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To: House of Commons Standing Committee on Natural Resources c/o Clerk of the Committee,  
Hilary Jane Powell

**Submission for study on Greenhouse Gas Emissions Cap for the Oil and Gas Sector:  
Recommendation that current policy tools to incentivize reduction in methane emissions be  
maintained**

**Introduction**

As Canada's largest natural gas producer, Tourmaline believes that continuing to develop Canada's resources in the most responsible and sustainable manner is important not just for all Canadians but for the world. Canadian natural gas can play a major role in helping to reduce emissions both domestically and globally by replacing higher-emission fuels.

At Tourmaline, we are striving to produce the cleanest and lowest-emission natural gas in the world. From 2013 to 2019, we reduced our emissions intensity by 31% and, most recently, were proud to announce that we reduced our methane emissions by 26% between 2018 and 2020, surpassing the 25% target we had originally aimed to meet by 2023. The actions we are taking today to reduce emissions are aligned with Canada's ambitions for a lower-carbon future, which is why we are writing to share our perspective on a potential emissions cap. We believe the correct policy tools are already in place to incentivize oil and gas companies to materially reduce emissions – and we are concerned that layering regulations and a production cap would create unintended consequences and unnecessary costs.

The imposition of regulated limits would eliminate existing rewards for early adoption of clean technology, increase the cost of reducing emissions and disincentivize innovation. This incentivization or additionality in the form of technology adoption, emissions offsets and carbon credits has been driving positive behaviour change today, leading to innovation and fast action, and allowing for scale.

This additionality has also made Canada a global leader in cleantech innovation. Tourmaline has used this type of reward to build an Emissions Testing Centre in partnership with the Natural Gas Innovation Fund. Through this centre, we have invested in ground-breaking methane detection technologies such as satellite and fixed-wing monitoring, and built zero-emission well sites using cleantech that includes scaled solar pumps and low-bleed pneumatic devices.

It is hard to imagine a more influential policy when it comes to changing behaviours and incentivizing early action than the policy that created additionality and the opportunity for Canadian companies to leverage this system to create value. If designed poorly, policies such as the emission cap could undermine additionality policy and reduce/eliminate Canada's impetus to

act now, which would have real and immediate impacts on emissions reductions. A regulated cap would eliminate the offset market and grind action to a halt. Instead of companies taking initiative and acting early, as they do today, the loss of offsets would incentivize them to wait until they are truly forced to act. A cap designed in this manner would also create major negative implications for dozens of cleantech start-ups.

## **Energy Policy**

The oil and gas sector is critically important to Canada. We contribute to GDP, generate high-quality jobs, ensure energy security and allow all other industries in Canada to not just operate but thrive. Without affordable energy, all industry in Canada would suffer. So would all Canadians. Our citizens need access to affordable, reliable energy to survive – and clean natural gas is part of the solution.

Energy policy affects the security and lives of Canadians, and recent developments around the world speak to the importance of getting it right. For example, European policies that restricted supply ahead of demand resulted in an energy crisis driven by cold weather and the lack of renewable supply. With Canada's cold climate and large geography, affordable energy security is even more critical here.

The current situation in Ukraine has also shown how fluid the global energy market is. Countries such as Germany, Italy and Latvia are reconsidering their energy policies to find alternatives to Russian supply. If Canadian policy empowered Canada to supply these countries when global markets change, we could help reduce dependence on Russia while bolstering energy security and reducing global emissions by displacing coal.

## **Oil and gas provides readily available, reliable and affordable energy to all Canadians**

Today, the world is experiencing unprecedented energy shortages, including natural gas, and we know that all types of energy will have an important role to play. The transition to a lower-carbon world will rely on clean natural gas as part of the solution, and we foresee growing demand for natural gas — even as renewables grow their percentage of the energy mix.

According to the Canada Energy Regulator, electricity will only account for 17.2% of Canada's energy demand in 2022; taking the electricity created from oil and gas into account, that number drops to 14.5%. Oil and gas accounts for more than 77.6% of the energy demand in Canada. Canadians rely on affordable and reliable oil and natural gas to heat their homes and offices, travel to school and work, and as the primary inputs to industry and manufacturing.

Specifically, natural gas accounts for 37.6% of the energy that Canadians demand, with industry, commercial and home heating being the primary drivers. A large amount of this demand requires a molecule that cannot be replaced by an electron. Even if we could electrify to meet most of this demand, Canada's severe wind and ice storms would make it unsafe to rely solely on one form of energy.

With our cold climate, energy demands during the peak winter months are extreme. Natural gas is put into storage all summer to prepare for the increased demand we experience every winter. For example, in February 2022, natural gas demand was 16.4bcf/day; in August 2021, demand

was 8.14bcf/day. This stored gas acts like a seasonal battery, ensuring the natural gas supply is there when we need it. Storage can instantly react to, and accommodate, peak demands, whether they last a day, week or even months.

Canada's natural gas storage capacity is 974bcf, which provides incredible energy security to Canadians. To put that number into perspective, 974bcf is more energy than the combined yearly output from both Quebec Hydro and BC Hydro.

In the future energy economy, we know that electricity will play a larger role, as will renewable energy such as wind and solar. Intermittent energy, however, needs a variable energy source like natural gas that can quickly stabilize the grid when the sun isn't shining or the wind isn't blowing. A cap on natural gas emissions needs to consider that, with vehicle electrification using more electricity, natural gas production may need to grow significantly along with renewables.

### **Canadian exports and the global market: an opportunity we cannot miss**

Canada is blessed with affordable energy that has allowed us to thrive as a nation and become a G7 economy. Providing developing countries with clean and affordable natural gas as an alternative to coal is one of the most significant opportunities we have to make a real difference in reducing CO2 emissions worldwide.

Energy security, geo-political issues, technology innovation, severe weather and global politics all play a very significant role in energy demand and the world's need for Canadian resources – and increasing the proportion of Canadian oil and gas into the dynamic world market will reduce worldwide carbon emissions. Production caps and blunt regulatory policy would make it difficult for Canada to respond to global demand when the world needs our oil and gas.

No other oil and gas in the world is produced under the same level of scrutiny as Canada's current regulatory environment. We are also major contributors to communities across Canada, from providing high-quality jobs and paying municipal taxes to proudly supporting non-profit organizations and educational institutions.

We would like to continue this good work, rather than depend on importing oil from countries without Canada's high standards. We should also be promoting our advantages to the world and receive a premium for our products and avoid imposing production caps that will hinder our ability to cater to that growing market.

Canada is also an importer of energy, which means emission caps and taxes on local production and exports will put Canadian producers at a significant disadvantage to oil and gas imports. Policies such as higher methane targets and emissions caps that are targeted directly at oil and gas production in Canada and not global industry as a whole could lead to massive carbon leakage without a carbon border adjustment.

### **Specific feedback on the proposed emissions cap**

First and foremost, we ask that any emissions cap acknowledge there are significant differences between natural gas, conventional oil and thermal oil. A one-size-fits-all approach will not work. Canada's natural gas sector is already one of the cleanest in the world, and it provides a solution

to offset higher-emitting fuels around the world; the consultation process and strategies influencing policy design must reflect that. We believe any type of emissions cap must be carbon-intensity based and not a production cap. Otherwise, the potential for quickly reducing carbon emissions in Canada and the rest of the world is eliminated.

The value the world has put on carbon makes cleaner energy like the natural gas we produce today more valuable. Canada has an opportunity to not only prove we are producing the cleanest natural gas, but to displace as much high-carbon fuel around the world as possible.

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There is no more influential policy when it comes to changing behaviours and incentivizing early action than the policy that created additionality and the opportunity for Canadian companies to leverage this system to create value. If designed poorly, policies such as the emission cap could undermine additionality policy and slow or eliminate Canada's impetus to act now, which would have real and immediate impacts on emissions reductions. A regulated cap would eliminate the offset market and grind action to a halt. Instead of companies taking initiative and acting early, as they do today, the loss of offsets would incentivize them to wait until they are truly forced to act. A cap designed in this manner would also create major negative implications for dozens of cleantech start-ups.

That is why Tourmaline supports a market-based approach wherever possible. A cap-and-trade system, such as Alberta's Technology Innovation and Emissions Reduction (TIER) regulation, incentivizes early action, is equitable across sectors and rewards good behaviour while penalizing inaction or slow action. The robust offset and credit market available under the TIER system in Alberta has led to material reductions in methane and GHG emissions; we expect the same rapid pace of reductions to continue under this system. The market-based cap-and-trade model has also facilitated the incubation of a growing cleantech sector. Thanks to the technologies grown under TIER, Alberta companies are exporting their IP and helping countries around the world to lower their emissions. Their success is critical to Canada's future.

TIER is one example but there are many other systems in place today that rely on additionality, including industry certifications such as MiQ, TrustWell, Equitable Origin, Life Cycle Assessment, Methane Performance Credits, GHG CleanProjects Registry and other voluntary offsets, as well as public sector programs such as Alberta emissions offsets, Alberta emissions performance credits, BC emissions offsets, BC low-carbon fuel credits and the soon-to-come federal Output-Based Pricing System and Clean Fuel Regulation credits. All these systems allow

Canadian companies to derive value from reducing emissions – and all of them require additionality to function.

Another benefit of preserving the additionality created under a robust carbon pricing system is that it allows Aggregators in the market to carry the burden of the capital investment required to produce emissions reductions in return for a share of the offsets. This is a critical component, as it not only allows smaller producers who do not have capital available for emissions reduction projects to participate, but it also protects them from filing for bankruptcy when new regulations come into place.

Tourmaline is concerned these many benefits would be lost should a regulated emissions cap be imposed. Regardless of which path the government chooses, we will continue to relentlessly pursue reductions in methane emissions and improvements in all areas of our environmental performance. We are passionate about creating a cleaner tomorrow and are well on our way to producing the lowest-emission natural gas in the world.

Thank you for considering our perspective as you proceed with your discussions. As Canada's largest natural gas producer, we appreciate the opportunity to provide feedback and would welcome direct consultation, especially because natural gas producers do not have a sector-specific advocacy group. We believe the natural gas sector is already making strong progress towards Canada's emissions reduction targets and would be pleased to share our perspective with the committee.