

Written Submission for the Pre-Budget Consultations in Advance of the 2021 Budget

Submitted by Enbridge

August 7, 2021

Recommendation 1: Co-create with businesses and key stakeholders a Low Carbon Export Strategy.

Recommendation 2: Enhance access to capital for industrial and extractive sectors through mechanisms like transition finance, green finance and sustainability-linked loans.

Recommendation 3: Enhance Indigenous communities' access to capital and technical capacity to invest in natural resource projects and energy infrastructure.

Recommendation 4: Ensure policy, tax and administrative frameworks are competitive, innovative and designed to support economic recovery and growth along with other important strategic priorities like meeting national climate commitments.

Recommendation 5: Ensure Canada has access to domestic and international carbon offset markets to encourage cost-optimized transition pathways to meet net-zero by 2050.

Recommendation 6: Competitive, innovative and strategic policy, tax and administrative frameworks should be paired with increased Federal funding support to accelerate innovation and decarbonization with trusted and experienced industry partners like utilities.

Recommendation 7: Introduce a carbon capture tax credit, like the Section 45Q tax credit in the United States.

Recommendation 8: Launch the Canadian hydrogen economy by ensuring the national strategy currently under development includes financial incentives and support.

Recommendation 9: Provide funding to municipalities and transit agencies to help develop Canada's RNG industry.

Recommendation 10: Provide funding to offset costs of electrifying greenfield natural resource projects and energy infrastructure.

About Enbridge

Enbridge is North America's largest energy infrastructure company. Enbridge has a strategic network of oil and gas pipelines, North America's third-largest gas distribution utility, and significant renewable power generation assets. We exist to fuel people's quality of life. We do so by safely delivering nearly two-thirds of Canada's crude oil exports to the U.S. and approximately 19 percent of all natural gas consumed in the U.S. We also have nearly 2,000 MW of net renewable generation capacity, based on projects in operation or under construction. With assets in multiple jurisdictions, we make investment decisions to do business where it makes sense to do so.

Introduction

The ongoing COVID-19 pandemic presents uniquely challenging circumstances to all Canadians, and the Government of Canada is right to increasingly turn to the pressing matter of economic recovery and growth. We commend the Government of Canada's leadership to date and are happy to provide the following recommendations in connection with your consultations in advance of the 2021 federal budget.

Canadian energy – and our country's natural resource sector more broadly – is uniquely positioned to “kick start” Canada's economic recovery. The Business Council of British Columbia recently wrote, “The quickest, surest path for Canada's post-pandemic recovery is to fire up its big economic engines,” pointing to the natural resource sector specifically.¹ This path is so promising because natural resource production is *by far* Canada's highest value-added sector.² Further, natural resource production and manufacturing generates about two-thirds of our country's export earnings in real terms.³ Said another way, you fully unlock Canada's natural resource development potential (of which energy is a major part), and you unlock Canada's economic recovery and future growth.

Canada's liquified natural gas (LNG) opportunity is illustrative of the role that our energy industry can play to kick start economic recovery. According to the Conference Board of Canada, a 56-million-tonne per annum LNG industry would mean 96,550 more jobs a year and \$64 billion in new revenues for the Federal Government from 2020-2064.⁴

Of course, this economic recovery and growth needs to be situated within our country's environmental and social goals and commitments. The following recommendations support the Government of Canada's most pressing strategic goals, namely (1) meeting and exceeding Canada's 2030 Paris commitments and net-zero emissions by 2050; (2) Indigenous economic reconciliation; and (3) jobs for the middle class.

Recommendations

i) Positioning Canada as a leader and preferred vendor of low carbon goods globally

Climate leadership and innovation from our largest industries should be the foundation upon which we build a more prosperous and resilient Canadian economy. Canada is uniquely positioned to provide sustainable energy to the world through exports of energy and clean energy technology. With governments and businesses across

¹ [“Which industries pay Canada's bills?”](#), David Williams, Business Council of British Columbia, May 25, 2020

² Ibid.

³ Ibid.

⁴ [“A Rising Tide: Economic Impacts of LNG in Canada”](#), The Conference Board of Canada, July 27, 2020

sectors working together toward a Low Carbon Export Strategy, Canada can seize a generational opportunity to reduce our emissions and create good jobs at home, while meeting rising demand for low carbon goods abroad.

To start, we need to understand how reducing our industrial emissions today provides a durable competitive advantage in the future, and exactly where we stand compared to our global competitors. This baseline work would help inform a Low Carbon Export Strategy.

There are big opportunities for the country's top exporting sectors, representing one-third of Canada's GDP, to collaborate and provide leadership to shape national economic competitiveness in a low carbon future. Enbridge believes that Canada needs an economic recovery plan that achieves reduced emissions both domestically and internationally, but also creates economic growth and opportunity. This strategy should focus on meeting the rising global demand for low carbon goods and be designed to increase our export market share and influence over global emissions.

Recommendation 1: Co-create with businesses and key stakeholders a Low Carbon Export Strategy.

ii) Enabling energy system transformation

With proper support, Canada's energy sector is well positioned to transform national energy systems, leveraging extensive technical expertise and experience in managing and executing large projects, managing risk, and integrating new technologies with existing assets and processes. However, large emitters in industrial and extractive sectors (like oil and gas) are typically excluded from financial initiative programs designed to reduce greenhouse gas emissions. The Government of Canada's Expert Panel on Sustainable Finance recognized this obstacle through its recommendation that Canada should pioneer the development of "transition finance" and "green finance" to unlock transformative investment in Canada's energy sector.

Recommendation 2: Enhance access to capital for industrial and extractive sectors through mechanisms like transition finance, green finance and sustainability-linked loans.

As the Government of Canada pursues economic recovery and growth and the transition to a low carbon economy, it should enable greater Indigenous participation in the energy industry and natural resource sector.

We have a tremendous opportunity to advance reconciliation with Indigenous Nations through partnerships and the sustainable and transformative development of energy infrastructure. Now more than ever, it is important to work with Indigenous peoples to facilitate meaningful economic participation in new business opportunities that can generate long-term benefits, including through equity ownership. That said, large-scale infrastructure project economics usually cannot support carried equity as overall returns are relatively low. Providing Indigenous communities with funding and capacity to participate in energy projects as true equity partners helps bridge this gap.

Recommendation 3: Enhance Indigenous communities' access to capital and technical capacity to invest in natural resource projects and energy infrastructure.

iii) Encouraging innovation and investment while maintaining competitiveness

The Government of Canada can encourage investment in new technologies and meet its emissions reduction targets while maintaining the energy sector's competitiveness internationally. Competitive and innovative policy, tax and administrative frameworks are required to attract private sector investment. Further, strategic investments from government in low carbon energy "moon shots" will certainly be necessary to prove out and de-risk important greenhouse gas reduction solutions, particularly promising innovations like carbon capture, utilization and storage (CCUS), hydrogen, and renewable natural gas (RNG). The C.D. Howe Institute recently wrote,

“... public investment has a potential role to play in backbone infrastructure to enable the energy transition... economywide decarbonization will not happen in the laboratory, and governments should help prove out promising, new technologies by investing in demonstration-scale projects – for example, development of small modular nuclear reactors, hydrogen production, grid-scale battery storage and carbon sequestration.”⁵

We agree.

a) Competitive policy, tax and administrative frameworks that support energy system transformation

As Canada works towards the goal of net-zero by 2050, our energy system must be supported by transparent, competitive and innovative policies and regulations that allow for long-term, transformative investments. A piecemeal, non-strategic approach makes it challenging for companies to make important investment decisions.

Challenges exist today. For example, details around the federal carbon price only exists out to 2022; the Clean Fuel Standard (CFS) could create crediting challenges that distort normal market responses or impact existing offset opportunities under existing carbon pricing systems; and slow, costly and increasingly opaque regulatory approval processes continue to challenge the construction of new infrastructure required for any energy system transformation. Further, more work needs to be done regarding domestic and international carbon offset markets to ensure cost-optimized compliance pathways exist for industry.

Recommendation 4: Ensure policy, tax and administrative frameworks are competitive, innovative and designed to support economic recovery and growth along with other important strategic priorities like meeting national climate commitments.

Recommendation 5: Ensure Canada has access to domestic and international carbon offset markets to encourage cost-optimized transition pathways to meet net-zero by 2050.

b) Working with trusted and experienced industry partners

Utilities like Enbridge Gas Inc. currently have well-established energy saving programs, experience working with key associations, innovators and governments, and have the capacity to implement new programs with a large existing customer base in a timely and targeted manner. These strong customer and stakeholder relationships should be enhanced with increased federal funding to help accelerate the commercialization of low carbon technologies and meet national climate commitments.

Recommendation 6: Competitive, innovative and strategic policy, tax and administrative frameworks should be paired with increased Federal funding support to accelerate innovation and decarbonization with trusted and experienced industry partners like utilities.

c) Carbon capture, utilization and storage (CCUS)

CCUS is a particularly exciting “moon shot” opportunity to significantly decarbonize the energy sector and achieve Canada’s climate goals. To make the development of CCUS infrastructure economic, carbon tax emissions credits need to be coordinated with the Pan-Canadian Framework (CFS and the Output-based Pricing System or the provincial equivalent). The Government of Canada should introduce a carbon capture tax credit, like the Section 45Q tax credit in the United States, to incent transformative industry investments in CCUS.

Recommendation 7: Introduce a carbon capture tax credit, like the Section 45Q tax credit in the United States.

⁵ [“Canada's recovery plans should focus on building the infrastructure of the future”](#), Grant Bishop, C.D. Howe Institute, June 23, 2020

d) Hydrogen

Hydrogen can play a key role in the transition to a low carbon economy and the path to net-zero. Enbridge was an early investor in hydrogen with its operation of Canada's first utility-scale-power-to-gas plant in Markham, Ontario. With investment and the right national strategy, we know that Canada can become a hydrogen superpower.

It's clear that significant capital will be required and governments around the world are earmarking funding for their own domestic hydrogen industries. For example, Germany recently allocated €9B to grow their hydrogen economy. The Government of Canada should be prepared to make similar strategic investments.

Further, a cohesive national framework will be critical to unlock this industry. It's important we coordinate across multiple jurisdictions to avoid inefficiency, waste and a patch-work of policies and regulations.

Enbridge commends the Government of Canada on its work so far in developing a national hydrogen strategy. This is an important first step, but more must be done (and quickly) to prevent Canada from falling behind.

Recommendation 8: Launch the Canadian hydrogen economy by ensuring the national strategy currently under development includes financial incentives and support.

e) Renewable natural gas (RNG)

RNG is another exciting opportunity to decarbonize natural gas and existing energy infrastructure. To further develop the national RNG industry and support local communities with their own climate goals, the Government of Canada should provide funds to municipalities and local transit agencies for RNG projects, including for creating new production sites and for heavy transport and public transport solutions.

Recommendation 9: Provide funding to municipalities and transit agencies to help develop Canada's RNG industry.

f) Electrification of greenfield natural resource projects and related energy infrastructure

We recognize that electrification of new projects will be an increasingly important piece in building Canada's clean energy brand as a supplier of the world's cleanest natural gas. However, electrification means an increase in capital and operating costs for projects. In the current price environment (for natural gas and oil, particularly), industry will need help offsetting the incremental costs of electrification to ensure that investments can be made in job creating projects.

Recommendation 10: Provide funding to offset costs of electrifying greenfield natural resource projects and energy infrastructure.

Conclusion

Thank you for this opportunity to provide input in advance of the 2021 federal budget. Enbridge stands ready to do its part to support Canada's economic recovery and growth.