

**Open Letter to The Minister of Environment and Climate Change Canada and
The Net-Zero Advisory Body**

**National Unity Implications of Significantly Reducing
Oil and Gas Industry GHG Emissions**

**Climate Talk Canada
October 26, 2021**

Summary

There is now wide-spread recognition that Canada cannot achieve its climate policy goals unless there is a significant reduction in oil and gas industry emissions. Because those emissions are geographically concentrated, however, achieving reductions there poses challenges not found in other sectors. Emissions and associated reduction costs from transportation and other sectors are spread roughly evenly throughout the country. Oil and gas reductions, on the other hand, will take place almost entirely in the four fossil-fuel exporting provinces of British Columbia, Alberta, Saskatchewan and Newfoundland and Labrador, with the bulk of that effort coming from Alberta. This raises the danger that those provinces will see themselves as being asked to bear a burden from which other provinces are exempt. Canadian climate change policy may be blocked or diverted by regional federal-provincial conflict.

Until recently, the Trudeau government largely ignored rising oil and gas industry emissions. That has now changed – the Prime Minister is calling for a cap on oil and gas industry emission increases and saying the industry must make a meaningful contribution to achieving the 2030 reduction target. Under terms of the Canadian Net-Zero Emissions Accountability Act which came into force June 29, 2021 the Government of Canada must by March 29, 2022 put those commitments into a plan for emission reductions.

Western alienation and conflict between Ottawa and Alberta and Saskatchewan are constants of Canadian political life. Publication, for the first time, of a federal government plan to reduce oil and gas industry emissions runs the risk of throwing gasoline on that low-level fire. Ideally, a roadmap for oil and gas emission reductions can be developed in partnership with the provinces and industry in a way which does not threaten national unity.

For that, the citizens of the fossil-fuel provinces must understand they alone are not being asked to bear the full cost of those reductions. The rest of the country has an opportunity to demonstrate it is willing to bear some part of the cost.

To that end, we are writing to recommend that the Minister and Advisory Body establish a citizens' forum made up of individual Canadians from the fossil-fuel and other provinces. With a requirement to report by April 1, 2022, the mandate of the forum would be to answer this question:

How can the necessary oil and gas industry emission reductions be achieved in a way which is seen as fair and equitable by all Canadians?

The two tracks of rising and falling emissions

Oil and gas industry emissions accounted for 26% of Canadian total emissions in 2019 and have increased by 20% between 2005 and 2019. Transportation emissions made up 25% of the Canadian total, the building sector 12% and heavy industry 11%. Those four sectors produce three-quarters of Canadian emissions (Environment and Climate Change Canada, 2021).

As shown in the Appendix below, five provinces, generating 61.5% of total Canadian emissions in 2019, have seen their emissions increase since 2005. Those provinces are: British Columbia, Alberta, Saskatchewan, Manitoba and Newfoundland and Labrador. This list includes the four fossil-fuel exporting producing provinces, while Manitoba has a fossil-fuel sector but on a much smaller scale.

The remaining five provinces have seen their emissions decrease since 2005. Total Canadian emissions, however, have stayed essentially the same since 2005. Those decreases have been cancelled out by the increases.

Two sectors, the oil and gas industry and transportation, have seen their emissions increase since 2005. The oil and gas industry increase corresponds to the increases in the fossil-fuel exporting provinces. Other sectors, such as electricity and heavy industry, have decreased their emissions, but that decrease, as in the case of the provinces, has been offset by the oil and gas and transportation increases.

Transportation is an activity distributed throughout Canada roughly in proportion to the distribution of population. Oil and gas extraction and export, however, is located only in some parts of the country, more precisely in the four main fossil-fuel provinces. Emissions from both sectors must be significantly reduced. The cost of oil and gas industry emission reductions, however, unlike transportation, will be borne only by some provinces and not all, which raises the possibility of regional conflict.

Seeing the elephant in the room: the need to reduce oil and gas emissions

The International Energy Agency and others have called for steps to phase out oil and gas extraction. That may well eventually happen in Canada, but it is not our focus here. Instead, we discuss the need to significantly reduce *emissions* from energy used by the oil and gas industry to extract and transport oil and gas. As set out below, those emissions must be significantly reduced if Canada is to achieve its 2030 target. Doing so is enough of a challenge for climate policy and national unity, before broaching the subject of ending oil and gas production for purposes of combustion.

Until very recently, the need for significant reductions in oil and gas industry emissions was not part of the climate policy dialogue. The Trudeau government worked with the provinces to establish the 2016 Pan-Canadian Framework which never challenged the Alberta government policy of allowing emissions to increase right through to 2030. Nor did the Trudeau government publicly call for a reduction in oil and gas sector emissions.

That changed in December 2020, when Ottawa published its plan to achieve the 2030 target, *A Healthy Environment and a Healthy Economy*. The first Annex to the plan shows that Ottawa expects the plan will reduce oil and gas emissions from a projected 194 Mt in 2030 to 138 Mt in 2030, a 56 Mt reduction (ECCC Annex #1, 2020). That is just over one third of the overall 154 Mt reduction by 2030 expected as a result of the 2020 plan (ECCC Annex #1, 2020). Actual oil and gas emissions in 2019, the last year for which data is available, were 191 Mt (ECCC, 2021:10). If emissions are reduced to 138 Mt by 2030 that would be a reduction of 53 Mt from the 2019 level. Thus the December 2020 plan by itself is calling for a significant reduction in oil and gas industry emissions.

The December 2020 plan shows that Ottawa expects measures in that plan plus all other policies to generate a reduction in total Canadian emissions of 312 megatonnes (Mt) below the level projected for 2030 before any Trudeau government policies were put in place. Of that, the oil and gas sector would provide 104 Mt, which represents a third of the total (ECCC, 2020: 63). A reduction of 104 Mt to be achieved by 2030 as part of meeting that year's target is significant when compared to either the projected industry emissions for 2030 (as shown above, 194 Mt) or compared to current (2019) emissions (also shown above, 191 Mt).

The governing Liberal Party then again called for oil and gas reductions when the Prime Minister released the Liberal climate change election platform on August 29, 2021. The platform

states that oil and gas emissions will not be allowed to increase beyond their current level; will be reduced by means of the Net Zero Accountability law to ensure oil and gas reductions make a “meaningful” contribution to achieving the 2030 target; and oil and gas industry methane emissions will be reduced to be 75% below the 2012 level by 2030 (Liberal Party, 2021). A news media report on the release of the climate platform on August 29, 2021 stated that: “Mr. Trudeau’s proposals for the oil and gas sector will likely be the most contentious part of his climate plan and risk fanning regional divisions.” (Walsh, 2021).

Post-election, details of those policies will almost certainly change. However, the basic policy thrust enunciated by the federal government led by Mr. Trudeau – capping oil and gas industry emissions and then significantly reducing them – will not change. That means we may be heading toward another national unity crisis akin to something like the 1995 Quebec referendum.

Putting the elephant into a broader context

While the burden of reducing emissions in transportation, buildings and other sectors is spread throughout the country, unless we take policy action, the burden of reducing oil and gas industry emissions will be borne almost entirely in the fossil-fuel exporting provinces. Those provinces may see themselves as being singled out and asked to bear a greater burden than other provinces. If so, the fossil-fuel exporting provinces may well resist measures to reduce oil and gas industry emissions.

For that reason, it is important that federal action to reduce oil and gas emissions take place in a broader context of reductions from all the major sectors, in particular, given that they make up a significant portion of total Canadian emissions, from transportation, buildings and heavy industry. Reductions in all sectors must come about as part of a Canada-wide effort with no undue focus upon any one province or region. That effort may include measures to equitably share the cost of any one sector’s reduction effort.

Continually addressing oil and gas industry emission reductions in a broader context of reductions in all sectors will help to reduce regional conflict and danger to national unity.

The potential for regional and partisan conflict

Because oil and gas production for export is located in only four provinces, and because oil and gas activity is so important for their economies, significantly reducing emissions from that sector means those provinces may feel they are being asked to carry a burden other provinces are not carrying. Certainly, those provinces, in particular Alberta, have always worked to shield their oil and gas sectors from adverse impacts caused by climate policy. That has been the case since, in 1995, Alberta successfully lobbied to ensure Canada's first climate program, the National Action Program on Climate Change, relied only on voluntary measures, through to the recent court action seeking, unsuccessfully, to have the federal carbon tax declared unconstitutional. At the same time, such things as Ontario's participation in that litigation and Manitoba and New Brunswick attacks on the federal program shows that the divide is not just regional but also partisan. Conservative governments oppose climate action, framed as arbitrary taxation, by the centre-left Liberal government in Ottawa. That partisan divide also takes the form of a rural versus urban divide.

This regional and partisan divide is made more difficult by the long history, dating back to the nineteenth century, of western mistrust and dislike for national policy made in Ottawa which always seemed to favour the industrialized heartland over the agricultural west. Western alienation, particularly in Alberta, which was given an enormous boost by Pierre Trudeau's hated National Energy Program of 1980, has fully carried over into Canadian climate policy.

Over the past two decades Canadian national climate policy has been made without kick-starting a regional divide by virtue of the fact that it has demanded very little of the oil and gas sector and the provinces in which it operates. In consequence, oil and gas emissions have increased, overwhelming reductions made in other sectors, and thereby contributing to our inability to achieve any of our reduction targets. At the price of failing to keep all of our international commitments to date, we have largely maintained climate change national unity.

Doing so will be much harder, however, now that the governing Liberals are publicly calling for oil and gas emission reductions. Going forward, it is the Net Zero Accountability law, which received Royal Assent on June 29, 2021 which carries the greatest potential for sparking regional conflict. This is because the law requires the setting of five-year targets and publication of plans to achieve them. Those plans may under the law, and almost certainly will have to in practice, include

sectoral plans setting out how reductions will be achieved in the major sectors, including oil gas. The first plan, which will include an interim objective for 2026, must be available at the latest by March 29, 2022. Previously, neither the 2016 Pan-Canadian Framework nor the 2020 federal *Healthy Environment* plan stated how the Liberals would reduce oil and gas industry emissions. By no later than March 29 of next year, however, Ottawa will likely be saying explicitly how it intends to reduce oil and gas industry emissions. If so, the sectoral plan to be released by next April is bound to elicit loud and acrimonious comment from Alberta and Saskatchewan, if not from all four fossil-fuel provinces. Ontario under a conservative government, and perhaps other conservative-led provinces, are likely to join the debate.

The effects of regional and partisan conflict

The most obvious effect of the regional and partisan conflict which is likely to be unleashed in the coming months is the strain placed upon confederation and national unity. For all the well-known reasons, Canada has always faced the difficult task of keeping all the regions and their provincial governments singing at least approximately in tune. Potential climate change conflict is the latest chapter in a long story.

The other effect, however, is the potential to stall policy progress. Particularly if governments again resort to litigation, implementation of policy under the Net Zero act and the *Healthy Environment* plan is almost certain to be stalled. We must find a way to address the basic challenge of rising emissions from the fossil-fuel exporting provinces overwhelming decreases elsewhere, without sparking regional and partisan conflict. How can that be done?

How can we reduce oil and gas emissions while minimizing regional and partisan conflict?

The counterbalance to this potential for regional and partisan conflict lies in the development of two approaches. The first is to ensure that the sectoral plans for emissions reductions called for in the Net Zero Act interim 2026 objective provide a broad context within which oil and gas industry emission reductions can be considered. It is possible that the cost of emission reductions in the four largest emitting sectors (oil and gas; transportation; buildings; and heavy industry) may be borne in part by the broader Canadian economy.

This broader context is necessary to ensure that the fossil-fuel provinces receive a message that they are not necessarily alone in facing the costs associated with significant reductions in oil and gas sector emissions. They must know that the rest of Canada is giving serious thought to possibly sharing those costs. That message can be conveyed by a broadening of the concept of “just transition” which refers, in the first instance, to assisting workers whose jobs are eliminated as part of the transition to sustainable energy. Those employment costs are certainly part of the cost facing fossil-fuel provinces but equally important, from the perspective of provincial governments, are costs in the form of reduced government revenues and costs borne throughout the province due to the impact upon the provincial economy. The rest of Canada has to accept the notion – and send a message to the fossil fuel provinces that they have so accepted – that some portion of those broader costs may well have to be paid by all Canadians.

The rest of Canada needs to strongly support Alberta and the other fossil-fuel exporting provinces as they shift to decarbonized economies. The federal government needs to make investments in those provinces which will provide their governments with new, decarbonized, revenues. That does not imply, however, any need to directly compensate for lost oil and gas production revenue.

For any consideration of such cost sharing, we must examine the critical role that governments must play in financially supporting the transition of the Canadian economy to a decarbonized future. The economic costs of emissions reductions will present in two ways. The first are the capital costs firms will incur to invest in technologies that reduce emissions and emissions intensity. The second are the consequential employment costs that result from changes to extraction of oil and gas. There

is a role for the federal government in the support of both technology investment and in labour transition.

The second thing which is needed is to bring the fact of the regional divide separating the fossil-fuel and other provinces out into the open. As noted, for the past two decades Canadian governments have avoided discussing the fact that achieving our mitigation targets requires imposing concentrated costs on the oil and gas sector and the provinces in which its operations are most heavily concentrated. Presumably due to national unity concerns, we have accepted rising or a flat level of oil and gas industry emissions. However, given the December 2020 federal government plan and the 2021 Liberal Party election platform, the cat is now out of the bag. The strategy of ignoring oil and gas industry emissions is no longer viable.

If we wait until next spring and summer before we begin to discuss the regional implications of federal policy we will be having that discussion when tempers are frayed and the issue has already boiled over. Instead, we must start now to discuss the challenge, and the way a pan-Canadian just transition can address the challenge. We recommend that this necessary dialogue be initiated by creation of a dedicated citizens' forum.

A citizens' forum on sharing the cost of the energy transition

We recommend that the Net-Zero Advisory Body, with approval and necessary funding provided by the federal Minister of Environment and Climate Change Canada, create a process whereby citizens from the fossil-fuel and other provinces can search for consensus on ways in which the oil and gas industry can significantly reduce its emissions without causing undue harm to any part of the country. We suggest the process be designed to ensure the citizens' forum can deliver a report by April 1 of next year. For that, only a limited number of citizens would be involved (perhaps twenty or thirty in total). More importantly, the mandate of the citizens' forum would not be open-ended, including all aspects of oil and gas industry emission reduction. Instead, it would be focused by this question:

How can the necessary oil and gas industry emission reductions be achieved in a way which is seen as fair and equitable by all Canadians?

In answering that question, it is likely the citizens' forum will address various means of cost-sharing among regions, governments, industries, and workers. However, the forum should not be given a mandate which means only cost sharing is examined. Other options, such as differing per capita reduction levels, must also be open to examination.

Given the limited time available, the forum would only address that question at a broad, conceptual level, with more detailed research to be done later once consensus is achieved on basic principles. The forum would probably only meet in full plenary mode two or three times. The Advisory Body would arrange for logistical support and for initial preparation of one or more discussion papers setting out the basic facts surrounding the issue. Beyond the limited financial support provided by Environment and Climate Change Canada, no governments would be involved in any way in the process.

The end product delivered by the citizens' forum on April 1, 2022 would not be a detailed blueprint for a pan-Canadian just transition. Instead, it would be a listing of the areas in which the forum dialogue has suggested compromises between the perspectives of citizens in the fossil-fuel and other provinces might be found. It is hoped that those findings would then inform the larger Canadian dialogue which inevitably will occur.

If the forum proves to be successful, it might be followed by other citizen advisory bodies examining other aspects of the Canadian climate policy challenge.

Conclusion

The days when we could ignore the implications for national climate policy of rising emissions from the oil and gas sector and the fossil-fuel provinces are over. They have been brought to a close by specific policy decisions of the government led by Mr. Trudeau, but also by the added urgency of the climate issue seen during the summer of 2022. In particular, we point to the heat record established by Lytton, British Columbia one day before it burnt down; wildfires and droughts in many parts of the world; the International Energy Agency recommendation that no new oil and gas operations be given regulatory approval after this year; and the most recent IPCC report.

Canada's oil and gas industry has made great strides over the past decade in reducing the emissions intensity of its operations. Between 2000 and 2018, intensity declined by 30% (Canadian Energy Centre, 2020). However, due to increases in the volume of extraction activity, total emissions increased during that time period. As we move toward the 2030 target, efforts to reduce emissions intensity must continue. Lower intensity is essential for the Canadian oil and gas industry to compete in a global market increasingly concerned about environmental, social and governance issues. Those intensity improvements must be accompanied, however, by the need to meet the new oil and gas sector absolute reduction targets which have been set by the Trudeau government.

For better or worse, Canadians are about to launch into potentially divisive discussions of how oil and gas emissions can be significantly reduced and the focus on reducing emissions from the fossil fuel industry seems inevitable. We suggest that steps be taken now to provide at least one forum for that dialogue, in the hopes that doing so will help to avoid vitriol and counter-productive invective. The necessary compromises among differing regional interests can only be found through calm, reasoned dialogue.

Who are we?

Climate Talk Canada consists of climate policy professionals working in academe, business and law and located in all regions of Canada. The group meets electronically each month to engage in cross-regional discussion of one of the major challenges facing Canadian climate change mitigation policy – the fact that greenhouse gas emission increases in the oil and gas producing provinces of British Columbia, Alberta, Saskatchewan and Newfoundland and Labrador are overwhelming reductions made elsewhere and so contributing to Canada’s inability to date to reduce total emissions. Because it is the largest emitter in that group, the focus is upon relations between Alberta and the rest of Canada. The group exists in order to facilitate pan-Canadian conversation on how this country can broker agreement among regions in order to finally begin to reduce its total emissions.

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Appendix

Figure 1 below gives data showing: 1) the share of total Canadian emissions generated by each province in 2019; and, 2) changes in provincial emissions between 2005 and 2019.

Figure 1. Provincial share of emissions and changes in emissions 2005 to 2019

Increasing				
	Share of emissions	2005 Mt	2019 Mt	% Change
Canada	100%	739	730	-1.1%
Nfld and Labrador	1.5%	11	11	5.4%
Manitoba	3%	21	23	10%
Saskatchewan	10%	68	73	10%
Alberta	38%	235	276	17%
British Columbia	9%	63	66	4.3%
<i>Cumulative share of increasing emissions provinces</i>	61.5%			

Decreasing				
	Share of emissions	2005 Mt	2019 Mt	% Change
Canada	100%	739	730	-1.1%
Prince Edward Island	.2%	2	1.8	-14%
Nova Scotia	2%	23	16	-30%
New Brunswick	1.6%	20	12	-38%
Quebec	11.5%	88	84	-4.4%
Ontario	22%	206	163	-21%
<i>Cumulative share of decreasing emissions provinces</i>	37.3%			

Source of data: ECCC (2021) National Inventory Report

This data respecting provincial changes in emissions needs to be considered in light of data on emission changes in the main economic sectors responsible for GHG emissions. Figure 2 below shows that two sectors which account for approximately half of Canadian emissions, oil and gas and transportation, have increased emissions since 2005, while others have decreased.

Figure 2. Changes in emissions from economic sectors

	Share of Total Canadian Emissions (2019)	Change since 2005
<hr/> <i>Increasing</i>		
Oil and gas	26%	20% increase
Transportation	25%	16% increase
<hr/> <i>Decreasing</i>		
Electricity	8.4%	48% decrease
Heavy industry	11%	12% decrease
Waste and others	7%	10% decrease

Source of data: ECCC (2021) National Inventory Report

Transportation is an activity distributed throughout Canada roughly in proportion to the distribution of population. Oil and gas extraction and export, however, is located only in some parts of the country, more precisely in the four fossil-fuel exporting provinces of British Columbia, Alberta, Saskatchewan and Newfoundland and Labrador. Those provinces make up four of the five provinces with rising emissions. The increase in Alberta, the largest oil and gas producer by far and the province with the greatest emissions increase, has been “primarily as a result of the expansion of oil and gas operations” (ECCC National Inventory Report, 2021: 11). Presumably increases in the other fossil-fuel provinces, shown in Figure 1 above are also due in large part to expansion of oil and gas production since 2005.