Written Submission for the 2021 Budget

Submitted by Enbridge

August 6, 2021

Recommendation 1: Create a Low Carbon Export Strategy with businesses and other key stakeholders

Recommendation 2: Formally expand the mandate of the Canada Infrastructure Bank to support multiple pathways to net zero, including cleaner oil and gas

Recommendation 3: Design the CCUS Investment Tax Credit so that it includes a broad "eligible projects" list, can be easily monetized and allows for stackable credits

Recommendation 4: Consider expanding and enhancing tax credits to further incentivize home and business retrofits

Recommendation 5: Support energy efficiency programming, the Federal Government and industry need to coordinate so that programs are complementary and stackable

Recommendation 6: Provide additional support (including pre-FID funding) for electrification projects

Recommendation 7: Enhance Indigenous communities' access to capital to invest in natural resource projects and energy transition

Recommendation 8: Amend the *Greenhouse Gas Pollution Pricing Act* (GGPPA) to exempt hydrogen blended with natural gas from incurring the federal fuel charge

About Enbridge

Enbridge is a leading North American 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 per cent of all natural gas consumed in the U.S. We also have nearly 2,075 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.

Enbridge believes that climate change requires serious solutions and that Enbridge can be part of those solutions. Across our business, we've committed to net-zero greenhouse (GHG) emissions by 2050 and to reduce our emissions intensity 35 per cent by 2030. To drive results and accountability, incentive compensation is tied to meeting these commitments.

Introduction

Global energy fundamentals tell us that access to affordable, reliable and sustainable energy is a critical and growing priority. We know that meeting this dual challenge requires much more renewable energy but also cleaner ways to produce, transport and consume conventional energy.

The right policy environment can ensure a healthy post-COVID recovery that creates jobs, builds strong and resilient communities, and puts Canada firmly on a path to achieving net-zero GHG emissions over the next three decades. Canada can be a global climate and energy leader by leading in lowering domestic and international emissions, while confidently competing for market share in a world that increasingly values low-carbon goods and services. This isn't just the right thing to do. Canadians will benefit from jobs, new industries will be born, established industries will be transformed, and government revenues will grow.

Recommendations

Recommendation 1: Create a Low Carbon Export Strategy with businesses and key stakeholders

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

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. Canada will also need to work to build a multi-lateral consensus on a system for trading emissions reduction credits between countries. Finally, it is also important to ensure the free flow of low carbon products between provinces.

Recommendation 2: Formally expand the mandate of the Canada Infrastructure Bank to support multiple pathways to net zero, including cleaner oil and gas

Reaching net zero will require multiple pathways, including cleaner oil and gas. We appreciate this view is shared by the Government of Canada, as it's reflected in multiple government documents and strategies, including the foundational work completed by the Generation Energy Council in 2018.

The Canada Infrastructure Bank is also playing a significant role in the energy transition, but we believe more can be done. The Bank's mandate and business plan should be formally and expressly expanded to support investment in cleaner oil and gas via energy solutions like carbon capture, utilization and storage (CCUS), renewable natural gas (RNG), hydrogen and the electrification (with renewables) of oil and gas projects and assets (such as transmission pipelines and LNG facilities).

If we're to achieve Canada's climate goals while powering our economy, we need to use every tool in our toolbox. CCUS has the potential to decarbonize our heavy industry, including the Canadian oil sands, while launching new industries like low-carbon petrochemicals and low carbon-intensity hydrogen. RNG and low carbon-intensity hydrogen can decarbonize our natural gas grids, fuel heavy transport and buses, and provide mobile and stationary power solutions for industry looking for low-carbon energy. Electrified liquid natural gas (LNG) presents a generational opportunity for Canada to be the world's supplier of the cleanest, greenest LNG, creating jobs and opportunity for Indigenous peoples, all while reducing the world's reliance on coal-fired power. Support for decarbonizing and transforming these existing assets is money well invested, both from a climate and economic point of view.

Recommendation 3: Design the CCUS Investment Tax Credit so that it includes a broad "eligible projects" list, can be easily monetized and allows for stackable credits

We are pleased with the opportunity to participate as part of the government's consultation on the design of the CCUS investment tax credit (ITC). Enbridge intends to make a robust submission as part of this process, but below are some of our preliminary comments.

i. Project eligibility – To fully unlock Canada's CCUS potential, "eligible projects" under the proposed credit should include a range of carbon capture, transportation, utilization and storage solutions. This will ensure success in attracting capital and ensure the cost competitiveness of the full value chain of opportunity relative to other options to reduce emissions.

ii. An easily monetized credit – investment tax credits are effective as a policy framework mainstay if value can be derived from them by tax paying entities in a timely fashion. To promote investment, the credit should be designed to maximize the value a CCUS project owner can directly realize from the credit. The ideal approach would be to design the credit as refundable; in other words, project developers should be able to monetize the full value of the tax credit regardless of the amount of taxes paid. Refundability should allow a project owner to obtain a tax refund in the year of expenditure rather than having to carry the credit forward to a future year.

iii. Stackable credits and government funding – Attracting significant investment for CCUS development will require a combination of the proposed ITC and other existing or to-be-created credits. For example, the ITC should be stackable with any credits generated through programs like the Clean Fuel Standard. Furthermore, project proponents should be able to use a combination of credits and funding from federal and provincial programs.

iv. Enhanced Oil Recovery (EOR) – The Government of Canada should reconsider its position on EOR, given the impact EOR-supportive policy has played in the development of the U.S. CCUS industry. We believe achieving Canada's ambitious climate goals can only be met by pursuing the widest possible suite of emission reduction pathways, and that includes permanent storage of CO2 via EOR.

Recommendations 4 and 5:

- **Consider expanding and enhancing tax credits to further incentivize home and business retrofits**
- **To support energy efficiency programming, the Federal Government and industry need to coordinate so that programs are complementary and stackable**

Through our gas distribution business' leading energy efficiency programming, we're helping residential, commercial and industrial customers lower both energy costs and greenhouse gas emissions. Energy efficiency has huge potential as a decarbonization pathway. By way of illustration, between 1995 and 2020, Enbridge Gas' energy efficiency programs reduced customer consumption by 29.2 billion cubic metres of natural gas, which is enough natural gas savings to serve nearly 12.7 million homes for one year. These gas savings have resulted in a reduction of 54.7 million tonnes of greenhouse gas emissions, roughly equal to removing 11.9 million cars from the road for one year. Further, our programs achieved these results all while Ontarians saved almost $3 for every dollar invested.

The significant amount of federal funding for energy efficiency announced through 2020, along with new retrofit tax credits, is very encouraging. To build off that momentum, it's critical that federal energy efficiency programming is designed in close coordination with industry, where longstanding demand-side management programs are already in place, ensuring additional funding provides truly incremental results rather than displacement of existing funding. Federal Government and industry programs can be complementary and "stackable", which will avoid confusion in the marketplace, while ensuring the most prudent deployment of resources. And again, the Federal Government should consider expanding and enhancing tax credits to further incentivize home and business retrofits.

Recommendation 6: Provide additional support (including pre-FID funding) for electrification projects

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. Enbridge is very encouraged by the new CleanBC Facilities Electrification Fund to support fuel switching for major industries. However, pre-FID funding is needed, which could be done through the Strategic Innovation Fund, as an example.

Recommendation 7: Enhance Indigenous communities' access to capital to invest in natural resource projects and energy transition

As the Government of Canada pursues economic recovery and growth and a transition to a low-carbon economy, it should fully unlock greater Indigenous participation in natural resource projects and energy transition.

We have a tremendous opportunity to advance reconciliation with Indigenous Nations through partnerships and 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 to participate in new energy projects as true equity partners helps bridge this gap. Yet, there still isn't a clear path to this kind of federal support.

We'd offer the Alberta Indigenous Opportunities Corporation as an exciting and innovative model, but more needs to be done to facilitate Indigenous equity participation. The Canada Infrastructure Bank's support for Indigenous infrastructure is welcome but presently limited in scope, and doesn't unlock the growing demand by Nations and communities keen to invest in new renewable generation, low-carbon fuel production and CCUS. Again, the solution may be formally expanding the Bank's mandate. Supporting this kind of transformative Indigenous investment is key for both reconciliation and energy transition.

Recommendation 8: Amend the *Greenhouse Gas Pollution Pricing Act* (GGPPA) to exempt hydrogen blended with natural gas from incurring the federal fuel charge

While hydrogen is a recognized compliance pathway in the proposed Clean Fuel Regulation (CFR), under the GGPPA, hydrogen blended into natural gas incurs the federal fuel charge. The GGPPA should be amended to exempt hydrogen from the charge, similar to how biomethane (RNG) is treated**.** Launching the hydrogen economy will require significant investment and this change will help to create a more favourable investment climate.

Conclusion

Thank you for this opportunity to provide input in advance of the 2022 federal budget. Enbridge is ready and willing to do its part on the energy system transformation underway today.