

Oct 3 2022

To: The Honourable Chrystia Freeland, Deputy Prime Minister, Minister of Finance
The Honourable Jonathan Wilkinson, Minister of Natural Resources Canada
The Honourable Steven Guilbeault, Minister of Environment and Climate Change

C.c. Federal Cabinet

Re: Oil and Gas Emissions Cap

Over the past few months we have seen the disastrous impacts of climate change ravage communities across the world. These climate disasters will only get more frequent and more intense without strong climate action. Canada has an opportunity to act as a global climate leader by addressing the largest and the fastest growing source of greenhouse gas emissions in the country - the oil and gas sector. **As the federal government considers its approach to cap and decrease the ever growing emissions from Canada's oil and gas sector, it must take into account the ambition, robustness and urgency required to ensure that Canada is able to do its fair share to keep global warming to under 1.5 degrees Celsius.**

Despite accounting for just [5% of Canada's economy](#), the oil and gas sector is responsible for 27% of Canada's emissions. While other sectors reduced emissions—most notably electricity, heavy industry, and light manufacturing—greenhouse gas emissions from the oil and gas sector [have risen 87% since 1990](#). Without a robust target for reducing oil and gas emissions, a greater burden for emission reductions would shift to other sectors of the economy and onto individuals.

Capping and decreasing oil and gas emissions is not only necessary for Canada to meet its climate and nature commitments, it is also an opportunity to steer our economy towards a more competitive direction as countries transition away from oil and gas. A well-designed cap with a prescribed trajectory to achieve zero emissions by 2050 will provide predictability to industry, workers, and communities.

Canada's credibility on climate change depends on the level of ambition and strength of this policy, and whether it gets implemented within the next year. There are many ways to design an emissions cap and getting it right matters.

As 34 organizations representing over 1 million people, we call on the Government of Canada to ensure that the oil and gas emissions cap policy includes the following principles:

- **A 1.5°C-aligned trajectory.** The emissions cap needs to reflect Canada's responsibility to do its fair share to keep global temperatures below 1.5°C, which would be an [emissions reduction of 60%](#) from 2005 levels for the oil and gas sector, by 2030. A strong 2026 target is critical to favor early and ambitious emissions reductions.

Front-loading climate action is the most cost-effective way to reach a given temperature target. Failure to reduce emissions early could make later emissions targets impossible to achieve.

- **No delays.** The final regulation should be adopted and in place in 2023. Furthermore, the 2026 and 2030 cap levels should be announced before the end of the year in order to send immediate and clear signals to the industry.
- **An enforceable, hard cap on absolute levels of emissions, which declines over time.** Of the two options put forward in the ECCC discussion paper, the cap and trade approach provides more certainty that emissions reductions targets will be met and is therefore the stronger option out of the two.
- **No loopholes.** The policy must ensure the oil and gas sector actually reduces its own emissions. It should not allow companies to avoid their obligations by purchasing offsets, which means paying other sectors or countries to reduce emissions rather than cutting emissions directly, and would mean a free pass for the oil industry. Companies should only receive credit for proven reductions, not hypothetical reductions based on carbon capture projects that have yet to be commissioned. The policy should not allow for so-called “compliance flexibility,” which means giving companies more wiggle room in the early years, when the need to drive down emissions is most urgent.
- **Includes strong enforcement measures.** Penalties or fines should be significant enough to serve as a strong deterrent rather than allow companies to internalize these as a small cost of doing business. Compliance mechanisms that are not financial should also be considered.
- **No free lunches.** Cap-and-trade schemes frequently hand out free emissions allowances to covered companies. In the past, this has resulted in a very low price of allowances. The cap and trade regulation should not offer free allocation, but rather should auction off all emission allowances, with a price floor.
- **Comprehensive in scope.** All oil and gas activities and facilities in Canada, including pipelines, refineries and liquefied natural gas (LNG) export facilities, should be covered by the cap.
- **No subsidies to oil and gas companies for regulatory compliance.** Oil and gas companies are making windfall profits. These companies must clean up their own mess without having to rely on taxpayers to foot the bill, including for [unproven technologies such as CCUS and blue hydrogen](#). Channeling proceeds from the auction of allowances to oil and gas companies would violate Canada’s commitment to phase out fossil fuel subsidies.
- **Upholds Indigenous rights.** The policy must uphold the inherent title and rights of Indigenous peoples and other rights affirmed in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and legislated by the Government of Canada, including securing Indigenous Peoples’ free, prior, and informed consent for energy development on their territory.
- **Integrates equity into policy development.** Equity and environmental justice considerations must be integrated into policy design. Proceeds from the auctioning of emissions credits should be used to support affected communities and workers, and communities who have been negatively impacted by the sector historically, specifically low-income, Indigenous and racialized communities.
- **Includes all emissions from the production of oil and gas.** The vast majority of fossil fuel emissions - 80-85 per cent - are produced when the oil and gas is burned, mostly

overseas. In fact, in 2019 the emissions from the fossil fuels exported by Canada were 954 million tonnes, considerably greater than Canada's entire domestic emissions (730 million tonnes). Though the policy mechanism for these 'downstream' emissions won't be the same as the hard cap on direct emissions, other policy approaches should be considered, for example the federal government could impose limits on oil and gas exports.

With the proposed cap on emissions from the oil and gas sector, Canada has a real opportunity to take meaningful action towards creating a climate-safe future. The Government of Canada must do all in their power to put the health and safety of Canadians, and the survival of all species, over the narrow interests of the oil and gas industry.

Signed,

50by30Niagara
Biodiversity and Climate Action Niagara
Chemainus Climate Solutions
Citizens' Climate Lobby Canada
Climate Action Network - Réseau action climat Canada
Climate Emergency Unit
Climate Justice Saskatoon
Climate Legacy
Coalition Verte-Green Coalition
Council of Canadians, Comox Valley
Ecology Action Centre
Équiterre
Environmental Defence Canada
Friends of the Earth Canada
Georgia Strait Alliance
Global Peace Alliance
Grand(m)others Act to Save the Planet GASP
Greater Victoria Climate Hub
Green 13
Greenpeace Canada
Leadnow
London Environmental Network
Nature Canada
Okanagan Climate Hub
One Cowichan
Ontariogreen Conservation Association
Re_Generation
Shift: Action for Pension Wealth & Planet Health
Stand.earth
Stop Ecocide Canada
The Climate Reality Project Canada
Toronto350
Youth Climate Lab
Youth Climate Save Canada