

Summary of Pathways Alliance's submission on the draft Oil and Gas Emissions Cap Regulations

On January 8, 2025, Pathways submitted feedback and comments to the Federal Government on the draft Oil and Gas Emissions Cap (Emissions Cap) Regulations and the accompanying regulatory impact analysis statements (RIAS). The draft Emissions Cap Regulations are duplicative and unnecessary as existing federal and provincial regulations already encompass these emissions.

February 19, 2025

On January 8, 2025, Pathways submitted feedback and comments to the Federal Government on the draft Oil and Gas Emissions Cap (Emissions Cap) Regulations and the accompanying regulatory impact analysis statements (RIAS). Furthermore, Pathways submitted a Notice of Objection and Request for Board of Review of the draft Emissions Cap Regulations.

Pathways previously provided comments in September 2022 with respect to the discussion paper entitled "Options to cap and cut oil and gas sector greenhouse gas emissions to achieve 2030 goals and net-zero by 2050" and in February 2024 on the proposed Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap. Pathways is disappointed that concerns raised about the proposed regulations by both Pathways and the broader oil and gas industry, as well as reputable institutions such as S&P, Deloitte and the Conference Board of Canada, were ignored by Environment and Climate Change Canada (ECCC).

The Emissions Cap Regulations propose a cap-and-trade system that specifically targets greenhouse gas emissions from the oil and gas sector. The draft Emissions Cap Regulations are duplicative and unnecessary as existing federal and provincial regulations already encompass these emissions.

Put simply, the draft Emissions Cap Regulations and RIAS are unnecessarily complex, are based on assumptions and modelling that lack transparency, will result in cuts to oil sands production, will create economic and legal risks contributing to investor uncertainty, and will negatively impact the broader Canadian economy.

Pathways' concerns can be summarized at a high level as follows:

- **Complex, costly and duplicative regulations create barriers to investment**
 - Competition for investment from the global oil and gas industry becomes increasingly difficult for Canadian producers as costly climate regulations continue to be imposed without proper stakeholder consultation and economic impact assessment. Duplicative regulations fail to recognize the economic value of Canada's natural resources and undermine existing climate policy and emissions regulation. The proposed Emissions Cap Regulations add complexity, potentially destabilizing compliance carbon credit markets and creating uncertainty for decarbonization investments.
- **Insufficient fiscal and regulatory support will delay or deter decarbonization projects**
 - Large-scale decarbonization projects, like carbon capture and storage (CCS), are capital intensive and costly to operate. Technically viable emission reductions cannot be achieved without the necessary fiscal and regulatory supports. The Emissions Cap Regulations do not recognize the need for, nor enable, the fiscal supports, policy certainty and regulatory assurances that are necessary to enable decarbonization projects to succeed.
- **An emissions cap is a production cap**
 - Despite the federal government's position that the Emissions Cap is not a cap on production, the draft regulations are designed such that companies will be forced about future production values and sector growth projections will inhibit investment and growth, including in decarbonization projects to reduce or stop production as the only means of compliance. Uncertainties about future production values and sector growth projections will inhibit investment and growth, including in decarbonization projects.

- **Flawed regulatory design further compounds investment uncertainty**
 - The draft Emissions Cap Regulations lack the necessary compliance flexibility to guide industry in reducing emissions. The regulations create uncertainty and lack transparency related to future stringency and carbon credit value. Under the draft Emissions Cap Regulations, oil and gas operators will be challenged to determine which projects to fund, and in what sequence, because of a lack of understanding of future facility compliance obligations and costs, and how the Emissions Cap trajectory is planned to change over time.

- **Canadian prosperity will be eroded by undermining the oil and gas sector**
 - Canada's oil and gas sector is a key party of the global energy supply and a key economic driver for Canada. If Canadian oil prices become uncompetitive, it can significantly affect the industry's profitability and viability. The proposed Emissions Cap Regulations give industry less—not more—of the certainty needed to make long-term, multi-billion-dollar investments that create jobs, economic growth and tax revenues for all levels of government.

Based on the significant risks and impacts posed by the draft Emission Cap Regulations, Pathways urges the Government of Canada to abandon the Emissions Cap Regulations and refocus efforts on enabling the legislation, fiscal programs and regulatory reforms that are necessary to gain investor confidence in making decarbonization investments in Canada while preserving the economic viability of Canada's oil and gas industry.