

To: House of Commons Standing Committee on Finance

Submission from: Canadian Gas Association

C/O: The Clerk of the Committee

August 7, 2020



## The Role of Natural Gas in Canada's Recovery Canadian Gas Association 2021 Pre-Budget Submission

### Recommendations from the Canadian Gas Association

#### **Recommendation Area 1: *Develop a Team Canada Recovery Approach with the Natural Gas Delivery Industry***

- **Invest \$186 million to leverage \$8.4 billion to connect rural and Indigenous communities reliant on diesel and propane, to build marine bunkering infrastructure for LNG, and to develop domestic LNG projects**
- Include the natural gas delivery industry in the newly launched Industry Strategy Council (under the Resources of the Future and Clean Technology Innovation components).
- Build new resilient energy infrastructure by partnering with the gas delivery industry via the Canada Infrastructure Bank.
- For homes and businesses, we encourage a partnership on green retrofits to leverage gas utilities' \$250 million/yr incentive budgets for home and business energy efficiency. **We encourage investment of \$735 million to complement the gas delivery industry efforts to facilitate green retrofits.**
- To accelerate project investment activity, we recommend project calls under the Climate Action Incentive Fund and to recapitalize the Low-Carbon Economy Fund and the Clean Growth Fund.

#### **Recommendation Area 2: *Support Renewable Gases to Position Canada on the Global Stage***

- **Commit \$664 million in Budget 2021 to leverage hydrogen and renewable natural gas (RNG) projects led by the natural gas delivery industry across Canada (see attachment 2).**
- Include the natural gas delivery industry in the to-be-established (by NRCan) National Hydrogen Strategy implementation team and ensure Canadian hydrogen implementation focuses on sub-regional nodes where the most promising hydrogen opportunities can be realized.
- Develop codes and standards for hydrogen use in Canada including both for pipelines and end-use appliances for homes, business, industry, and power generation.

#### **Recommendation Area 3: *Leverage Canada's Natural Gas Cleantech Advantage***

- **Invest \$160 million in Alternative Transportation Fuel projects to incent fleet owners to convert to natural gas/RNG.**
- Develop a \$100 million, 3 to 5-year funding partnership with CGA's Natural Gas Innovation Fund to advance energy cleantech startups with solutions along the entire natural gas value chain from the wellhead to the consumer.
- Launch a national energy industry accelerator to co-fund projects, co-design programs, and administer processes to deploy cleantech solutions at industry sites with a first-of-kind hybrid financing platform model of grants, loans, and equity investments.
- Include NGIF as an approved "Fund" under the federal Clean Fuel Standard.
- 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 advance R&D and programming support for gaseous technology solutions (e.g., hybrid gas-electric heating, hydrogen heating, natural gas heat pumps, small-scale residential and commercial CO<sub>2</sub> capture and storage, and micro combined heat and power, etc.).
- Allocate 1% to 2% of all federal cleantech funding towards the development/updating of codes and standards.



Dear Members of the Standing Committee on Finance,

The Canadian Gas Association (CGA) is sharing its 2021 pre-budget submission outlining recommendations to support Canada during this period of economic uncertainty. Canada's recovery can be bolstered by the natural gas delivery industry (see Map 1 for the CGA membership).

CGA is the voice of Canada's natural gas delivery industry. Its membership includes natural gas distribution and transmission companies, equipment manufacturers, and suppliers to the industry. Our utility members are active in eight provinces and two territories and meet 35% of Canadians' energy needs through a network of 570,000 kilometers of underground infrastructure. This infrastructure can also be used to deliver renewable gases including renewable natural gas and hydrogen, some of the most cost-effective options available to help the Government of Canada meet its greenhouse gas emission reductions.

CGA member utilities are Canadian companies based in communities across the country, and we want Canadians to benefit from affordable gaseous energy supply – today and in the future. CGA and its members have prepared a comprehensive list of recovery projects to get Canadians back to work. These high-quality projects (63 in total as of production of this document) will advance Canadian clean technology and support emission reductions across the economy.

The projects fall into four categories including:

- 1. Renewable Gases (21 projects across 5 provinces)**
- 2. Green Retrofits (7 projects across 3 provinces)**
- 3. Alternative Transportation Fuels (7 projects across 2 provinces)**
- 4. Infrastructure | LNG (34 projects across 6 provinces and 1 territory)**

The project categories and the funding opportunities are outlined in our submission for each category. We also include summary maps in Attachments 2, 3, and 4.

**Our recovery proposal outlines an investment of \$11.4 billion in industry spending with a \$1.75 billion request for federal support. From our analysis, the total investment would create approximately 3,100 jobs and, from the 38 of the 63 projects where data is available, would reduce GHGs by over 1.5Mt.**

In summary, CGA members are committed to Canada's economic recovery. The Government of Canada is committed to supporting that recovery through direct investments: we believe we are ideal partners to leverage those taxpayer dollars to good effect for maximum return for Canadians. We look forward to discussing these opportunities with the Committee.

Sincerely,



Timothy M. Egan  
President & CEO  
Canadian Gas Association



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### The Capital Projects Plan

CGA member capital projects fall into four categories and have the potential, if built, to benefit communities across Canada. The project categories and the funding opportunities are outlined below. We also include summary maps in Attachments 2, 3 and 4.

**Renewable Gases (21 projects across 5 provinces):** These projects include renewable natural gas captured from agricultural facilities, landfill sites, or organic waste processes like city green bin recycling programs and hydrogen production and infrastructure projects. The total federal funding request is \$664 million to leverage approximately \$930 million in private capital.

**Green Retrofits (7 projects across 3 provinces):** These projects include incentives from utilities to consumers to update their equipment and to renovate their homes or businesses. Utilities offer \$250 million/year across Canada for energy efficiency. These are funds that can be leveraged/stacked upon by federal incentives. The total funding request is \$735 million.

**Alternative Transportation Fuels (7 projects across 2 provinces):** These projects include the use of natural gas, renewable natural gas or hydrogen as a fuel for transportation in municipalities (transit) or for freight transportation (marine vessels and on-road trucking). The total funding request is \$160 million.

**Infrastructure | LNG (34 projects across 6 provinces and 1 territory):** These projects include new connecting infrastructure to rural or Indigenous communities reliant on diesel or propane, in addition to liquefied natural gas (LNG) projects for domestic and/or marine bunkering markets. The total private capital investment is approximately \$8.4 billion and the federal funding request is \$186 million.

### Background and Context

**Canada's natural gas utilities have been serving Canadians for over 100 years.** CGA members are committed to Canada and our long-term economic and environmental performance. Since 1990, gas utilities have invested over \$2 billion in energy efficiency programs for consumers, reducing by over 60 megatonnes the volume of GHG emissions from homes and businesses. In 2016, CGA launched a natural gas cleantech granting body – the Natural Gas Innovation Fund (NGIF), which has funded 29 emerging cleantech projects in Canada to 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 and many other actions by us demonstrate means by which our sector can assist the Government of Canada to drive innovation to achieve the emission reduction targets it has set.

### Renewable Gases - The Time is Now in Canada

Renewable gases remain an untapped emission reduction opportunity for Canada. Many countries (e.g. Italy, France, the United States) are implementing various 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, create new economic partnership opportunities for Canadian companies and feedstock supply holders, and offer a long-term pathway to leverage the extensive Canadian gaseous pipeline network. Hydrogen is a clean energy carrier and Canada's emerging National Hydrogen Strategy is aimed at helping realize the opportunity it presents. We are calling on government for decisive action to develop a national task team on hydrogen, and to develop a funding program that will mobilize Canadian hydrogen investments to leverage the extensive gaseous energy delivery system.

### Green Retrofits, 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 affordable 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 29 cleantech project investments led by emerging companies with total eligible project costs of \$77 million. These projects represent a total potential GHG reduction of at least 2.6 MT CO<sub>2</sub>e by 2030. A \$100 million 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.

#### **Alternative Transportation Fuels -Transportation Competitiveness is an Important Conversation for Canada**

According to ECCC's National Inventory Report, transportation is Canada's second-largest source of GHG emissions – producing more than one-quarter of the national total. 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 opportunity for policy-makers. Canada's natural gas vehicle (NGV) industry has worked in collaboration with governments to produce a roadmap for greater use of NGVs. An updated version ([found here](#)) was released in June 2019.

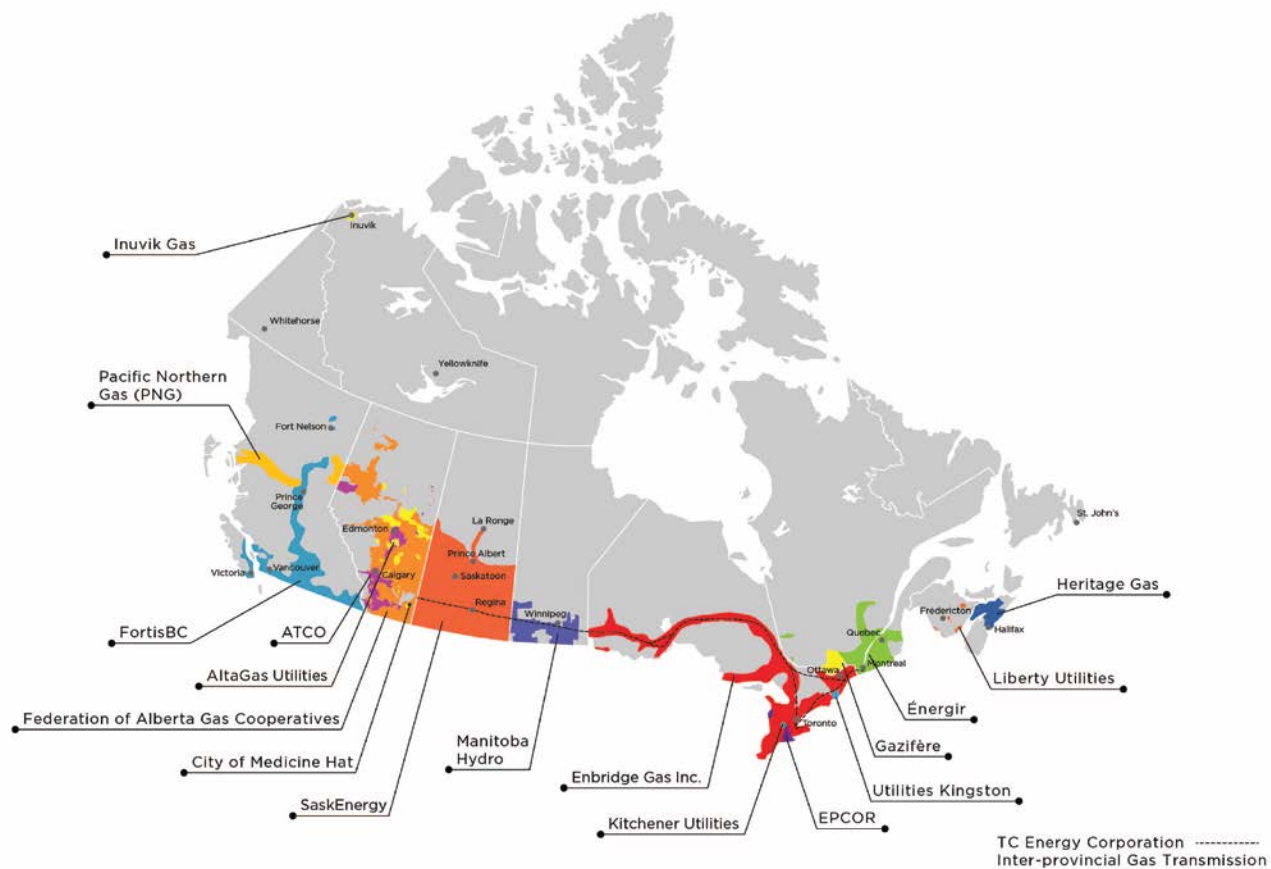
#### **Infrastructure Connections in Rural and Remote Communities to Natural Gas**

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, for example in agriculture. For remote regions, the geography, climate, and high energy prices pose unique challenges. 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 as communities look to long-term affordable energy infrastructure.

For remote regions where pipelines are not feasible, liquefied or compressed natural gas (LNG or CNG) can be trucked in. 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.



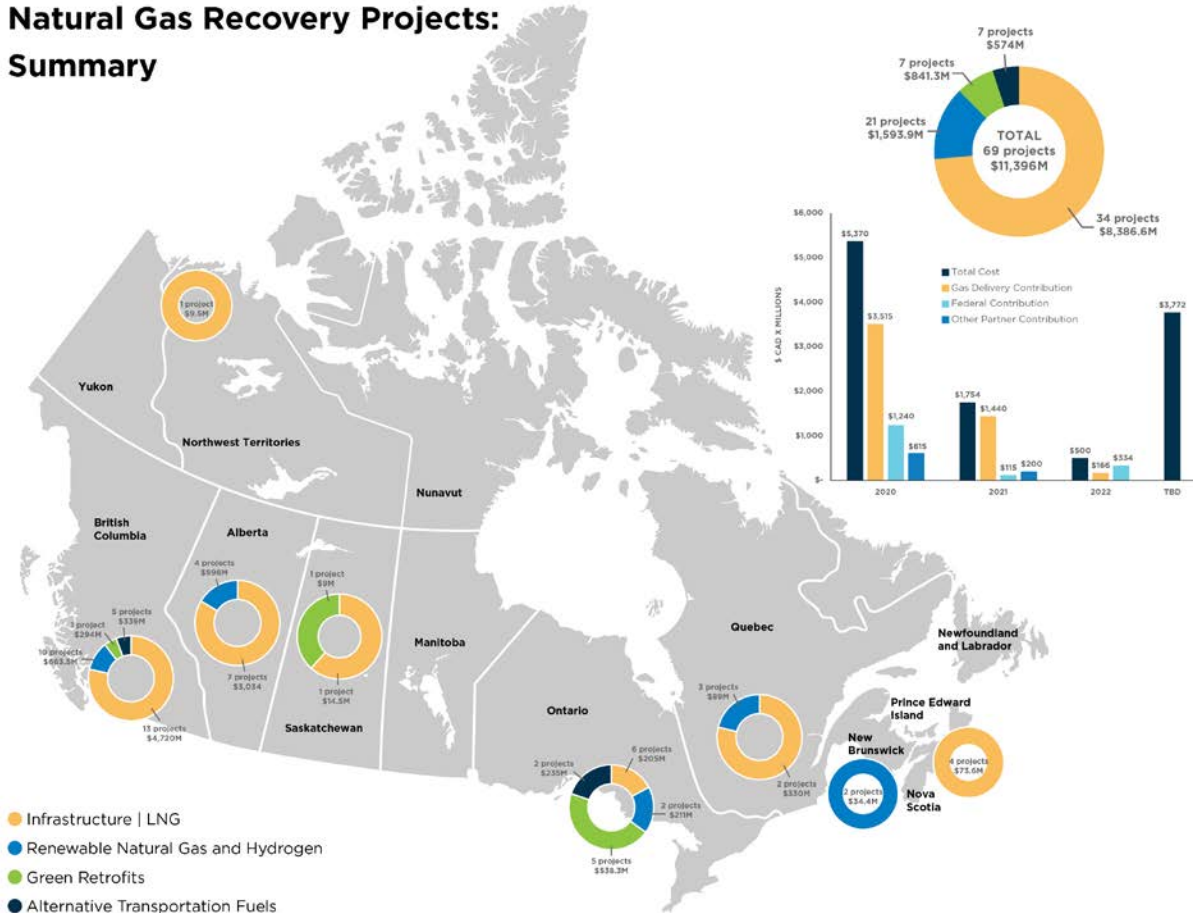
## Attachment 1. CGA Member Companies





## Attachment 2 Natural Gas Recovery Projects Summary

### Natural Gas Recovery Projects: Summary

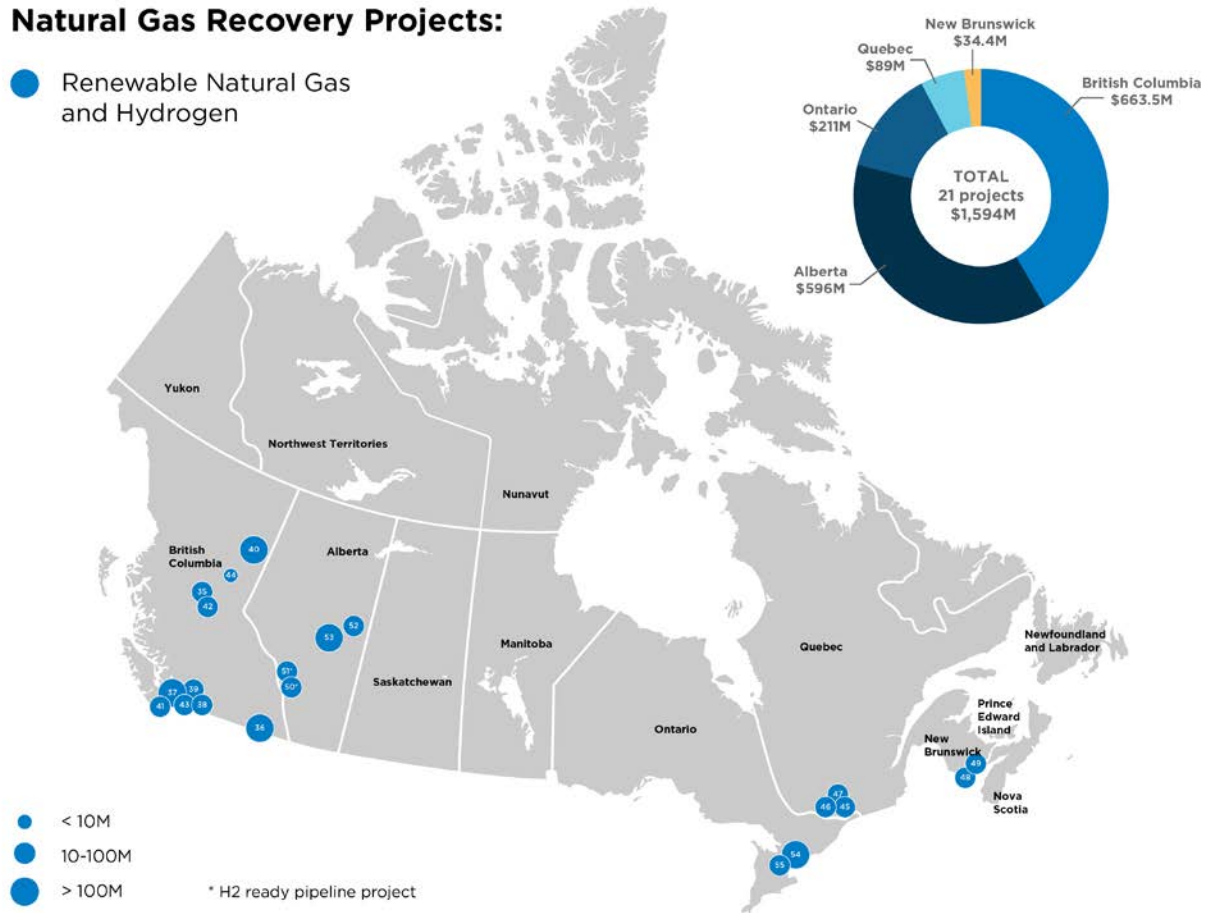




### Attachment 3 Renewable Natural Gas and Hydrogen projects

#### Natural Gas Recovery Projects:

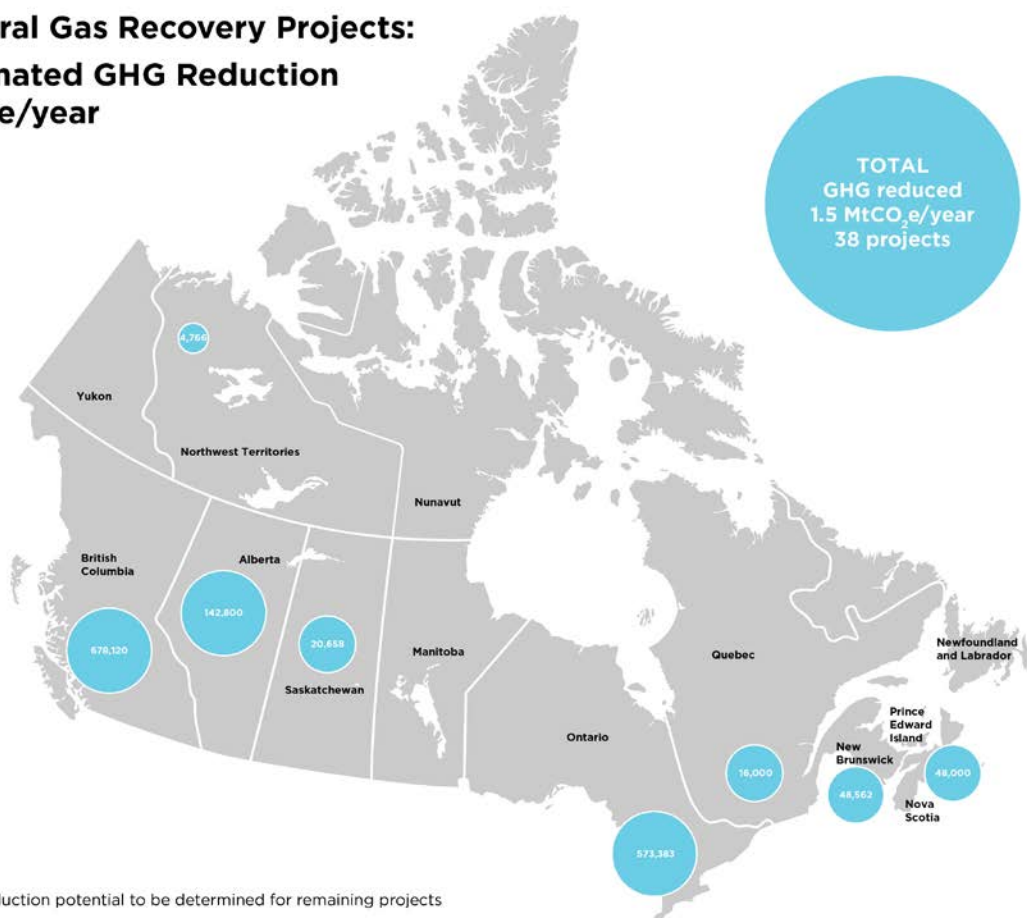
- Renewable Natural Gas and Hydrogen





## Attachment 4 Estimated GHG Reduction

### Natural Gas Recovery Projects: Estimated GHG Reduction tCO<sub>2</sub>e/year



\* GHG reduction potential to be determined for remaining projects