

June 10th, 2020

To: The Right Honourable Justin Trudeau, Prime Minister of Canada

Cc: Chrystia Freeland, Deputy Prime Minister
Bill Morneau, Minister of Finance
Seamus O'Regan, Minister of Natural Resources
Jonathan Wilkinson, Minister of Environment and Climate Change
Bernadette Jordan, Minister of Fisheries and Oceans Canada Minister
Navdeep Bains, Minister of Innovation, Science and Industry

Re: No federal funding for exploration drilling off the coast of Newfoundland and Labrador

Dear Prime Minister,

We would like to commend you and your government on your leadership during this time of unprecedented crisis and for the swift actions you have taken to support Canadians during the COVID-19 outbreak. We share a deep concern about the health and economic costs that the virus is inflicting in Canada and around the world and we express our solidarity with all Canadians at this difficult time, particularly those who are most vulnerable and most in need of assistance. Your government's economic response plan is an important first step in helping to address the pressing needs of Canadians.

We are concerned, however, by reports that the government is considering major financial incentives to boost offshore exploration in Newfoundland and Labrador.

- Subsidizing oil and gas exploration in Newfoundland and Labrador would make it virtually impossible for the province, or Canada, to meet its climate commitments.
- There is a lack of public trust in the offshore oil and gas industry due to an absence of safety oversight and the fact that the regulatory playing field is significantly tilted in favour of industry.
- Public investments into a volatile industry during a time of low oil prices would be highly speculative and extremely risky.
- Canada is already falling short on its commitment to eliminate inefficient fossil fuel subsidies.
- Newfoundland and Labrador desperately needs investment to ensure the wellbeing of its most vulnerable people and the resiliency of its economy in a zero-carbon future.
- There is [very strong public opposition](#) across the country to providing even more subsidies to the oil and gas sector as demonstrated by letters, petitions, and other public outcry on the topic, including this [open letter to the President of Memorial University](#).
- Indigenous peoples in Newfoundland and Labrador have not been dutifully consulted nor have they given their free, prior, and informed consent to the expansion of the offshore oil and gas industry on their unceded lands and waters. These two principles are a central part of the UN Declaration on the Rights of Indigenous Peoples, to which your government has committed.

Subsidies to oil and gas exploration are incompatible with climate commitments

Subsidizing oil and gas exploration in Newfoundland and Labrador at this time would make it virtually impossible for the province, or Canada, to meet its climate commitments. The province's stated plan to double oil and gas production by 2030 to 237 million barrels each year could create an alarming 6.1MT of annual upstream carbon emissions.¹ The [province's stated emissions target](#) for 2030 is 6.9MT - a significant reduction from the 2017 real emissions of 10.5MT. Annual oil and gas production would occupy up to 88 per cent of that emissions target and require almost complete decarbonization of the rest of the economy in order to meet it. In other words, oil and gas expansion is incompatible with stated provincial emissions reduction target.

A lack of public trust and oversight due to regulatory capture

Additionally, the oil and gas industry in the Atlantic is surrounded by significant regulatory uncertainty and lack of public faith. There have been [four large spills of oil and drilling muds](#) and one life-endangering accident in the last two years, including a spill of 250,000 L of crude oil. Additionally, recommendations to create a separate safety oversight board for the offshore oil and gas industry have not been implemented. This recommendation resulted from the inquiry following the Cougar helicopter crash in 2009, and has been supported by the [Transportation Safety Board of Canada](#).

The regional environmental impact assessment regarding exploratory drilling in Newfoundland and Labrador has been heavily criticised as a rushed and inadequate process and is now the subject of a judicial review. The problems with this regional assessment have been further compounded with the recent release of a ministerial regulation based on that assessment.

In Nova Scotia, communities are calling for a moratorium and public inquiry into the offshore oil and gas industry because the regulatory playing field favours the oil and gas industry over communities and other existing industries. Twelve municipal governments have called for an independent public inquiry, and more than 68 500 Canadians have supported that call.

A volatile industry with boom and bust cycles is not compatible with a resilient future

In addition to this regulatory instability, the offshore oil and gas industry is surrounded with economic instability. It is not the responsibility of the federal government to finance the oil and gas industry, particularly now when the economic case for higher cost offshore Atlantic oil is weak due to historically low oil prices, which may remain depressed for the foreseeable future.

The volatility Newfoundland and Labrador is experiencing as a result of the COVID-19 crisis, while grander in scope, is not entirely new to the province.

Oil and gas royalties have [fluctuated significantly in the last decade](#), reaching more than \$2.5B in 2011 and dipping to nearly \$500M since 2015. When the average annual price of a barrel of oil drops by \$1,

¹ Sierra Club Canada Foundation comments on the draft report for the regional assessment of the offshore oil and gas exploratory drilling east of Newfoundland and Labrador, February 21 2020.

the province loses approximately [\\$30 million in revenue](#). The boom and bust cycle of the industry cannot be sustained, and does not create the conditions for a resilient, fair, low-carbon future.

Canada falling short on international commitment to eliminate fossil fuel subsidies

Canada already has substantial work to do in terms of meeting its G7 and G20 commitments to eliminate inefficient fossil fuel subsidies. [A report released last week](#) shows that Canada is the second largest provider of public finance to oil and gas in the G20. The federal government has already allocated \$75 million to Newfoundland and Labrador's offshore oil and gas industry to help reduce methane emissions. The response to COVID-19 requires unprecedented support for workers in industries such as the oil and gas sector, but this support should neither introduce nor entrench subsidies that hinder our urgently needed transition away from fossil fuels. The response must build a recovery from the COVID-19 crisis that is rooted in justice, equity, and resilience.

Invest in a resilient economy by supporting clean industries, fisheries and tourism

Leading economists around the world have been publicly calling for climate-friendly stimulus policies. Investment in a resilient economy that provides good opportunities for the people of Newfoundland and Labrador is badly needed, and that resilience cannot come through subsidies to this industry. Instead of financing oil and gas exploration, we believe investments should be made in creating stable, long-term jobs in the low-carbon economy of the future.

There are real opportunities to invest in renewable industries that can provide good jobs for people across the province. For example, the province has some of the [highest wind energy potential](#) in North America and yet support for this industry pales in comparison to that of the oil and gas sector. Investments in energy efficiency would also address ballooning electricity rates and put people to work across the province. In addition to these emerging industries, the ocean's renewable resources already provide tens of thousands of jobs in Atlantic Canada and billions of dollars in economic activity through fisheries and tourism. These industries are a mainstay of most Atlantic communities and are put at direct risk by continued offshore oil and gas development.

It is important to acknowledge that we do not include megahydro project as part of the clean energy transition we are calling for. The Lower Churchill Hydro Project (phase 1 – Muskrat Falls) has been described by Nalcor CEO Stan Marshall as a "[boondoggle](#)," and has had serious negative impacts on the local predominantly Indigenous community and to the economy of Newfoundland and Labrador. We do not consider phase 2 of this project (Gull Island), or any other megahydro project, as part of a transition to a resilient and sustainable future.

This is a critical time for Canada and the world. How governments choose to respond to the COVID-19 crisis will either amplify or help mitigate global threats such as the climate emergency and growing inequality and will determine whether the worst impacts can be avoided. Canada is committed to a target of carbon neutrality by 2050, alongside ambitious short-term targets. You now have a crucial

opportunity to champion solutions that will not only help rebuild lives and businesses; they will help accelerate Canada's urgently needed transition to a resilient, prosperous, low-carbon country. Financial stimulus is critically needed, but it must be invested wisely and fairly. Short-term solutions that serve to prop up a declining industry will only increase emissions and further degrade nature and social stability at a time when the world is rapidly trying to decarbonize. The pathway to carbon neutrality does not include subsidies or bailouts for the offshore oil industry.

Sincerely,

Coalition for a Green New Deal NL
Social Justice Co-operative NL
Nick Mercer, Decarbonize NL
John Jacobs, St. John's Chapter of the Council of Canadians
Simon Hofman, Memorial University Climate Action Coalition
Denise Cole, Labrador Land Protectors
Roberta Benefiel, Grand Riverkeeper Labrador, Inc.
Marion Moore, Campaign to Protect Offshore Nova Scotia
John Davis, Clean Ocean Action Committee, Nova Scotia
Robin Tress, Council of Canadians
Gretchen Fitzgerald, Sierra Club Canada Foundation
Jordy Thomson, Ecology Action Centre
Julia Levin, Environmental Defence Canada
Catherine Abreu, Climate Action Network Canada
André-Yanne Parent, The Climate Reality Project Canada
Caroline Brouillette, Equiterre
Keith Stewart, Greenpeace Canada
Adam Scott, Shift Action for Pension Wealth and Planet Health
Amelia Meister, SumOfUs
Tzeporah Berman, Stand.Earth
Bronwen Tucker, Oil Change International
Lyn Adamson, ClimateFast
Janis Alton, Canadian Voice of Women for Peace