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James Rajotte, Member of Parliament and Chair
House of Commons Standing Committee on Finance
House of Commons
Ottawa, Ontario
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Dear Mr. Rajotte,

More than 6.5 million Canadian homes, schools, hospitals, places of worship and places of work rely on natural gas to meet their energy needs. Combined this represents almost one-third of all the energy use in Canada, coast to coast to coast. Well over 20 million Canadians currently have the opportunity to benefit from the safe, reliable and affordable energy service that Canadian Gas Association (CGA) member utilities provide using clean and abundant natural gas.

CGA believes more Canadians deserve that opportunity. More Canadian homeowners deserve the savings. More Canadian institutions deserve the lower expenses. More Canadian workers deserve the prospect of employment that comes when investors have decided to build companies here because of natural gas availability.

CGA is presently working on identifying opportunities for three specific markets:

- smaller communities or agricultural areas that are near, but not yet connected to, the natural gas pipeline system;
- northern and remote industry and communities such as the Ring of Fire, north of 60 mining and resource projects, and first nations communities that are not close to the pipeline system but could benefit from Compressed Natural Gas (CNG) or Liquid Natural Gas (LNG); and
- transportation markets including on-road, off-road, rail and marine which could shift to natural gas for their needs, and could do so, in part by cross-utilization of the expanded system created under the above noted expansions.

As our thinking on each of these areas evolves, CGA intends to make more information available to parliamentarians. For our purposes here though, we wanted to respond to your request for suggestions on the six themes you have identified for the report of the committee.

Balancing the federal budget to ensure fiscal sustainability and economic growth

Affordable energy in Canada has been a key foundation for our economic well-being and natural gas has always been one of our most affordable energy options. Today it is even more so given the abundance of the product across North America. Affordable energy supply encourages investors to build

companies in Canada: knowing that this key input cost is lower here compared to most other jurisdictions. This delivers jobs, it delivers tax revenues, and it delivers opportunity. All of which contribute to fiscal sustainability and economic growth.

Governments need to recognize the competitive strengths in the economy that can ensure ongoing growth. Natural gas, and the natural gas infrastructure in our country, constitute one such competitive strength. The Government of Canada should reflect on how to maximize this strength when it thinks about enabling the resource economy to develop, when it thinks about northern development and when it thinks about our ability to compete internationally. The affordability of our domestic energy resource is key to success on all of those fronts, and natural gas offers it today.

Supporting families and helping vulnerable Canadians by focusing on health, education and training.

Natural gas can help with the health, education and training of Canadians in two ways. First, it offers lower energy costs for hospitals, schools, and training centers - freeing up money to better deliver the services they are there to provide. Second, it offers lower direct energy costs for consumers giving them more economic freedom and more opportunity to spend their hard earned money on other priorities. These savings help enable the kind of virtuous economic growth circle that in turn generates revenue for governments to support priorities like health, education and training.

Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization

CGA believes in developing and implementing mechanisms to encourage innovation in energy utilization by having governments and industry work more closely together to leverage their limited dollars.

ETIC – Energy Technology Innovation Canada – is one such mechanism. Started by the natural gas utility members of CGA, ETIC seeks to mobilize strategic investments in the demonstration and commercialization of innovative natural gas technologies. Working with various agencies and offices of government, as well as with uniquely Canadian research facilities such as the Natural Gas Technologies Centre, based in Boucherville, Québec, ETIC offers a unique opportunity for cooperation in areas such as: community energy systems, transportation, industrial processes, and renewable natural gas (RNG).

Through ETIC, CGA partnered with Sustainable Development Technology Canada (SDTC) to create the first industry-government joint funding mechanism for investment in innovative natural gas technologies. This vehicle offers great promise for ongoing innovation in the applications of natural gas to meet Canada's energy needs, all in a sustainable fashion. It is an excellent example of what government and industry can do together.

Ensuring prosperous and secure communities, through support for infrastructure

Rising energy prices inhibit economic growth and serve as a disincentive to investment. Government efforts to ensure continued abundance of energy (through support for ongoing research and development of our energy resources) and availability of energy (through simpler processes to approve energy infrastructure) can help keep energy affordable for Canadians.

Natural gas reduces energy costs in Canadian homes, businesses, institutions and governments. The abundance of natural gas helped to deliver a savings of over \$2,000 per household last year for those who chose natural gas over electricity and propane; and over \$3,000 in savings for those who chose natural gas over home heating oil.

Technological innovation has deepened already abundant reserves of natural gas, promising long-term widespread availability at affordable cost. This opens the door to new markets for natural gas in Canada to reach Canadians who have not been able to benefit from it to date.

CGA is currently working to identify communities across Canada that could have piped gas, as well as those more remote communities and projects where gas could be moved as CNG or LNG to meet their needs. Federal support for infrastructure here would help ensure more Canadians have a natural gas choice for their energy needs.

Improving Canada's taxation and regulatory regimes

To date natural gas has been a very small player in the transportation market, an area where it has huge potential to offer significant economic and environmental benefits. Making it a viable option depends on three factors: whether the fuel is affordable, whether vehicles are available and affordable, and whether refueling infrastructure is accessible. The first is a reality. The second and the third will require targeted assistance to give customers choice in the market.

Natural gas for vehicle use is typically 30 to 40 per cent less expensive than liquid fuels, largely a result of the lower commodity cost of natural gas. The affordability of natural gas has always been an advantage in conventional applications like home heating. The continually improving supply picture has made its price advantage even greater, and accounts for the growing interest in it as a transportation fuel option.

Governments can assist in the greater adoption of natural gas as a transportation fuel with financial or tax measures to de-risk incremental natural gas vehicle costs and support new LNG and CNG supply sources, until such time as there is choice for consumers in the marketplace. CGA is currently working to develop detailed proposals on such initiatives.

Governments can also send a positive signal through a commitment to maintain the federal fuel excise tax exemption on LNG and CNG. While the current exemption represents only a part of the savings on a cost-per-diesel-litre equivalent basis, it is an important factor for prospective users like fleet operators considering a transition to natural gas.

Maximizing the number and types of jobs for Canadians

Statistics Canada reports that the natural gas distribution industry has over 16,000 full time Canadian employees. CGA estimates that over 60,000 Canadians work directly in jobs provided by the full value chain for natural gas: companies that produce, transport, and distribute natural gas in Canada. This number has the potential to be much larger with domestic and export growth of the natural gas sector.

Natural gas distribution pipeline construction and consumer heating, ventilation, and air conditioning (HVAC) equipment installations generate local jobs and opportunities for companies. And most importantly natural gas, as an affordable energy solution, attracts and retains businesses and industry who in turn employ many thousands across Canada.

For all energy users any reduction in cost while enjoying the same level of comfort or maintaining the same or improved level of service or production output is a significant benefit. It means money in the pockets of consumers – for families in their homes for their other needs or for businesses to become more competitive and to expand and grow.

In conclusion

With energy increasingly identified as a fundamental driver of our economic wellbeing, CGA believes the federal government needs to turn its attention more directly to the economic advantages of natural gas. The abundant supply of the fuel and the robust infrastructure distributing it have delivered significant benefits over decades and promise even more in the years ahead. As noted above, CGA is developing more detailed suggestions on key markets where we believe that opportunity is worth pursuing now. We will forward those to parliamentarians as they are developed.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tim Egan', with a horizontal line extending to the right and a vertical line extending downwards from the end of the signature.

Timothy M. Egan
President & Chief Executive Officer
Canadian Gas Association