

No Grand-Bargain to be made

The Oil Lobby Firmly Rejects the AB-Canada MOU

**MEDIA
BACKGROUNDER**
February 2026



How the Canadian Association of Petroleum Producers continues to undermine climate action and push for fossil fuel industry deregulation

Context:

Prime Minister Mark Carney has consistently indicated that industrial carbon pricing for large emitters is his favoured strategy for reducing climate pollution in Canada.¹ He made a commitment to strengthen industrial carbon pricing policies during his election campaign, and has reinforced the necessity of doing so as part of the government's Carbon Competitiveness Strategy² and in the Canada-Alberta MOU signed on November 27, 2025.³

With the intention of strengthening the industrial carbon pricing system, the Government of Canada sought feedback on its federal carbon pollution pricing benchmark discussion paper⁴ in January 2026. The Canadian Association of Petroleum Producers (CAPP) submitted a letter to the Minister of Environment and Climate Change, Julie Dabrusin, and other key federal Ministers on January 30th in response to the government's discussion paper.⁵

CAPP's letter requests that the federal government stand back while Alberta's Technology, Innovation and Emissions Reduction (TIER) program remains weak, ineffective and oversupplied. Credit prices under Alberta's TIER program have been persistently low, trading at just \$25 per tonne, far below the \$130 per tonne floor price referenced in the Canada-Alberta MOU.⁶

CAPP requests a new multi-ministerial forum for fossil fuel industry representatives to "discuss climate policy through a global competitiveness and growth perspective" with ministers and senior-level government officials. They also voice discontent with the federal methane regulations, and suggest that regulations should rely solely on provincial emissions accounting, which has a demonstrable history of underreporting.⁷

CAPP's letter also fundamentally misreads the trajectory of global energy markets and its misleading assumptions lead to unsupported conclusions. Rather than protecting Canada's economy, CAPP's proposals would deepen exposure to stranded asset risks exceeding \$1 trillion globally,⁸ while empirical evidence shows carbon pricing has not harmed competitiveness where implemented.^{9,10,11} The real threat to Canadian prosperity is not carbon pricing, but continued investment in assets that climate science and market economics indicate will lose value as the world transitions away from fossil fuels. Environmental Defence provides rebuttals to CAPP's false assertions below.

- **Broad Coverage Protects Competitiveness:** CAPP claims that covering smaller oil and gas facilities (10kt of CO₂ / year) increases competitiveness risks, but this ignores the reality that uneven rules distort markets. Smaller oil and gas facilities collectively account for one-third of oil and gas emissions.¹² Exempting smaller facilities would leave massive amounts of pollution unpriced, which would further weaken the integrity of the system, undermine incentives for decarbonization¹³ and further exacerbate the climate crisis.
- **Stronger Carbon Prices Drive Investment and Cut Emissions:** A clear, and predictably tightening, carbon price is one of the most effective ways to drive industrial emissions reductions and attract capital investments. A carbon price of \$130-\$150 per tonne could unlock about \$90 billion in investment and reduce around 70 Mt of emissions in Alberta alone.¹⁴ However, a carbon price of \$130-\$150 would be much lower than the social cost of carbon emissions.¹⁵
- **Credible Markets Need Guardrails:** Credit prices in Alberta's TIER system have hovered far below the \$95 headline price, often below \$20, because of oversupply and design choices that weaken the price signal. An oversupply of credits can depress market prices and reduce the incentive to decarbonize.¹⁶ International systems like the European Union Emissions Trading Systems use a Market Stability Reserve to prevent prolonged price slumps.¹⁷ Federal guardrails are essential to maintain consistent national standards and ensure that businesses have a stable, predictable signal to invest.
- **Recent Policy Changes in Alberta Undermine TIER:** Alberta has recently taken steps that further weaken its TIER system by expanding compliance flexibilities for covered facilities and further diluting the credit market. It allows companies to receive credits for activities that may not actually reduce their emissions. Relying solely on the TIER system, without a stronger federal benchmark as CAPP demands, makes it much harder to hold polluters accountable and to reduce emissions in line with Canada's climate goals.

Additional Information

Global energy market shifts and declining fossil fuel demand

The International Energy Agency (IEA) projects fossil fuel demand will peak before 2030 in all credible scenarios.¹⁸ Even under the IEA's Stated Policies Scenario (STEPS), which takes the unlikely assumption that no government implements new climate policies, coal and oil demand peak around 2030, with gas following by 2035. The IEA's Net Zero Emissions scenario shows oil and gas demand falling by more than 5% annually to 2050. In the scenario where we effectively reach the global climate goal of limiting warming to 1.5 degrees, no new long lead-time conventional oil and gas projects should be built anywhere, and some existing production would need to be shut in before the end of its technical lifetime.¹⁹ CAPP's assumptions about demand growth globally are misaligned with all of these projections, and discount the real-world evidence of

the energy transition taking place globally. For example, China is rapidly electrifying and oil demand is now expected to peak in 2027.²⁰

Fossil fuel industry profits and production

While data from 2025 has not yet been tabulated, the fossil fuel industry reported record production in 2024 and the first half of 2025.²¹ Just three of CAPP's member companies (Suncor,²² Imperial Oil,²³ and Cenovus²⁴) posted a combined profit of over \$14 billion dollars in 2025 alone. Despite record-breaking profits across the fossil fuel industry in the early 2020s, and profits that have stayed above pre-pandemic levels in more recent years, companies have consistently prioritized increasing shareholder and executive payouts and have not invested any significant amount in emissions reductions. The industry's continued production growth and reported profits undermine the assertion by CAPP and fossil fuel lobbyists that the federal government must pay for CCS or measures to reduce pollution to maintain industry competitiveness. The fossil fuel industry clearly has the available cash flow to pay for their pollution.

CAPP's complaint that the methane regulations would cost \$14.6 billion dollars avoids the important context that those costs would be distributed over a 13 year period. Across industry, roughly \$1.12 billion a year is clearly affordable when just three companies are receiving over twelve times that amount in annual profit. When tax deductions are factored in, compliance with the methane regulations are estimated to be \$0.23 per barrel.²⁵ It is also worth noting that the government estimates that the costs of complying with the methane regulations are \$70/tonne,²⁶ which is significantly lower than the \$130/tonne carbon floor price.

Contents of the MOU and federal government actions on climate change

As part of the MOU signed with the province of Alberta, the governments committed to coming to an agreement on industrial carbon pricing on or before April 1, 2026, and that the Alberta system would ramp up to a minimum effective credit price of \$130/tonne.²⁷

In the MOU the federal government has cancelled plans to put a federal cap on oil and gas pollution, repealed aspects of its anti-greenwashing regulations, added subsidies for carbon capture and storage that can be used for enhanced oil recovery, and agreed to support regulatory rollbacks to enable a new fossil fuel pipeline infrastructure. Prime Minister Carney has repealed the consumer carbon price, ended programs and regulations that enable climate action in other key sectors like the Greener Homes loan and grant programs and the Electric Vehicle Availability Standard, and reduced the number of policy pathways for addressing climate change. Industrial carbon pricing and methane regulations remain foundational as the lone policies still in force targeted at reducing pollution from Canada's most significant source of greenhouse gases, the oil and gas sector, which is responsible for over 30 per cent of Canada's emissions.²⁸

Background Information on CAPP

This is not the first time that CAPP has attempted to dissuade the federal government from holding the oil and gas industry accountable for its pollution. CAPP has lobbied extensively against emissions reduction policies for years.^{29,30} This, of course, goes against warnings from global experts that have repeatedly shown that we need drastic reductions in pollution to fight climate change.

Fossil Fuel lobbyist tracking by Environmental Defence demonstrates that CAPP was the most active fossil fuel industry lobbyist in 2025, with at least 138 lobby meetings with the federal government. CAPP's pro-oil advocacy goes far beyond lobbying. CAPP created the astroturf group (industry-funded groups created to appear as grassroots movements) "Canada's Energy Citizens", to facilitate public advocacy for cuts to climate policies.³¹ For years, CAPP paid hundreds of thousands of dollars to boost advertising on Facebook, including ads that explicitly urged people to oppose limits on greenhouse gas emissions from the oil and gas industry.³²

References

1. CTV News (2025). Industrial carbon price a focus of Carney's climate strategy consultations: sources. Available: <https://www.ctvnews.ca/climate-and-environment/article/industrial-carbon-price-a-focus-of-carneys-climate-strategy-consultations-sources/>
2. Government of Canada (2025). Canada's new Climate Competitiveness Strategy. Available: <https://www.canada.ca/en/immigration-refugees-citizenship/news/2025/11/canadas-new-climate-competitiveness-strategy.html>
3. Prime Minister's Office (2025). Canada-Alberta Memorandum of Understanding. Available: <https://www.pm.gc.ca/en/news/backgrounders/2025/11/27/canada-alberta-memorandum-understanding>
4. Government of Canada (2025). Discussion paper: Driving effective carbon markets in Canada. Available: <https://www.canada.ca/en/environment-climate-change/corporate/transparency/consultations/comment-driving-effective-carbon-markets/discussion-paper.html>
5. Canadian Association of Petroleum Producers (2026). CAPP Formal Submission Industrial Carbon Tax Federal Methane Regulations. Available: <https://www.capp.ca/wp-content/uploads/2026/01/CAPP-Formal-Submission-Industrial-Carbon-Tax-Federal-Methane-Regulations-Jan-30-2026.pdf>
6. Madeline Ryan & David Lademan (2025). "Alberta TIER prices jump 25% after MOU, but outlook remains uncertain" in S&P Global. Available: <https://www.spglobal.com/energy/en/news-research/latest-news/electric-power/120325-alberta-tier-prices-jump-25-after-mou-but-outlook-remains-uncertain>
7. CBC News (2023). Methane emissions escaping from Alberta underestimated by 50 per cent, study finds. Available: <https://www.cbc.ca/news/canada/edmonton/alberta-methane-emissions-1.7033693>
8. Nature (2022). Stranded fossil-fuel assets translate to major losses for investors in advanced economies. Available: <https://www.nature.com/articles/s41558-022-01356-y>
9. Organisation for Economic Co-Operation and Development (2019). Carbon Pricing and Competitiveness. Available: https://www.oecd.org/en/publications/carbon-pricing-and-competitiveness_f79a75ab-en.html
10. Nature (2025). Carbon pricing drives critical transition to green growth. Available: <https://www.nature.com/articles/s41467-025-56540-3>
11. World Bank Group (2019). Report of the High Level Commission on Carbon Pricing and Competitiveness. Available: <https://documents1.worldbank.org/curated/en/486921568877882882/pdf/Report-of-the-High-Level-Commission-on-Carbon-Pricing-and-Competitiveness.pdf>
12. Government of Canada (2024). Oil and gas sector greenhouse gas pollution cap. Available: <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/oil-gas-emissions-cap/regulatory-framework.html>
13. Canadian Climate Institute (2025). Five choices that are breaking industrial carbon pricing. Available: <https://climateinstitute.ca/five-choices-that-are-breaking-industrial-carbon-pricing/>
14. Clean Prosperity (2025). Top TIER. Available: <https://cleanprosperity.ca/wp-content/uploads/2025/12/Top-TIER-December-2025.pdf>
15. Government of Canada (2023). Social cost of greenhouse gas emissions. Available: <https://www.canada.ca/en/environment-climate-change/services/climate-change/science-research-data/social-cost-ghg.html>
16. Canadian Climate Institute (2025). Roadmap to modernize Canadian LETS. Available: <https://climateinstitute.ca/wp-content/uploads/2025/02/Roadmap-to-modernize-Canadian-LETS.pdf>
17. European Commission (2025). Market Stability Reserve. Available: https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets/market-stability-reserve_en
18. International Energy Agency (2023). The Oil and Gas Industry in Net Zero Transition. Available: <https://www.iea.org/reports/the-oil-and-gas-industry-in-net-zero-transitions/oil-and-gas-in-net-zero-transitions>
19. International Energy Agency (2023). The Oil and Gas Industry in Net Zero Transitions Executive Summary. Available: <https://www.iea.org/reports/the-oil-and-gas-industry-in-net-zero-transitions/executive-summary>
20. Carbon Brief (2025). China's oil demand will peak earlier than expected, IEA says. Available: <https://www.carbonbrief.org/daily-brief/chinas-oil-demand-will-peak-earlier-than-expected-iea-says/>

21. Government of Canada (2025). Market Snapshot: Canada sets new record in crude oil production in 2024 and first half of 2025. Available: <https://www.cer-rec.gc.ca/en/data-analysis/energy-markets/market-snapshots/2025/market-snapshot-canada-sets-new-record-in-crude-oil-production-in-2024-and-first-half-of-2025.html>
22. Suncor (2026). "2. Consolidated Financial and Operating Information, financial highlights" in Report to Shareholders for the Fourth Quarter of 2025. Available: <https://www.suncor.com/-/media/project/suncor/files/investor-centre/quarterly-reports-2025/2025-q4-suncor-energy-quarterly-report-en.pdf?modified=20260203212504&created=20260203145234>
23. Imperial Oil (2026). Imperial announces fourth quarter 2025 financial and operating results. Available: <https://news.imperialoil.ca/news-releases/news-releases/2026/Imperial-announces-fourth-quarter-2025-financial-and-operating-results/default.aspx>
24. Cenovus (2026). Cenovus announces fourth-quarter and full-year 2025 results. Available: <https://www.cenovus.com/News-and-Stories/News-releases/2026/3240864>
25. The Energy Mix staff (2026). "Half a Timbit Per Barrel': Climate Analysts Correct Fossil Industry Spin on Methane Rules, Carbon Pricing" in the Energy Mix. Available: <https://www.theenergymix.com/half-a-timbit-per-barrel-climate-analysts-correct-fossil-industry-spin-on-methane-rules-carbon-pricing/>
26. Government of Canada (2023). Proposed Amendments to the Federal Methane Regulations for the Oil and Gas Sector - Technical backgrounder. Available: <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/reducing-methane-emissions/proposed-amendments-federal-methane-regulations-oil-gas-sector.html>
27. Prime Minister of Canada (2025). Canada-Alberta Memorandum of Understanding. Available: <https://www.pm.gc.ca/en/news/backgrounders/2025/11/27/canada-alberta-memorandum-understanding>
28. Government of Canada (2025). Greenhouse gas emissions, by Economic Sector. Available: <https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/greenhouse-gas-emissions.html>
29. Influence Map (2023). The Canadian Oil and Gas Industry and Climate Policy. Available: <https://influencemap.org/briefing/The-Canadian-Oil-and-Gas-Industry-and-Climate-Policy-14696>
30. Lisa Baiton (2024). CAPP Statement: Bill C-59 Competition Act Amendments Effectively Muzzles Canadian Businesses. Available: <https://www.capp.ca/en/media/capp-statement-bill-c-59-competition-act-amendments-effectively-muzzles-canadian-businesses/>
31. Tim Wood (2018). "Energy's Citizens: The Making of a Canadian Petro-Public" in the *Canadian Journal of Communications*. Available: <https://cjc.utppublishing.com/doi/full/10.22230/cjc.2017v43n1a3312>
32. Natasha Bulowski (2022). "A 'grassroots' group ran Facebook ads against the oil and gas emissions cap. Canada's most powerful oil lobby paid for them" in *National Observer*. Available: <https://www.nationalobserver.com/2022/09/19/news/grassroots-group-ran-facebook-ads-against-emissions-cap-oil-lobby-paid>



ABOUT ENVIRONMENTAL DEFENCE: Environmental Defence is a leading Canadian environmental advocacy organization that works with government, industry and individuals to defend clean water, a safe climate and healthy communities. Visit environmentaldefence.ca for more information.

For more information or to request an interview, please contact: media@environmentaldefence.ca