.gc.ca)

³ [Canada’s Energy Future 2021 \(cer-rec.gc.ca\)](https://www.cer-rec.gc.ca)

⁴ [Hybrid solar power burns cleaner for Xení Gwet’in | BC Gov News](https://www2.gov.bc.ca/gov/news/2021/04/21_hybrid_solar_power_burns_cleaner_for_xeni_gwet_in)

⁵ [GHG-emissions-intensity-of-Canadian-propane-EN-4-1.pdf](https://www2.gov.bc.ca/gov/news/2021/04/21_hybrid_solar_power_burns_cleaner_for_xeni_gwet_in)

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.⁶

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.

The propane sector has demonstrated that we are committed to investing in innovation and technology to further reduce our emissions, while ensuring millions of Canadians that rely on propane on a daily basis continue to have access to heat their homes and power their cars. Beyond its utilization in homes, businesses and fleets, propane can play a vital role in climate change mitigation and adaptation initiatives – today - by immediately replacing diesel as a lower emissions fuel.

Question# 6 What potential short or long-term socio-economic impacts do you foresee or anticipate for particular regions or population groups resulting from an oil and gas emissions cap in general, and more specifically, the two proposed regulatory options?

As Canada continues to examine the path to net zero, it is important to consider that the energy transition will not look the same across our country and regional considerations must be a pillar of any climate-based policy. As we move towards net-zero, we need to ensure that clean energy is accessible to all Canadians, 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 Canada, and a move away from overly prescriptive regulations. Overly prescriptive and complex regulations will result in higher costs for propane customers across Canada, many of whom do not have the same energy choices that

⁶ [NREL Study: Refineries Increase Revenue and Reduce Carbon Footprint with Renewable Propane | PERC](#)

Canadians living in cities do. Affordability must be a pillar of any net zero strategy, and propane should have an opportunity to play a role for millions of Canadians.

Question #8 “should the cap include petroleum refineries and natural gas transmission pipelines?”

The CPA does not believe the cap should apply to midstream and downstream facilities, as the emissions from this sector are already covered under carbon pricing systems as well as the Clean Fuel Regulations. As well, 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 CPA encourages ECCC to further recognize that the multitude of regulations targeting emissions reductions are already complex to navigate and may be detrimental to emission reductions targets. CPA suggests that the federal government allow for the current regulations to mature and demonstrate their effectiveness before implementing any new measures. Investment in emissions reductions in the oil and gas sector requires significant capital deployment, and that capital needs to see Canada as a stable jurisdiction for investment, otherwise investments may go elsewhere, impacting the entire Canadian economy.

CPA Recommendation: The scope of the emissions cap be limited to the upstream sector alone.

Question #20: What opportunities exist for coordination among federal and provincial and territorial measures?

Coordination begins with the federal government, with leadership and a focus on ensuring that policies are practical, affordable and in alignment with all other applicable regulations. For example, propane is already captured under numerous provincial renewable fuel requirements⁷ as well as the various jurisdictional carbon pricing regimes – therefore midstream and downstream emissions should be excluded from this cap, if implemented, as proposed above.

Further, duplicating or “pancaking” climate-related policies will add unnecessary complexities and layering of regulations, which will hinder investment and create unnecessary uncertainty for the entire energy sector and the entire supply chain across Canada. There are many policies, regulations and consultations underway that impact the propane sector, which include but are not limited to:

- Net-Zero Emissions Accountability Act
- 2030 Emissions Reduction Plan
- Methane Reduction
- 2035 ZEV Mandate
- NRCan CCUS Strategy / tax credit
- Carbon Border Adjustment Consultation
- Strategic Assessment of Climate Change – Technical Guidance
- Clean Fuel Regulations
- Federal GHG Offset Credit System Regulations
- CSA – Disclosure of Climate-related matters engagement
- Just Transition

⁷ [What are the Clean Fuel Regulations? - Canada.ca](#)

- National Infrastructure Assessment
- Federal carbon pricing
- Output-based pricing for large emitters (OBPS)
- Clean Electricity Regulation

The extensive list above demonstrates the amount of activity in this space, much of which is not coordinated and aligned from the federal government, which creates uncertainty in the energy sector. CPA fundamentally disagrees with the statement that a *“regulation to cap and cut oil and gas sector emissions will send a clear, long term policy signal to incent investment in clean technologies, low-carbon energy assets and infrastructure.”* There are policies and regulations in place that are focused on emissions reductions and time is needed to allow existing measures to prove their effectiveness.

Adding additional policies before existing policies and regulations can prove their emissions reduction potential is economically inefficient and will disproportionately impact some parts of the economy and country. The federal government must ensure a balanced approach to emissions reduction, one which includes all sectors, with equitable and pragmatic approaches to the transition. The proposed cap and trade system for the energy sector is punitive towards one sector and does not acknowledge the significant emissions generated from other industries, such as transportation, buildings and electricity. The federal government must take a ‘whole of economy’ approach when looking at emissions reductions to ensure equity, effectiveness and minimal carbon leakage.

Question #21. How should a cap on GHG emissions be implemented to maximize emission reductions while avoiding potential challenges related to layering of multiple policies and regulations?

Currently, there is no harmonization between provincial governments regarding climate policies, and limited harmonization with the federal government. This lack of coordination across jurisdictions creates uncertainty, which ultimately impacts investment – a key tenant of emissions reduction for the energy sector. 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 duplicative 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.

Question #22. What other factors related to implementation should be considered in developing an approach to cap and cut GHG emissions from the oil and gas sector?

While the paper acknowledges the importance of climate security, consensus among the propane sector and the energy sector at large is that 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. Energy policies in Europe serve as a cautionary tale of the challenges Canada could face, including issues related to security, affordability, and reliability.

As other stakeholders have already noted, 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.

Propane can be used today to reduce emissions and, with further innovation on the horizon, such as renewable propane, low-carbon Canadian propane can serve the energy needs of future generations with even more sustainable solutions. Rather than layering on new regulations, we believe Canada should use rules they already have in place. Rather than additional regulations and policy, the federal government should pursue financial investment incentives such as grants and tax credits into emissions reduction technology rather than emissions caps, similar to what was recently passed in U.S legislation.

The CPA encourages ECCC to collaborate with the propane sector to seek opportunities for investment and partnership to support a future that incorporates net zero propane.

We support the federal government's goal of net zero by 2050. 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 initial 'S'.

Shannon Watt,
President & CEO
Canadian Propane Association