THE SINGLE BIGGEST BARRIER TO CLIMATE ACTION IN CANADA: the Oil and Gas Lobby

OCTOBER 2019

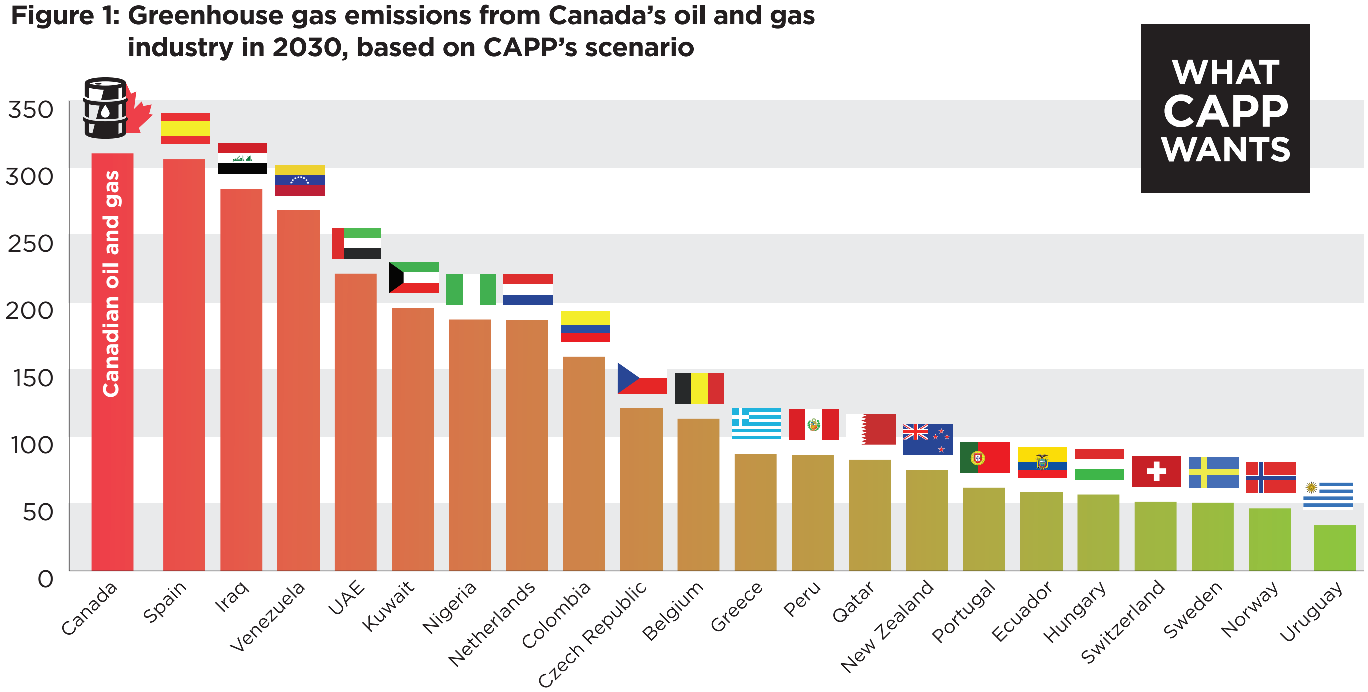
Runaway climate change is a serious concern. In Canada, the need to address this looming crisis is increasingly urgent, as the country warms at twice the rate of the global average. Already, the impacts are being felt.

The year 2019 has seen many fires in the Arctic, increased flooding nationally, and a spike in invasive species such as black-legged ticks. To ensure the continued health and wellbeing of Canadians, there is a pressing need to limit the impacts of climate change. The scope and scale of this challenge means that we need to act together – in part, through government.

What needs to happen to reduce emissions is well understood. In fact, many sectors of the economy have reduced their emissions and there are known pathways to fully decarbonize the Canadian economy. Governments in Canada have acted upon many of these opportunities, except with respect to the oil and gas sector, which has the highest carbon emissions in the country. Moreover, policies that would help reduce emissions across the economy have been undermined, delayed—and even killed—because of the influence of oil companies.

Not only is the oil and gas sector already the largest source of emissions in Canada, but if they were to get their way, they would grow those emissions significantly. **Environmental Defence commissioned economic research that found that the election wish list published by the Canadian Association of Petroleum Producers (CAPP) would increase Canada's carbon emissions by 116 million tonnes.**[1] In that scenario Canada's oil and gas sector would be emitting 311 million tonnes, making emissions from that one industry representing 1/14 of the Canadian economy greater than the emissions of 170 countries in the world.[2]

Figure 1: Greenhouse gas emissions from Canada's oil and gas industry in 2030, based on CAPP's scenario



The economic benefits that are used to justify the power given to oil companies are increasingly tenuous. Jobs in the sector, and revenue collected by governments, continue to be cut even as production increases and profits remain in the billions of dollars.

Although many oil companies pay lip service to climate change action, they do so while emitting more and more carbon, lobbying hard against environmental regulations, and passing on the responsibility for clean up to the public. The urgency being communicated by the world's climate scientists—and the communities already feeling the devastating impacts of climate change—appear to not make much difference.

The public interest is not being served when governments cater to the demands of large, multinational oil and gas companies. Canadian decision makers need to put the brakes on the demands of the oil and gas companies to expand their production, and the carbon emissions that go with it. This report lays out why government leaders need to stop listening to oil and gas lobbyists at the expense of Canadians. That begins with implementing policies that will curtail the climbing emissions from oil and gas companies, and that will kickstart the transition to clean energy production and use.

Carbon emissions from oil and gas

The oil and gas sector is the greatest and fastest rising source of carbon pollution in Canada, now responsible for 27 per cent of the country's greenhouse gas (GHG) emissions. Its emissions have almost doubled since 1990, representing 80 per cent of Canada's increase in emissions over that time.[3]

Figure 2: Increase in greenhouse gas emissions and emissions intensity between 1990 and 2017

Oil and gas GHG emissions

▲84%

Average GHG emissions per barrel of Canadian oil

▲16%

The Canadian Association of Petroleum Producers

CAPP is the main lobby organization for petroleum companies operating in Canada. It represents companies that produce about 80 per cent of Canada's oil and natural gas, as well as service companies such as pipeline companies. It has four offices across Canada and employs 90 people, almost half of whom are registered lobbyists.

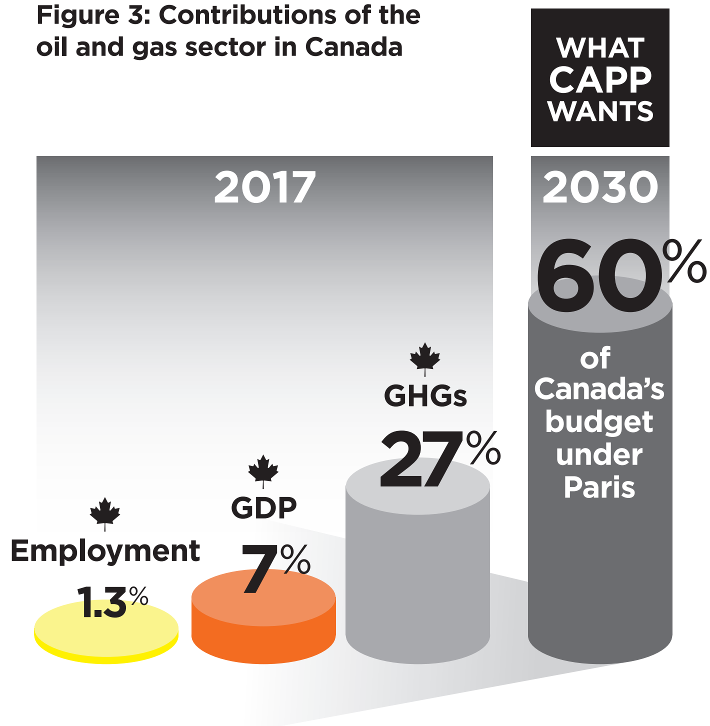
Despite all the rhetoric from industry about "taking the carbon out of the oil barrel," average carbon emissions per barrel of Canadian oil keeps getting worse, increasing by 16 per cent since measurements began in 1990.[4]

But oil and gas companies expect still more growth. CAPP has produced an election wish list for both the 2019 Alberta and federal elections, which show that, at a time when we need to drastically cut emissions, the industry wants to grow its emissions – a lot. CAPP's federal election demands include the axing of environmental regulations, ever greater production of oil and natural gas, more pipelines, and more Liquefied Natural Gas (LNG) terminals.[5]

Acquiescing to these industry demands would be disastrous for the climate, contributing to greater wildfires, more flooding, and more extreme weather events across Canada. That's because satisfying those demands would mean Canada's emissions would increase by an estimated 116 million tonnes per year by 2030.[6] Just the growth in emissions would be equivalent to the emissions of more than 60 low-emitting countries combined.

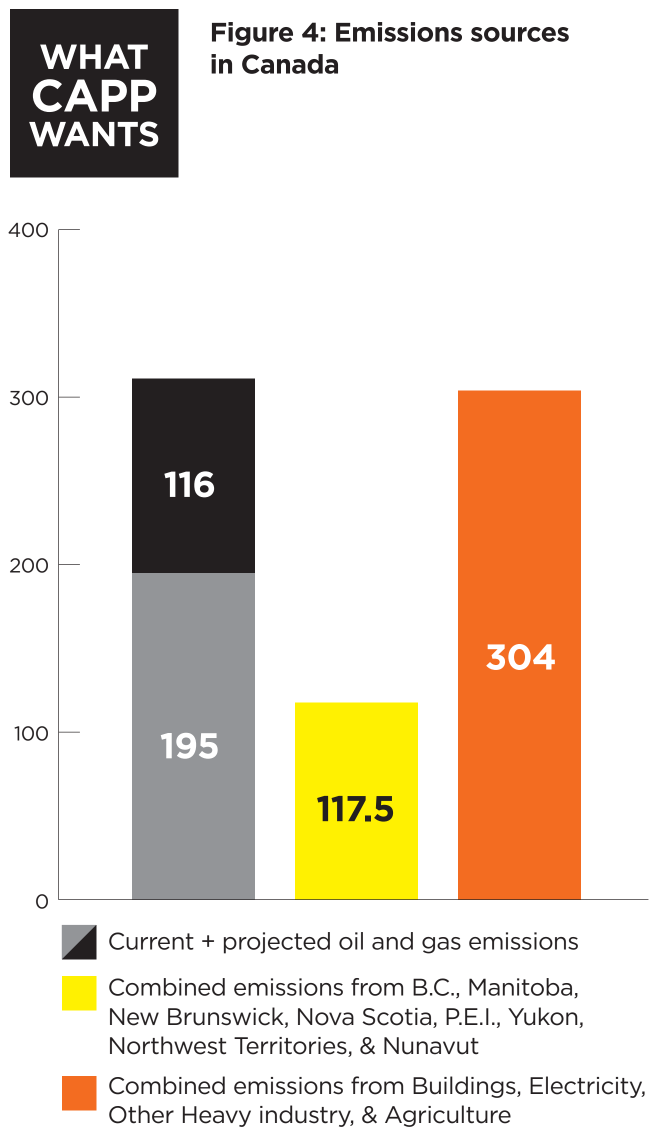
That's in addition to the 195 Mt oil and gas companies already emit. A sector that represents seven per cent of Canadian GDP and 1.3 per cent of Canadian employment[7]—and already emits 27 percent of Canada's GHGs—wants to use 60 per cent of the carbon budget available to Canada given its commitments under the Paris Agreement.

Figure 3: Contributions of the oil and gas sector in Canada



Source: EnergyExchange. (2018). "Energy and Canada's GDP." Accessed at: http://www.energy-exchange.net/fuel-electricity-canadian-gdp/

Figure 4: Emissions sources in Canada



Source: Environment and Climate Change Canada. (2019). "National Inventory Report 1990–2017: Greenhouse Gas Sources and Sinks in Canada: Part 1." Accessed at: https://unfccc.int/documents/194925

Allowing this massive growth in carbon emissions from oil and gas companies would result in one of two scenarios. The first is that other sectors or provinces would have to dramatically shrink their emissions to accommodate this growth. If Canada is to meet its Paris pledge, the collective emissions of British Columbia, Manitoba, New Brunswick, PEI, and Nova Scotia, plus the three territories would have to disappear entirely by 2030 just to make room for the *growth* in oil and gas emissions.[8] Another option: entire sectors (electricity, heavy industry, buildings, or agriculture) would have to eliminate more than they currently emit.[9] This is on top of the growth in Canadian carbon emissions since 1990 that oil and gas companies have already created.

The other scenario is one that will likely create runaway climate change.

Canada's oil is both high carbon and high cost so in a climate safe future, it will be one of the first sources to be phased out.[10] Planning on more Canadian oil production in 2030 is banking on higher *global* oil production and carbon emissions, and truly dangerous levels of climate impacts.

How oil companies get their way

Oil and gas companies haven't just played an outsized role in emitting GHGs and accelerating climate change. Their lobbying efforts have also contributed to weakening existing environmental policies and killing or delaying proposed climate policies. One of the main ways they do this is by having paid lobbyists continuously meeting with government officials.

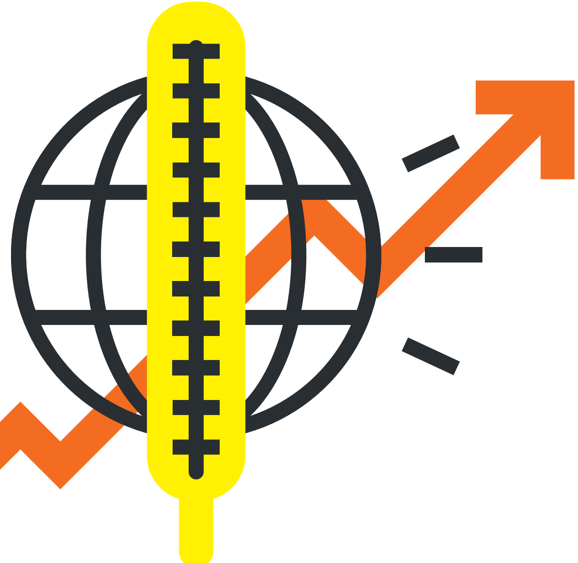
Academic research found that fossil fuel interests, led by oil and gas companies and industry associations, had 11,000 meetings with the Canadian government between 2011 and 2018.[11] That's almost four meetings per day every single day of the year for almost a decade. In 2017 alone, CAPP's 38 registered lobbyists met with an impressively broad list of decision makers: Ministers Bill Morneau (Finance), Jim Carr (Natural Resources), Catherine McKenna (Environment and Climate Change), and Dominic Leblanc (Fisheries); high-ranking officials in the Prime Minister's Office; Official Leader of the Opposition Andrew Scheer; and departmental officials at the ministries of Environment and Climate Change, Finance, Natural Resources, Fisheries, Global Affairs, Indigenous Affairs, and Transport.[12]

As described in the next section, the oil industry's lobbying efforts were rewarded in numerous ways by multiple governments of different political stripes.

HOW THE OIL LOBBY IMPACTS CANADA'S LAWS

Environmental laws protect the health and wellbeing of all Canadians, by curbing pollution, ensuring minimum standards and safeguarding our public spaces. At the oil industry's urging, successive governments have carved out major exemption and special treatment in Canada's environmental laws for the oil and gas industry – and to the detriment of citizens.

	Killed	Weakened	Delayed	
Environmental review process for industrial projects (2012)		✓		In 2012, at the urging of the oil industry, 6 pieces of legislation were gutted and replaced with much weaker protection for land, air and water.
Environmental reviews for industrial projects (2019)		✓		The attempt to fix the 2012 law was subject to extensive lobby campaign. In the end, some high carbon projects were exempted entirely.
Water protection		✓		The 2012 water protection act excluded 99.7 percent of Canada's lakes and 99.9 percent of Canada's rivers from federal oversight.
Carbon Pricing	✓	✓	✓	In 2012, the oil and gas industry successfully killed a carbon pricing proposal. The 2019, carbon pricing rules were delayed one year and exempted 80% of emissions from the oil and gas sector.
Methane reduction		✓	✓	Through extensive lobbying, the industry won a 2 to 4 year delay – adding 55 megatonnes of emissions—and some weaker rules as well.
Clean Fuel Standard		✓	✓	Delayed until after the 2019. Industry won a major concession that counts all oil as the same (regardless of carbon) but continues to push for complete expemption.



GUTTING EXISTING ENVIRONMENTAL POLICIES

One of the ways that oil and gas companies were able to influence public policy to serve their narrow interests was by convincing the federal government to cut back on environmental protection.

The new Navigable Waters Protection Act excluded 99.7 percent of Canada's lakes and 99.9 percent of Canada's rivers from federal oversight

2012 Environmental Assessment rules

In 2012, a number of environmental bills, including the Canadian Environmental Assessment Act that governs how proposed industrial projects are assessed, were significantly weakened in ways that benefited oil and gas companies. Access to Information requests show that in December 2011, four oil and gas industry associations including CAPP sent a letter to two ministers in former Prime Minister Stephen Harper's government asking that six environmental laws that govern the oil and gas sector be reformed to encourage petroleum development.[13]

But the oil and gas industry didn't just ask for changes to those environmental laws. They also lobbied federal officials to undertake all those environmental changes in one bill.[14] So-called omnibus bills undergo little media scrutiny or parliamentary debate because so many amendments are packed into one bill.

The federal government complied. Four months after the oil and gas industry letter, the federal government introduced an omnibus bill that, spread over hundreds of pages, dramatically weakened three environmental laws and replaced the Canadian Environmental Assessment Act with a much weaker law—CEAA 2012.[15] Under this new assessment act, thousands of proposed industrial, infrastructure and other projects no longer needed to undergo a federal assessment, and those few projects that were assessed received much less scrutiny.[16]

Water protection

That fall, another omnibus bill slashed one of Canada's oldest environmental laws, the Navigable Waters Protection Act (NWPA). The new Act excluded 99.7 percent of Canada's lakes and 99.9 percent of Canada's rivers from federal oversight, and significantly weakened protection of the lakes and rivers that were still regulated.[17]

Perhaps most significantly, the omnibus bills handed over considerable power to the National Energy Board (NEB), a regulatory body responsible for assessing new energy projects that has been widely criticized as being a "captured regulator."[18] The NEB Act was among the six pieces of legislation the industry associations asked the Canadian government to amend. The new rules gave the NEB greater power to deny members of the public from having a say in pipeline decisions, bypass laws to protect species at risk, and allow pipelines to cross rivers and streams.[19]

KILLING OR WEAKENING NEW POLICIES

Oil and gas companies have also been able to use their lobbying muscle to prevent new environmental policies from being passed. For example, in 2013, access to information documents showed that the oil industry successfully delayed,[20] and then killed, carbon pricing under former Prime Minister Stephen Harper's government.

At other times, the oil and gas industry wasn't able to entirely derail proposed climate bills. In those cases, petroleum companies worked to make the proposed policies as weak as possible.

Carbon pricing

For example, in 2013 CAPP was not just opposing the federal carbon price but also Alberta's carbon levy.[21] But by 2015, with new federal and Alberta governments elected on a platform to tackle climate change, several major oil companies saw the writing on the wall and publicly supported Alberta Premier Rachel Notley when she unveiled the Alberta Climate Leadership Plan.

However, CAPP took a harder line than individual member companies, lobbied hard for major concessions,[22] and successfully weakened both the Alberta and federal policies. This is a strategy that industry has used successfully in the past: CAPP does the dirty work while allowing individual oil companies to appear environmentally-minded. In the end, the vast majority of oil and gas company emissions were exempted from both the Alberta carbon levy[23] and the federal carbon pricing backstop,[24] watering down the effectiveness of these policies. These concessions were also applied to most other industries, further undermining the legislation.

Impact Assessment Act, 2019

A similar fate befell the Impact Assessment Act. The legislation, eventually passed in June 2019, was intended to address the watered down CEAA 2012, and restore the balance between environmental protection and industry interests. However, the oil and gas industry was successful in ensuring that project assessments continue to favour industry interests over environmental protection. The industry, led by CAPP, put "unprecedented" effort into watering down the legislation,[25] meeting 945 times in 12 months with government officials on the Impact Assessment bill.[26] Many of the amendments put forward by Senators reflected industry wishes; some used exactly the same language as amendments proposed by CAPP or oil companies.[27] Industry players were unsuccessful in their attempt to strip out all references to climate change in the bill, but managed to make climate considerations weak and vague.

The oil and gas lobby was also able to further limit the number of projects that will be assessed for their environmental impact, even more than under CEAA 2012. Certain high carbon projects will be entirely exempted, including gas fracking and *in situ* oil sands projects—the two main ways oil and gas companies will increase their carbon emissions. More pipelines will fall under the radar compared to under CEAA 2012.

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DELAY, DELAY, DELAY

A third way that oil and gas companies have been able to avoid taking responsibility for their carbon emissions is by delaying the implementation of climate policies, sometimes for years.

Methane reductions

One area where the industry has successfully delayed implementation is with the federal methane regulations. Reducing leaks of methane—a potent greenhouse gas—from oil and gas facilities is one of the cheapest climate solutions.[28] In 2016, the federal government proposed regulations to reduce methane leaks from the oil and gas sector, to be implemented in 2018 and 2019. When finally passed in April 2018, the federal regulations were reasonably strong, but the oil and gas lobby did successfully delay implementation of some parts until 2020, and others until 2023.

That's not all. During policy development, the industry advocated behind closed doors for weaker methane rules that would lead to higher emissions, take longer to achieve emission reductions, and make parts of the regulations entirely voluntary.[29] Taken together, the delays and cuts will lead to an estimated 55 million tonnes in additional GHG emissions by the time the regulations fully come into force in 2023.[30]

CAPP lobbied for[31] and won even weaker regulations in Alberta and Saskatchewan. And now, CAPP is asking that the next federal government get rid of its methane regulations to eliminate "duplication,"[32] in essence allowing the implementation of weaker provincial standards on oil and gas methane.

Clean Fuel Standard

CAPP successfully delayed not just the implementation, but the development of the Clean Fuel Standard (CFS). The CFS is a policy proposal by the federal government to decrease the carbon content of the fuels used in transportation, buildings, and industry. It was part of the Pan-Canadian Framework on Climate Change and supposed to be passed in the federal government's first mandate, but will now only be considered after the 2019 federal election.

At the very first multi-stakeholder meeting convened by Environment and Climate Change Canada, CAPP opposed the CFS being applied to oil and gas production,[33] and has continued to advocate that oil and gas companies be entirely exempted.[34] This despite major concessions by the federal government, including that all gasoline be considered equal regardless of its carbon intensity.[35] The whole point of fuel standards is to gradually shift the economy towards lower-carbon fuels, so assuming that gasoline from high-carbon oil sands crude is the same as gasoline from conventional oil production with a much lower carbon footprint is a major win for oil sands companies that are powerful players within CAPP's membership.

Public interest?

Despite the oil industry's loud protestations to the contrary, it is becoming increasingly tenuous to characterize the interest of oil and gas companies as the interest of the Canadian public or of individual citizens. For the public interest to be served, the costs of oil and gas development would be primarily borne by petroleum companies, while benefits would be spread across society.

This is less and less the case. Oil and gas production continues to expand, yet public benefits from that economic activity are being continuously eroded. Meanwhile, the costs of oil and gas development continue to rise, with governments and citizens increasingly picking up the tab.

JOBS, TAXES, AND ROYALTIES

In 2017, oil and gas companies operating in Canada reported a combined $46.6 billion in net profits.[36] That same year, a study found that 11 of Canada's largest oil and gas companies, including Suncor, Husky, and Enbridge, had 46 subsidiaries and other related companies in tax havens.[37] Unfortunately, the study was not able to determine by how much those oil and gas companies were able to avoid paying corporate taxes by hiding profits in tax havens.

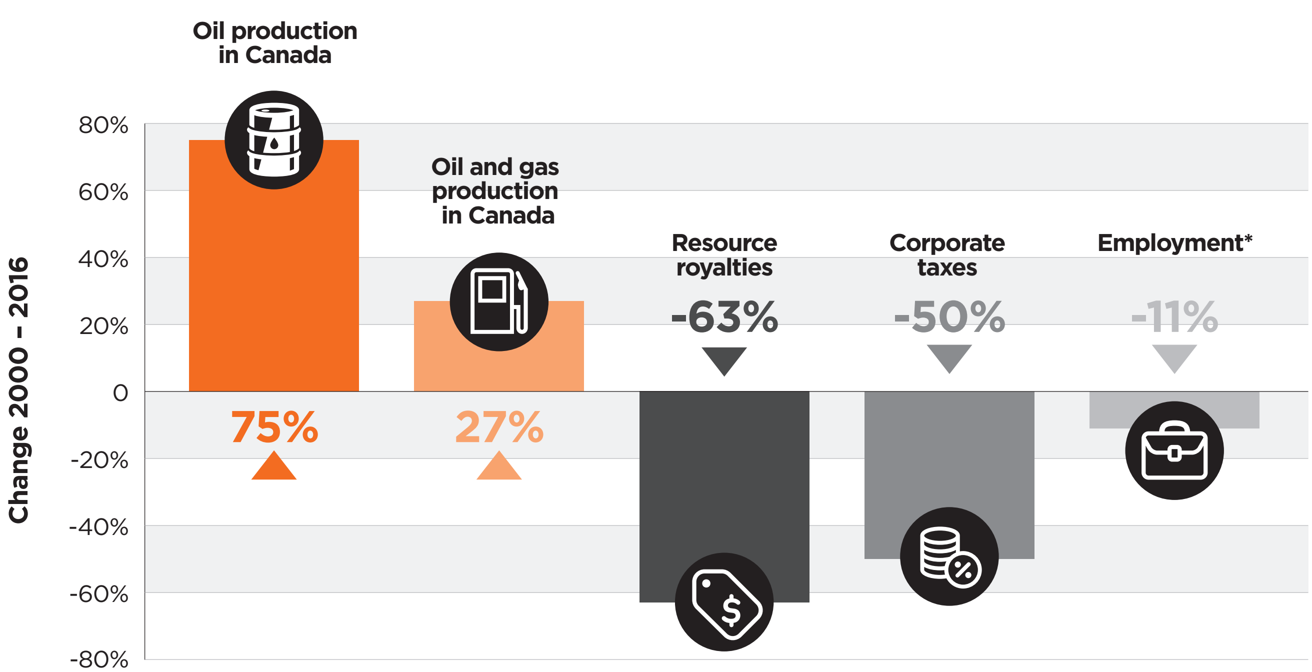
But we do know that CAPP and oil companies have successfully lobbied to reduce how much they pay to governments in royalties and taxes.[38] Between 2000 and 2017, as Canadian oil and gas production has soared, royalties paid to governments have dropped by more than 60% and corporate taxes paid on drilling and refining has declined by more than 50%.[39]

The oil and gas lobby has also been active in simultaneously downplaying the government subsidies it receives, while continuing to ask for more handouts. In 2015, the International Monetary Fund estimated Canada's subsidies to the energy sector, including the costs of air pollution, at $43 billion per year.[40] Canadian government subsidies to the oil and gas sector are the highest amongst G7 countries on a per GDP basis.[41]

And yet CAPP misleads Canadians about these government handouts. In 2017, the lobby group published a fact sheet that suggested that Canadian oil and gas was not subsidized because it was taxed.[42] Among its recent election demands, CAPP wants the next Canadian government to "[a]cknowledge that Canada's oil and natural gas sector is not subsidized" while also adding to government subsidies by, for example, allowing oil and gas companies to immediately write off 100 per cent of their capital investments.[43]

Meanwhile, job creation in oil and gas is far from guaranteed even as the industry expands and reaps significant corporate profits. Despite growing production since 2014, almost 30,000 jobs (10 per cent of the workforce) have been axed in the oil patch in the following four years,[44] with another 12,000 expected to be cut in 2019.[45] That's because oil and gas companies are moving increasingly towards automation, with the stated goal to "de-man" the industry.[46] Meanwhile, the CEOs of companies such as Suncor, Encana, TransCanada, and CNRL rake in salaries north of $10 million per year.[47]

Figure 5: Percentage change in oil & gas sector from 2000 to 2016



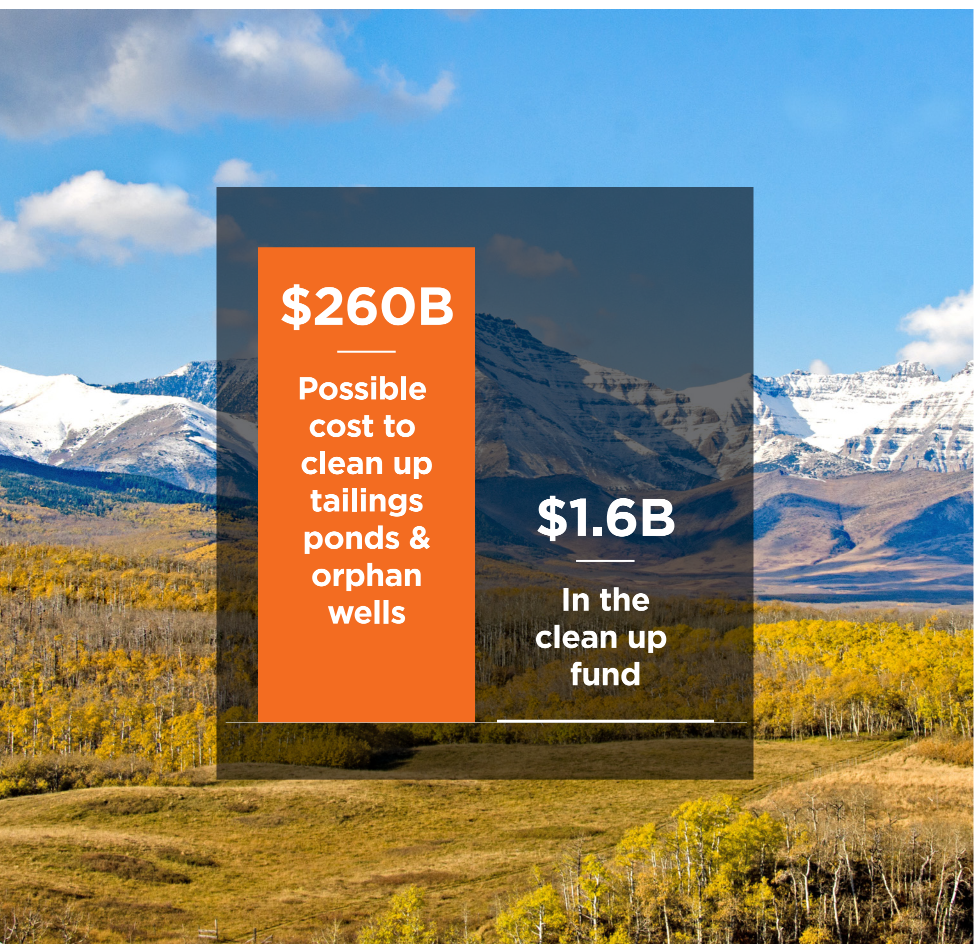
*includes mining and quarrying from 2014-2018

ENVIRONMENTAL DAMAGE AND CLEANUP LIABILITY

Oil and gas production has also created massive environmental damage, beyond climate change, especially in Alberta where the industry is centred. Massive tailings ponds filled with toxic wastewater now cover 220 square kilometres of northern Alberta. Government scientists have confirmed what tar sand companies' own documents show, that these tailings ponds are leaking toxic chemicals into nearby aquifers and rivers such as the Athabasca.[48]

There are also 300,000 oil and gas wells in Alberta that will need to be cleaned up, estimated to cost $70 billion.[49] An official from the Alberta Energy Regulator has estimated that toxic tailings ponds and abandoned wells together represent an environmental liability that could total $260 billion.[50]

Meanwhile the fund established to clean up after tar sand projects holds only $1.6 billion in funds.[51] That means that every man, woman, and child in Alberta could be on the hook for $64,000 to clean up the environmental damage of oil and gas companies. Abandoned oil and gas wells elsewhere in the country would add to this environmental liability.



GLOBAL COMPETITIVENESS

The common complaint from representatives of oil and gas companies and industry associations like CAPP is that every environmental policy will make their industry uncompetitive. And yet, history has shown that the industry claims that environmental regulations or carbon taxes will increase costs and hurt the economy have proven exaggerated or false. The B.C. carbon tax for example, despite opposition from many industry executives, led to that province outpacing the rest of Canada in both emission reductions and economic growth.[52]

There are numerous other examples where industry executives (including from oil and gas companies) have significantly overstated the cost of environmental policies: fuel efficiency regulations for cars, sulphur reductions in gasoline, and policies to tackle acid rain and the hole in the ozone layer. Research has shown that the actual cost of these policies was always less than one-half, and sometimes less than one-tenth, of what was claimed in advance by corporate representatives.[53]

Further, the benefits of environmental policies are often underestimated or completely ignored, despite these benefits (less pollution, reduced climate impacts, economic innovation) outweighing costs.[54] And yet, we all benefit from cleaner air and water and slowing climate change impacts, and environmental policies can also spur innovation in industry and technologies.[55]

Conclusion

Oil and gas companies and lobby groups like the Canadian Association of Petroleum Producers are powerful. They have successfully avoided taking full responsibility for their impact on the land, water, species, and climate, leaving a legacy of environmental damage that will cost billions of dollars to clean up.

Across the country, we are already seeing greater flooding, more forest fires, melting permafrost and the spread of invasive species. CAPP's vision for Canada and the world would not only compound the damage—it also undercuts our ability to respond to these problems by shortchanging the public with respect to royalties, taxes, jobs, and regulations that protect our health.

It's time for political leaders in Canada to say "No more!" to oil and gas companies. Governments must stop spending financial and political capital to further the interests of one industry whose aspirations will literally devastate the planet, at the expense of all of us.

A better path is possible. To ensure a safe and healthy future, Canada must steadily transition its economy away from fossil fuels that cause climate change, including oil and natural gas. It means fostering greater reliance on forms of technologies—renewable energy, electric vehicles, net-zero homes, etc.—that have low or no carbon emissions, and are already growing much faster than oil and gas development. And it involves planning for that transition with workers and communities in a way that is fair, instead of waiting for a crash to come.

Canada is bigger than oil. The opportunities that are available to Canadian businesses, citizens, and governments get shortchanged when one industry is able to hijack public policy on energy development and environmental protection.

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