

Canada's Pathway to Net-Zero:

How the Canada Energy Regulator can get it right

MEDIA

BACKGROUND

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environmental
defence

Background

Every year, Canada's energy regulatory body, [Canada Energy Regulator](#) (CER), releases their "Energy Future" report that highlights the trends in energy production and uses based on energy demand, the price of oil and climate policies. The scenarios modelled in the Energy Future report are influential as they guide the decision-making of both the public and private sector as it relates to energy supply and demand. This report is used by federal and provincial governments developing public policy, energy companies making decisions about future directions, and investors trying to figure out where to put their money. If done correctly, the report has the potential to help Canada transition off of fossil fuels and move towards renewable energy.

The International Energy Agency (IEA) which has provided credible 1.5-aligned pathways in their [2021](#) and [2022](#) World Energy Outlook (WEO) reports. However, to date, the CER has failed to model a 1.5 degrees aligned scenario, where Canada meets its climate commitments. This has meant that oil and gas companies have been able to use past Energy Future reports to justify their own expansion plans to investors.

Last year, [Minister Wilkinson issued a directive](#) to the CER to include a pathway to net-zero in the next rendition of the Energy Futures report. A credible net-zero scenario from the CER will offer Canadian governments and businesses key insights on how to align their energy investments with the objectives of the Paris Agreement, but only if done correctly.

Net-zero modelling:

To ensure that the CER's new net-zero scenario offers a suitable pathway that is aligned with the goals of the Paris Agreement, it must include the following principles:

- **Alignment with 1.5 degrees pathway:** The CER's net-zero scenario must follow the lead of IEA's WEO reports and clearly state that there is [no more room for fossil fuel expansion](#). To ensure that we have a chance at keeping global average temperatures below 1.5 degrees Celsius, all nations need to begin a rapid phase-out of fossil fuels and Canada must also do its part.
- **Based on Canada's fair-share target of emissions reductions:** As a wealthy and a high-emitting country, Canada has an increased responsibility to reduce emissions. Analysis from Climate Action Network shows that Canada's fair share emissions reduction target is [60% by 2030](#) across all sectors. The net-zero scenario in the upcoming Energy Futures report must reference this target.

- **Avoid reliance on speculative technologies:** Carbon capture, utilization and storage (CCUS) is being touted by the oil and gas companies as a way to capture emissions released through their operations and store them underground. Despite the companies' claims, CCUS is neither economically sound nor proven at scale and has a terrible [track record](#). Despite the billions of dollars spent by governments globally on CCUS, [repeated international studies](#) show that the technology has [failed to reduce emissions](#). Instead of highlighting dubious technology such as CCUS, the CER should prioritize transitioning to sources of renewable energy, such as wind and solar, in its net-zero scenario.
- **Include government's current commitments and policies that are under development:** The Government of Canada has made numerous commitments to implement policies that allow Canada to stay aligned with a climate-safe future. The CER's net-zero scenario should include current commitments and policies that are still being designed, including the [Oil and Gas Emissions Cap](#) and the [Clean Electricity Regulation](#), to demonstrate how these policies support Canada's current emissions reduction plan, as well as outline how far Canada still needs to go.
- **Include all emissions from production and use of oil and gas:** To ensure that the net-zero scenario paints an accurate picture of Canada's emissions, it must include all emissions from the production and use of fossil fuels. The vast majority, 80-85%, of emissions are released during the combustion of fossil fuels. As a result, Canada's exported fossil fuels emit more greenhouse gases ([954 million tonnes](#)) than all of Canada's domestic emissions ([730 million tonnes](#)). These exported emissions should also be taken into account in the net-zero scenario.
- **Uphold Indigenous rights:** CER's net-zero modelling should be based on collaboration with Indigenous nations and communities to develop energy information that is useful to and informed by Indigenous Peoples.
- **Prioritize the well-being of people:** The CER should adopt a precautionary framework for its 1.5°C scenario that prioritizes the well-being of people, not oil and gas companies. CER's net-zero scenario should advance a just transition for all stakeholders affected (workers, communities, local and Indigenous governments).

With the upcoming Energy Futures report, expected to be released next spring, CER has an opportunity to provide a credible net-zero pathway based on current climate science that allows Canada to stay aligned with the goals of the Paris Agreement. The net-zero model, if it implements the principles highlighted above, could provide both the public and private sectors with the information they need to transition off of fossil fuels and on to renewable sources of clean energy.