

Canada's Oil and Gas Emissions Cap:

Why getting it right matters

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Context:

The Government of Canada released the regulatory framework on the oil and gas emissions cap during COP28.¹ The framework provides an overview on how the federal government aims to limit and reduce oil and gas pollution. While a positive step, the rules are still too weak. While other industries, such as electricity, have been successful in reducing their greenhouse gas (GHG) emissions, the oil and gas industry continues to be the largest source of pollution in Canada², and is unwilling to reduce its own pollution voluntarily.

Oil and gas pollution is causing climate change, which in turn is causing the drier and warmer conditions that increase the likelihood and severity of wildfires and other extreme weather events. Last year, Canada was devastated by wildfires across the country. This year, wildfires started burning as early as February³ and the climate disasters in the summer cost over \$7 billion in insured losses – the worst year on record.⁴

To fight climate change, oil and gas pollution in Canada has to decline rapidly. Without a strong oil and gas emissions cap, Canada can't meet its climate goals.⁵ However, the proposed framework on the oil and gas emissions cap is not strong enough to facilitate that decline. The Government of Canada must strengthen the regulations and move urgently to finalize the emissions cap so that Canada can have a chance to meet its climate targets.

How will the emissions cap work?

The federal government has proposed a cap on how much the oil and gas industry can pollute in 2030. Oil and gas companies will need to reduce their emissions in line with the federal cap so that

¹ Government of Canada (2023). Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap. Available:

<https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/oil-gas-emissions-cap/regulatory-framework.html>

² Government of Canada (2024). National Inventory Report 1990-2022: Greenhouse gases sources and sinks in Canada. Available: https://publications.gc.ca/collections/collection_2024/eccc/En81-4-2022-1-eng.pdf

³ Government of Alberta (2023). Fire season starts early. Available: <https://srd.web.alberta.ca/high-level-area-update/february-20>

⁴ Insurance Bureau of Canada (2024). Summer 2024 shatters records for severe weather damage: Over \$7 billion in insured losses from floods, fires and hailstorms. Available: <https://www.abc.ca/news-insights/news/summer-2024-shatters-records-for-severe-weather-damage-over-7-billion-in-insured-losses-from-floods-fires-and-hailstorms>

⁵ Net-Zero Advisory Body (2022). Canada Needs a Cap on Oil and Gas Sector Greenhouse Gas Emissions. Available: https://assets-global.website-files.com/64ef3fd141170da059cb6d80/654d1eeadf09f52364fd5a78_NZAB%202023%20Cover%20Page%20Op%20Ed_English_FIN.pdf

they do not exceed it. As proposed, the federal government would decide how much each individual facility can pollute, free of charge, based on their production and their emissions intensity. With the oil and gas emissions cap, the federal government hopes to reduce oil and gas pollution in line with Canada's 2030 climate targets of reducing 40 to 45 per cent of its emissions, from 2005 levels.

Strengthening the cap on oil and gas emissions:

The release of the emissions cap framework was a positive step. However, as it currently stands, it is neither strong enough to meet Canada's climate targets nor prevent climate disasters from worsening. **To ensure that the emissions cap is successful in reducing oil and gas pollution at the scale that is needed, the Government of Canada must make the following changes:**

- **Fast-track regulatory timeline:** The current regulatory timeline is much too slow to ensure Canada can meet its climate targets. The federal government is aiming to have the emissions cap come into force in 2026. Oil and gas pollution is expected to keep rising which continues to threaten the health and safety of the people in Canada. The federal government must fast-track this process so that the emissions cap can be enforced by 2025 at the latest, with draft regulations out as soon as possible.
- **Strengthen the cap:** The federal government's proposed 2030 cap on oil and gas emissions of 35-38 per cent reduction from 2019 levels will not help Canada meet its climate targets. Including the loopholes that are proposed in the regulation, the 2030 cap is further reduced from 35-38 per cent to 20-23 per cent from 2019 levels. The emissions cap should force oil and gas companies to achieve their fair share of reductions, like the rest of the economy. This means that the 2030 cap for oil and gas companies should be increased to achieving 40-45 per cent reductions from 2005 levels.
- **Remove all loopholes:** As proposed, the framework offers loopholes for oil and gas companies to avoid reducing direct emissions from their own operations, as they can either purchase emissions reductions elsewhere through domestic or international offsets, or pay into a fund that would excuse their pollution. This goes against the principles of a cap on oil and gas pollution. The oil and gas emissions cap should force companies to reduce pollution from their own operations, not provide loopholes for polluting companies to avoid their responsibility. The production of oil and gas is the largest source of pollution in the country, and Canada's ability to do its part in fighting climate change depends on whether it can get a handle on this industry.
- **No free rides:** As proposed, the federal government would decide how much each individual oil and gas facility can pollute, free of charge, as long as the total oil and gas pollution falls under the federal cap. Instead of letting oil and gas companies pollute for free, the federal government should auction off allowances so that it can generate revenue to support climate-affected communities as well as communities impacted by the energy transition.

No more delays

The oil and gas emissions cap was originally promised in 2021 by Prime Minister Trudeau to curb the rise in oil and gas pollution. Since then, it has been delayed numerous times:.

Oil and gas emissions cap timeline:

- November 2021: At COP26, Prime Minister Justin Trudeau commits to capping oil and gas emissions at a pace and scale needed to get to net-zero by 2050
- March 2022: The Government of Canada publishes their Emissions Reduction Plan, where it projects a 31 per cent (from 2005 levels) decline in oil and gas emissions by 2030
- July 2022: The Government of Canada releases their oil and gas emissions cap discussion paper, which outlines two policy options to cap oil and gas emissions and opens up a consultation period to get feedback.
- November 2022: At COP27, Environment Minister Steven Guilbeault commits to implementing the oil and gas emissions cap policy by the end of 2023, with draft regulations being released by spring-summer of 2023
- July 2023: Minister Guilbeault promises to table draft regulations for the emissions cap policy in October 2023, with final regulations in place by mid-2024.
- December 2023: The Government of Canada releases the regulatory framework on the oil and gas emissions cap and has committed to releasing draft regulations by summer 2024.



Emissions at an oil sands operation near Fort McMurray, Alberta

Looking ahead to Canada's future

Climate change is costing Canadians, with supply disruptions, health risks and extreme weather events all increasing the cost of living. The main driver for climate change is greenhouse gas emissions, with the oil and gas industry being the largest source of GHG emissions in Canada.

The oil and gas industry has shown no signs of reducing its own pollution regardless of the cost to everyone else. It is clear that we need federal enforcement on the oil and gas industry to protect Canadians, safeguard our economy and meet Canada's climate targets.

This means that the federal government has to move urgently to strengthen and then put the emissions cap in place. The first step to enforcing the emissions cap is to release the draft regulations, which must happen as soon as possible to ensure that the regulations are effective by the start of 2025.

Without holding the oil and gas industry accountable for limiting and reducing its pollution, Canada has no chance of meeting its climate targets. By not meeting its climate targets, the Government of Canada is choosing to excuse polluters of their responsibility and putting the burden squarely on the rest of society to deal with climate change.



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