

August 2, 2019

Dear Members of the Standing Committee on Finance,

The Canadian Gas Association (CGA) is sharing its 2020 pre-budget submission outlining recommendations to support the natural gas distribution industry in delivering emission reductions for Canada.

Natural gas meets 35% of Canada's energy needs and its use is growing as consumers look for clean, affordable energy for heat, power and mobility. Today, natural gas is delivered to two-thirds of Canadians through over 550,000 kilometres of CGA member company infrastructure. We include a map of CGA member company service territories in Attachment 1.

The Government of Canada's 2020 Budget priorities focus on supporting GHG emission reductions and benefiting the environment and economy. Such measures are top of mind for Canada's natural gas distribution industry. Since 1990, gas utilities have invested over \$1.5 billion in energy efficiency programs for consumers, saving over 60 megatonnes of GHG emissions. In 2016, CGA launched a natural gas cleantech granting body – the Natural Gas Innovation Fund (NGIF), which has approved almost \$9 million in industry funding and leveraged another \$70 million. These funds aim to find solutions for the natural gas industry that reduce emissions and improve operational performance. Furthermore, in 2018, we presented a federal renewable gas proposal seeking \$750 million to support an industry-set target of 5 to 10% blend of renewable gases in our pipelines by 2030. All these actions demonstrate commitment to supporting the Government's environmental objectives.

This pre-budget submission recommends ready-now solutions that can deliver more emission reductions for Canada. The National Energy Board forecasts natural gas will become the most widely used energy source in Canada by 2035, underscoring the point that Canadians view natural gas as a long-term foundation fuel. We remind energy decision-makers to recognize and support a balanced approach to the way Canadians energy demands are met. This includes supporting smart decisions that leverage all our energy delivery systems, not just any one.

We often lose sight of the assets we already have. Consider this: the 242 billion kilowatt hours of energy that can be stored in Canada's natural gas storage facilities equals the average annual electricity use of just under 21 million Canadian households in one year. How many decision-makers, focused on the desire for energy storage, have any idea of this incredible storage asset already present – and how it might be utilized to meet more of our public policy objectives?

Our recommendations for the 2020 Federal Budget reflect our industry's commitment to emissions reductions, consumer safety, and the delivery of resilient and affordable energy, all in a way that promise better use of the incredible assets we have today. We welcome the opportunity to appear before the Finance Committee to present our submission directly.

Sincerely,



Timothy M. Egan  
President & CEO  
Canadian Gas Association

**The Role of Natural Gas in a Low-Carbon Economy  
Canadian Gas Association 2020 Pre-Budget Submission**

**Recommendation 1: Introduce a Canadian Clean Fuel Strategy and Support Near-Term Hydrogen Work**

- Develop a national Clean Fuel Strategy that supports investment in clean fuel production and use in Canada including liquid fuels (ethanol, biodiesel), renewable gases (renewable natural gas and hydrogen), and solid biomass. The renewable gas portion of this proposed Clean Fuel Strategy should include the following measures:

**Stream 1: The Renewable Gas Technology Commercialization Fund (\$175 million)** to allocate:

- \$150 million towards renewable gas technology demonstrations across Canada. Project intake, screening, evaluation and selection would be conducted by Natural Resources Canada (NRCan) and NGIF.
- \$15 million towards the creation of a hub for renewable gases at CanmetENERGY laboratories in Ottawa, including equipment upgrades, operational costs, and a pan-Canadian renewable gas R&D/technology-needs assessment.
- \$10 million towards a competitive process for collaborative academia/government/industry support to focus on specific gaps in capacity building, codes and standards, and bench-scale research.

**Stream 2: The Renewable Gas Supply Fund (\$575 million)** to support:

- Project deployment activities across Canada with the goal of achieving 5 to 10% renewable gas content by 2030. Project support could be through a production incentive, capital cost contribution or a hybrid approach. Funding would be repayable based on a profitability agreement.
- Call on NRCan to develop a Hydrogen Investment and Innovation Strategy for Canada with recommendations, supported by federal investment, that position Canada as a world leader in both the use and export of hydrogen fuel and technology.

**Recommendation 2: Expand Natural Gas to Rural and Remote Communities**

- Commit \$450 million to leverage natural gas utility funding that would result in the connection of more than 40,000 rural and remote Canadians to natural gas supplies. These funds would allow consumers to transition off of diesel, heating oil or other high-cost, high-emitting fuels to affordable, clean, natural gas.
- Allow LNG and CNG projects to be eligible for clean energy funding programs under the Government's off-diesel strategy, including any future funding rounds to support remote communities.

**Recommendation 3: Drive Canada Forward with Natural Gas**

As outlined in the June 2019 report [Natural Gas Vehicle Use in the Medium and Heavy-Duty Vehicle Transportation Sector](#), support the increased use of natural gas for transportation through:

- Funding for up-front vehicle costs;
- Renewed funding to support new compressed and liquid natural gas (CNG and LNG) re-fueling facilities;
- Funding for maintenance facility upgrades for both fleets and vendors;
- Funding for capital investment to enable RNG supply to existing pipelines;
- Investments in R&D efforts, including collaborative partnerships with governments and research institutions;
- Leadership in the domestic and international marine sector including financial support for LNG bunkering; and
- Leadership in supporting use of natural gas in Canada's rail and off-road transportation sectors.

**Recommendation 4: Support Energy Efficiency and Natural Gas Clean Technology**

- Allocate \$15 million over five years to expand NRCan's Office of Energy Efficiency (OEE), the Office of Energy Research and Development (OERD) and CanmetENERGY efforts to de-risk the following technologies: hybrid gas-electric heating, natural gas heat pumps, small-scale residential and commercial CO<sub>2</sub> capture and storage, and micro combined heat and power.
- Allocate 1-2% of all federal cleantech funding towards the development/updating of codes and standards.
- Create a three-year, \$300M program called *Driving GHG Emissions down for Canada and the World: The Natural Gas Innovation Fund Opportunity* to build on NGIF's industry-led grant funding results and its cleantech enterprise portfolio.
- Create a Clean Technology Economic Strategy Table for "Globally Competitive Low GHG Emission Gas" dedicated to leveraging NGIF's portfolio and strength of Canada's natural gas sector to realize a low-GHG emission global advantage for Canada.

**Recommendation 5: Cyber Security Skills Transfer for Industrial Systems**

- Maintain funding for the Canadian Centre for Cyber Security (Cyber Centre) and related programs that target critical infrastructure and foster collaboration and skills transfer with industry, including the energy sector.

## Section 2: Overview of Recommendations

### 1. Canadian Clean Fuel Strategy

To reach the objectives of the Pan Canadian Framework it is important for Canada to create a strategy for all clean fuel sectors, including renewable gases. This would result in important GHG emission reductions, clean growth investment and economic development. CGA is a member of the Clean Fuel Steering Committee (CFSC), an industry-government collaboration including the renewable gaseous, liquids, solids and EV sectors and the federal departments of NRCan, Environment and Climate Change Canada (ECCC), among others, working together to examine program and policy measures that affect capital investments in Canadian clean fuel production.

Renewable gases remain an untapped emission reduction opportunity for Canada. Many countries (Italy, France, United States, etc.) are implementing policies to de-risk and advance renewable gas production and capitalize on existing gas infrastructure to diversify their low-emission technology portfolios. Renewable gas funding would provide an improved compliance pathway for the federal clean fuel standard goal of 14 megatonnes of GHG emission reductions by 2030, and create new economic partnership opportunities for Canadian companies and feedstock supply holders.

With the emergence of hydrogen as a clean energy source and Canada's hydrogen leadership commitment at the 2019 Clean Energy Ministerial/Mission Innovation conference, CGA's recommendation for government investment in a Hydrogen Investment and Innovation Strategy will support NRCan's continued work to better understand this fuel and how Canada can be a leader in hydrogen.

### 2. Connect Rural and Remote Communities to Natural Gas

As of 2018, 53% of Canada's rural communities relied on higher-emitting energy sources that are one to three times more costly than natural gas. Canada's rural, Northern and Indigenous communities face unique energy challenges. Many rural regions are home to large energy users such as those in the agriculture sector. For remote regions, the geography, climate, and high energy prices pose unique challenges. Natural gas offers a low-emission energy solution through a pipeline expansion connection to the existing gas network. In 2018, CGA worked with rural-based parliamentarians and presented a strategy to connect Canadians to natural gas. We ask that this strategy be further discussed with us as we look to mobilise it.

For remote regions where pipelines are not feasible, liquefied or compressed natural gas (LNG or CNG) can be trucked in. In Budget 2018, NRCan's Clean Energy Fund for Rural and Remote Communities excluded LNG and CNG from its eligibility. LNG and CNG are clean and affordable options to shift remote communities from the use of diesel and we encourage the Government's off-diesel strategy to include these options in support programs.

### 3. Transportation Competitiveness

According to ECCC's National Inventory Report, transportation is Canada's second-largest source of GHG emissions – producing more than one-quarter of the total emissions. The goods transportation sector – including for-hire passenger transportation and public transit – accounts for fewer than three million vehicles, and generates 14 megatonnes more emissions than the 22 million personal transportation vehicles. Displacing higher-cost and higher-emitting traditional fuels such as diesel by encouraging fleets to utilize Canada's abundant and affordable natural gas is a significant, and largely missed, opportunity for policy-makers. Canada's NGV industry has worked in collaboration with governments to produce a roadmap for greater use of NGVs. An updated version ([Natural Gas Vehicle Use in the Medium and Heavy-Duty Vehicle Transportation Sector](#)) was released in June 2019. The report notes the use of natural gas as a transportation fuel can reduce emissions by up to 25 per cent, depending on the vehicle and fuelling system used. The emergence of RNG also provides added emission reduction benefits from using natural gas for the transportation industry.

### 4: Energy Efficiency and Natural Gas Clean Technology

In 2018, over two-thirds of Canadians used natural gas. To continue meeting customer expectations, industry aims to work with government to develop the next generation of natural gas solutions, through innovation in cleantech and energy efficiency. Since 2016, when NGIF was created, it has approved \$8.9 million in industry grant funding to support 44 cleantech project investments led by emerging companies with total eligible project costs of \$77 million. These projects have an aggregated projection of at least 2.6 MT CO<sub>2</sub>e GHG reductions by 2030. A program to support NGIF's industry-led grant funding results would accelerate targeted cleantech innovation in upstream, midstream and downstream natural gas.

Energy efficiency measures also provide meaningful GHG reductions. Leadership through NRCan's OEE, the OERD and CanmetENERGY has been instrumental in providing program funding, data and analytic platforms, third-party validated information and technology expertise. This relationship can be leveraged further, with expanded funding for these offices, to support federal codes and standards development, energy efficiency regulations and building code targets.

## **5. Infrastructure/Cyber Competitiveness**

Canada's critical energy infrastructure systems require robust cyber security to ensure reliable and efficient services. The Cyber Centre has established itself as an important player in maintaining and improving Canada's cybersecurity landscape. Initiatives such as its Energy Sector Community Call, which includes over 60 organizations across the sector, provide indispensable forums for public-private collaboration. However, funding constraints limit the value that could be realized. Granting programs such as NRCan's Cybersecurity and Critical Energy Infrastructure Program are critical mechanisms for providing industry with the means to perform R&D, effectively share information and develop guidelines and best practices. Ongoing collaboration must continue between government and the private sector to effectively manage cyber security risk.

**Attachment 1.  
CGA Member Company Infrastructure Service Territory**

