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Environmental Defence Canada

Comments on the Government of Canada's Draft Strategic Assessment of Climate Change

Submitted to:
Environment and Climate Change Canada

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About Environmental Defence Canada
Environmental Defence Canada (EDC) is Canada's leading environmental action organization, working to defend clean water, a safe climate and healthy communities. EDC challenges and inspires change in government, business and people to ensure a healthier and prosperous life for all.

EDC has participated actively in the federal environmental law reform process since consultations began in 2016. Last year EDC submitted comments on the Government of Canada's Discussion Paper on Developing a Strategic Assessment of Climate Change. At the time, we applauded the government's prioritization of the strategic assessment and its efforts to ensure Canada's environmental laws and project review processes align energy and industrial projects with the country's climate commitments.

The *Impact Assessment Act, 2019* (IAA) lays a strong foundation for aligning impact assessments (IAs) with a climate-safe future by requiring federal reviews to consider whether projects would "hinder or contribute to" meeting Canada's climate change commitments. The role of a strategic assessment of climate change (SACC) should be to provide a framework for this consideration which allows decision-makers to assess whether or not an individual project is compatible with a climate-safe future and make decisions accordingly.

What is being proposed in the draft SACC does not do this and should not be called a strategic assessment. It is little more than a guidance document on information requirements related to climate change at various points in the IA process. We have no confidence that as proposed the draft SACC will lead to better environmental outcomes or that projects that are incompatible with a climate-safe future will be adequately assessed. The recommendations that were thoughtfully developed by numerous environmental organisations and academics were clearly ignored. Government officials will have heard from numerous organisations that there is a collective sense of frustration at the lack of transparency in the development of the draft SACC.

By signing the Paris Agreement, Canada made a commitment to do its fair share "to limit global average temperature rise to well below 2 degrees Celsius (2°C) above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C."[1] Canada's Mid-Century Long-Term Low-Greenhouse Gas Development Strategy aims for an 80 per cent reduction in emissions below 2005 levels by 2050.[2] If Canada is to enhance the ambition of its Paris Agreement commitments, Canada should be aiming for decarbonization by mid-century. The development of a robust SACC represents both an opportunity and a test for the government's resolve on meaningful action on climate. Without a meaningful SACC, Canadians should not expect that IAs will do a better job of ensuring projects are consistent with our climate commitments.

We recommend that the government start again with the development of an actual strategic assessment of climate change. This work should be undertaken by an independent expert panel. Rather than building off of the draft

[1] The Paris Agreement. (April 2016). Retrieved from: https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&lang=_en&clang=_en

[2] Government of Canada. Canada's Mid-Century Long-Term Low-Greenhouse Gas Development Strategy. (2016). Retrieved from https://unfccc.int/files/focus/long-term_strategies/application/pdf/canadas_mid-century_longterm_strategy.pdf

SACC, a better starting point for the development of a robust strategic assessment is *From Paris to Projects: Clarifying the implications of Canada's climate change mitigation commitments for the planning and assessment of projects and strategic undertakings.*[3] This report is the culmination of two years of consultation with Canadian and international climate experts, including lawyers, scientists, scholars and climate campaigners.

Below, we have included an analysis of the role of a strategic assessment of climate change, as well as specific recommendations:

- In order to determine whether a project helps or hinders progress on climate, a strategic assessment should delineate pathways to achieve decarbonization by or before mid-century.
- The development of a robust SACC should be led by an independent expert panel.
- A strategic assessment must include downstream emissions. Furthermore, for the draft SACC to exclude downstream emissions yet allow the consideration of displaced emissions and international offsets is not only inconsistent, but unreasonably generous to greenhouse gas emitters.
- Including an assessment on potential impact on carbon sinks is a positive step. However, there must be clarity around how this will be carried out. The analysis should be extended to include carbon reservoirs as well as sinks, and consider all carbon fluxes (sources and sinks) of ecosystem carbon, including from forests, wetlands, peatlands, and agricultural land.
- Any measures to consider carbon leakage in the IA of an individual project should be targeted, transparent and temporary and reserved for specific firms and sectors. In assessing leakage risk, the SACC must consider the overarching frame of decarbonization by mid-century.
- The SACC must consider energy information and modelling that is consistent with decarbonization and the implementation and goals of the Paris Agreement.

The Role of a Strategic Assessment of Climate Change

IAs are an important tool for meaningful action on climate. The decisions made today with regards to Canada's energy and industrial infrastructure will have consequences for generations to come. Unfortunately, environmental assessments in Canada have long failed to ensure that project approvals are consistent with a climate-safe future. Project after project with high emissions have been approved, as decision-makers make vague statements about consistency with GHG reduction strategies, without any proof that these declarations are true, and without even a framework through which to assess them. The SACC is an essential tool in addressing this problem and providing that framework for IAs.

For the SACC to succeed and produce useful and binding guidance for the IA process, it must provide a framework for assessing whether and to what extent

[3] Gibson *et al.* (2019). *From Paris to Projects: Clarifying the implications of Canada's climate change mitigation commitments for the planning and assessment of projects and strategic undertakings.* Retrieved from https://www.cqde.org/wp-content/uploads/2019/02/P2P-full-report-23jan19.pdf

an individual energy or industrial project would contribute to or hinder progress on Canada's ability to do its fair share to pursue efforts to limit the increase to 1.5°C.

In order to do this, the SACC should explore different options to achieve this target, including:

- Identifying pathways to decarbonization by or before mid-century, including on a sector-by-sector basis, to guide the assessment of whether a proposed project would help or hinder Canada from staying on the relevant pathway;
- Setting an overall GHG budget for Canada (the amount of GHGs in CO2 equivalents that Canada has left within a "fair share" ceiling under the Paris Agreement). This could include GHG allocations to regions, sectors and years, with analysis of whether individual projects help or hinder Canada from staying within sectoral, regional, or overall carbon budgets. Applied at the project level, carbon budgeting could show whether there would be room for a proposed project's GHGs.

The draft SACC's stated objective is to provide guidance on how federal IAs will consider a project's GHG emissions. But it misses even this insufficient objective. Instead, what is being proposed in the draft SACC is nothing more than guidance on information requirements related to climate change at key steps in IA process. This was made abundantly clear when ECCC officials reiterated that the role of the SACC was to provide decision-makers with relevant information, and not guide their decision-making. In fact, the draft SACC does not provide guidance on how climate consideration fits into determining whether a project is in the public interest. It should therefore not be called a strategic assessment.

A SACC should contribute to greater public and political understanding of climate mitigation obligations and opportunities and thereby lay the groundwork for informed and farsighted policy making. It should assess the potential for the construction of high-carbon projects to become stranded assets in a decarbonized world or to contribute to "carbon lock-in" that incentivizes the continued extraction and combustion of fossil fuels for many years or even decades.

The tools needed for the SACC to clarify what is needed to achieve mid-century decarbonization already exist. Decarbonization pathways for Canada have been plotted in several studies.[4] The United Kingdom has provided a useful initial model for carbon budgeting.[5]

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[4] Key studies based on independent modeling include:

- Deep Decarbonization Pathways Project (DDPP) reported in C. Bataille et al., Pathways to deep decarbonization in Canada (Sustainable Development Solutions Network and Institute for Sustainable Development and International Relations, 2015). Retrieved from http://deepdecarbonization.org/wpcontent/uploads/2015/09/DDPP_CAN.pdf;
- Solutions Project reported in Mark Z. Jacobson et al., "100% Clean and Renewable Wind, Water, and Sunlight All Sector Energy Roadmaps for 139 Countries of the World," Joule 1 (September 6, 2017), pp.108–121 plus supplemental information. Retrieved from https://web.stanford.edu/group/efmh/jacobson/Articles/I/CountriesWWS.pdf;
- Energy and Materials Research Group (EMRG), Mark Jaccard, Mikela Hein and Tiffany Vass, Is win-win possible? Can Canada's government achieve its Paris commitment ... and get re-elected? (Burnaby: SFU EMRG, 20 September 2016). Retrieved from http://rem-

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Developing the SACC

EDC was one of many environmental organisations that called for the development of the SACC to be led by an independent expert panel. We are very disappointed that instead, the SACC was done in-house at ECCC.

A SACC conducted by an expert panel would be consistent with the approach set out in section 95 of the *Impact Assessment Act*, which allows the Minister to establish a committee (or appoint the Agency) to conduct a strategic assessment. As the first strategic assessment, this process failed to create a precedent for future successful strategic assessments.

Given the politicization of energy decisions, in order for the SACC to be credible it must, to the extent possible, be impartial, free from political interference, and transparent. It must also be sufficiently expert to as interpret the implications of Canadian policies for meeting the Paris commitments. The questions we need to ask in order to best assess projects and activities for their climate implications are best addressed by an expert panel that is independent of government.

Excluding Downstream Emissions Inconsistent with Climate Commitments

Despite recommendations from environmental organisations and academics, the draft SACC unnecessarily and inappropriately constrains the scope of project-level assessments by excluding the downstream emissions of energy and industrial projects that operate within Canada. Precluding the assessment of lifecycle emissions severely undermines the purpose and value of any assessment to determine whether a project is compatible with Canada's domestic and international commitments and doing its fair share to achieve the Paris agreement.

Recent research shows that the total amount of emissions from Canada's exports of fossil fuels is greater than all GHG emissions that occur within Canada.[6] For a wealthy nation like Canada to produce and export that volume of fossil fuels without considering their downstream impacts is not consistent with Canada doing its "fair share" to achieve the Paris Agreement.

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main.rem.sfu.ca/papers/jaccard/Jaccard-Hein-Vass%20CdnClimatePol%20EMRGREM-SFU%20Sep%2020%202016.pdf;

- Government of Canada, Mid-Century Long-Term Low-Greenhouse Gas Development Strategy. (2016). Retrieved from http://publications.gc.ca/collections/collection_2017/eccc/En4-291-2016-eng.pdf, pp.83-87.

[5] See, for example, UK Department for Business, Energy and Industrial Strategy, Guidance on Carbon Budgets. Retrieved from https://www.gov.uk/guidance/carbon-budgets; and University College London Energy Institute Models. Retrieved from https://www.ucl.ac.uk/energy-models/models.

[6] Canadian Centre for Policy Alternatives. Extracted Carbon: Re-examining Canada's Contribution to Climate Change through Fossil Fuel Exports. (January 2017). Retrieved from https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office%2C%20BC%20Office/2017/01/ccpa_extracted_carbon_web.pdf.

Furthermore, there is precedent in the energy project review process for considering downstream and lifecycle emissions. In August 2017, the National Energy Board (NEB) panel reviewing the Energy East pipeline ruled that it would consider downstream and lifecycle emissions.[7] In the era of climate change, there's no credible reason for the project review process to break with this precedent set by the NEB. Jurisdictions both within Canada and around the world are beginning to consider lifecycle emissions in their assessment of energy and industrial projects. If Canada is to be a climate leader, it should to the same.

We were further disappointed that the draft SACC even goes a step further, by excluding downstream emissions yet allowing for the consideration of displaced international emissions and international offsets. This approach is not only inconsistent, but unreasonably generous to greenhouse gas emitters.

The use of GHG offsets and carbon credits is permitted in UNFCC reporting and the pan-Canadian framework and should therefore be considered in the SACC and the IA process, as long as they are real, measurable, verifiable and additional. However, the validity of offsets in the carbon accounting process underscores why consideration of downstream GHG emissions must also be valid.

The argument that projects can displace international emissions argument is often invoked to justify unconventional natural gas development (hydraulic fracturing, or "fracking") projects or natural gas export facilities, which presumably would displace the burning of coal. It is also invoked to justify new oil extraction projects, under the assumption that the oil would simply be extracted from another source if not in Canada. However, these assumptions are being challenged by new research. A recent research paper by the Stockholm Environment Institute estimates that, for every barrel of Canadian oil left undeveloped, global oil consumption drops by between 0.2 and 0.6 barrels[8]. The SACC must therefore consider the very real possibility that building new oil and gas projects in Canada will not result in global emissions reductions. On the contrary, new high-carbon projects can lock-in lifecycle emissions that are inconsistent with the Paris Agreement.

If project proponents can account for emissions reductions elsewhere in Canada or internationally and the displacement of international emissions, then it follows that the downstream emissions caused by a project in Canada or internationally should also be assessed.

Carbon sinks

We were happy to see the inclusion of impact on carbon sinks in the assessment process. However, we are concerned about the lack of clarity that was provided

[7] The Toronto Star. Energy East pipeline to review upstream, downstream greenhouse gas emissions. August 2017. Retrieved from https://www.thestar.com/business/2017/08/23/energy-east-pipeline-to-review-upstreamdownstream-greenhouse-gas-emissions.html.

[8] Stockholm Environment Institute. Confronting carbon lock-in: Canada's oil sands. (May 2018). Retrieved from https://www.sei.org/publications/confronting-carbon-lock-canadas-oil-sands/

both in the draft SACC as well as by ECCC officials on how "potential impact" on carbon sinks will be assessed.

Similarly, it seems like an important oversight to focus on carbon sinks rather than including both sinks and sources, and impacts on carbon stores/reservoirs. Rather, the SACC should consider all sources and sinks of ecosystem carbon, including a project's impact on the disruption of carbon reservoirs, such as peatlands, as these disruptions can have significant climate impacts. If ECCC intended to capture all carbon fluxes, that should be made explicit.

Carbon Leakage

Only firms that face genuine competitiveness pressures should be assessed for carbon leakage risk. Any measures to consider carbon leakage in the IA of an individual project should be targeted, transparent and temporary and reserved for specific firms and sectors. In assessing leakage risk, the SACC must consider the overarching frame of decarbonization by mid-century. The extent to which leakage factors into a project's assessment should decline in line with increasing emissions reduction ambition, tightening carbon budgets, and narrowing pathways toward decarbonization.

Global Energy Supply and Demand Forecasting

The SACC must consider energy information and modelling that is consistent with decarbonization and the implementation of the Paris Agreement.

A growing number of industry analysts are forecasting a peak in global oil demand far sooner than the National Energy Board's (NEB) models. The Carbon Tracker Initiative and Grantham Institute predict that peak demand could come as early as 2020.[9] The McKinsey Energy Outlook sees peak demand arriving between 2025 and 2030.[10]

Yet Canada's federal government, as well as industry proponents, continues to forecast strong growth in global demand for oil, as well as continued growth in Canadian oil production and exports, such as in the NEB's annual Canada's Energy Futures reports. Of particular concern are scenarios that assume growth in oil demand that would see the Paris Agreement fail. The NEB, for example, used oil demand and supply scenarios that would cause global temperatures to rise between 4°C and 6°C, far above the 2°C limit agreed to in Paris that climate science says would give the world a decent chance of averting dangerous warming. A temperature increase of four to six degrees would cause catastrophic and irreversible climate change that could make the planet uninhabitable for organized

[9] Carbon Tracker Initiative and the Grantham Institute. (February 2017). Expect the Unexpected: The Disruptive Power of Low-Carbon Technology. Retrieved from http://www.carbontracker.org/wpcontent/uploads/2017/02/Expect-the-Unexpected_CTI_Imperial.pdf

[10] 9 McKinsey & Company. (June 2016). Is peak oil demand in sight? Retrieved from http://www.mckinsey.com/industries/oil-and-gas/our-insights/is-peak-oil-demand-in-sight

human society. The federal government is doing a disservice to Canadians by failing to incorporate global oil supply and demand scenarios in line with the Paris agreement in its studies of energy markets, and using these scenarios as the basis for decisions about energy development.

Currently, the newly created Canadian Energy Regulator (CER) does not produce the data that Canada's decision-makers need to consider whether an energy project is aligned with Canada's climate commitments and global scenarios for fossil fuel demand and supply in line with the Paris agreement. The SACC must rectify this situation by considering energy statistics and modelling that are consistent with the Paris Agreement.

Conclusion

EDC is highly disappointed with both the process run by ECCC as well as the contents of the draft SACC. What has been proposed is not aligned with the strong foundation laid out in the *Impact Assessment Act.*

Given the uncertainty and politicization of decision-making on high-carbon projects like pipelines, it is critical that the SACC gives useful and clear guidance to decision-makers considering projects that could hinder or contribute to Canada's ability to meet its climate commitments. Failing to undertake a robust SACC will result in individual project IAs continuing to be the focal points of controversy over energy and industrial projects, and whether they are inconsistent with climate commitments.

The development of a robust SACC represents an enormous opportunity for the government to align its decision-making around energy and industrial projects with a climate-safe future. However, the draft SACC fails to deliver on the promise that it will provide a framework for making sound decisions related to energy development and action on climate change.