



**CAPP Submission to the Standing
Committee on Natural Resources**

**Creating a Fair and Equitable
Canadian Energy Transformation**

June 13, 2022

1 Introduction

The Canadian Association of Petroleum Producers (CAPP) is committed to a strong and innovative upstream oil and natural gas industry in Canada. We are committed to environmental leadership and to seeing our industry play a growing role in meeting global demand for reliable, affordable and responsibly produced energy. We believe that growing Canadian oil and natural gas exports is the solution to both reducing global emissions and enhancing global energy security, goals that Canada shares with the international community.ⁱ Canada's upstream oil and natural gas industry, our workers and innovators hope to work with the government of Canada in fulfilling this potential.

Canada's upstream oil and natural gas industry directly and indirectly employs over 500,000 talented Canadians in every province. These Canadians have, through their hard work and innovation, produced oil and natural gas with the number-one ranked environmental, social and governance profile among the world's top ten oil reserve holders.ⁱⁱ Our industry, workers and Indigenous partners have an important and growing role to play in meeting Canadian and global energy needs. The success of our industry will benefit all Canadians, continue to support Indigenous reconciliation, and will generate technological innovation that will support domestic and international environmental, social and economic goals.

It is vital that the scope, scale and pace of Canada's approach to *Just Transition* align with global energy transformations so that Canada is not inadvertently phasing out opportunities while global need and demand for oil and natural gas continue to exist. CAPP can offer data and insight on energy markets as well as expertise in technology, infrastructure requirements and other measures to optimize Canada's approach. Important climate change benefits – in the form of avoided emissions growth and total emissions reduction, alongside enhanced global energy security – can be achieved from an increased role for Canadian oil and natural gas in the world.ⁱⁱⁱ

2 The Government of Canada's Just Transition Approach

Our industry is committed to working with governments to meet emissions reduction objectives and the ambition of the Paris Agreement, to which Canada is a signatory, as a global framework for addressing the risk of climate change. These objectives have inspired our work and investment in developing new technologies, processes and infrastructure, such as those related to Carbon Capture Utilisation and Storage (CCUS). These investments will reduce emissions in our industry and can enable other economic sectors to do the same. In 2019, the oil and natural gas industry spent over \$3 billion on environmental spending, more than any other sector.^{iv}

An effective approach to managing impacts resulting from the transformation to a lower-carbon global economy should reflect Canada's unique opportunity to meet current and future increases in global demand for responsibly produced oil and natural gas. Planning transition requires addressing an "energy trilemma": ensuring energy security, advancing decarbonization and protecting energy affordability.

Canada's approach must consider these goals, particularly as they relate to the most vulnerable Canadians. The Canadian oil and natural gas sector provides some of the highest-paying middle class jobs in the country and is an important pathway to prosperity for Indigenous peoples who represent more than 6% of our workforce and over \$2.4 billion in business relationships.^v

We would highlight that while there is a lot of discussion about transition as being from one sector to another, in reality, transition will occur within sectors. Businesses will innovate and transform their operations and activities from within where the skillsets of their staff can be leveraged in new ways. For example, the expertise required to drill an oil well is transferable to the skills required for drilling wells for CCUS projects. The government's approach should accommodate this important dimension of transition within, not just between, industries.

Just Transition done right can advance Canada's role in combatting climate change through the domestic supply and global export of our Environmental, Social and Governance (ESG) leading energy products while maintaining economic prosperity. One of the most important roles Canada can play in addressing global climate change is displacing coal in the global energy mix with Canadian natural gas exported as liquefied natural gas (LNG). In Australia, the oil and gas workforce has more than doubled between 2006 and 2016 due to the growth of LNG.^{vi} In a 2018 report, the Australian government reported each oil and natural gas job sustained 10 other jobs across the supply chain and wider economy. There are a number of projects in Canada that could enhance Canada's global LNG role that have significant jobs, training and in some cases equity opportunities for local Indigenous communities. Progress on reconciliation can advance along-side global climate action in a just transition.

Finally, many of Canada's clean technology solutions will continue to come from the oil and natural gas sector, given our investments in research, innovation and technology development. Innovation partners of the oil and gas sector, such as Westgen^{vii} have developed climate solutions that have successfully reduced emissions in Canada and are poised to capture multi-billion markets in the US. This includes the potential to decarbonize other unrelated sectors, such as telecommunication. Canada's *Just Transition* initiatives should build upon this work to develop and eventually export clean technologies and solutions. The government's recognition of the importance of existing Canadian industries while supporting the lower-carbon economy ought to leverage the advantages we already have in place.

New policy tools to enable innovation, technology deployment and climate investment will need to be in place by 2025 to put Canada on track for 2030 emissions reduction goals.

CAPP suggests that Canada's *Just Transition* approach incorporate the following three key principles (see Appendix A for further Considerations for Just Transition Policy and for the Advisory Body):

Support the important global role for Canada as a responsible, low-emission producer able to meet increasing demands for natural gas and oil and playing a key role in global energy security.

Recognize and support our world-class, skilled workers, who will continue to be needed in their roles even as their capacities expand to additional functions such as hydrogen production and carbon capture, utilization and storage (CCUS) to meet our complimentary goals of emissions reductions and increased production.

Affirm that the focus of Canada's climate strategy is on reducing greenhouse gas (GHG) emissions, all sectors have a role to play consistent with this effort.

3 The Global Opportunity for Canadian Oil and Natural Gas – Energy Security

Energy is vital not only for Canada’s economy, but also for our security and the security of our allies. It follows that we must make our systems for energy production and transportation more robust.

There are important lessons we can learn from energy policy choices made in other jurisdictions. The current European situation highlights the pitfalls of a disorderly energy transformation. Even before the Russian invasion of Ukraine, oil and natural gas prices had been rising as a result of supply shortages and a decline in drilling programs, particularly in free-market producer countries. These declines are a result of policy signals from governments and the investment community that are misaligned with global oil and natural gas demand, which have returned to pre-pandemic levels and continue to grow.

Consequently, since autumn 2021, Europe has been paying a premium to divert U.S. LNG shipments from Asia in order to meet Europe’s energy needs. Europe now has few options to meet the significant energy needs of its economies and relies on Russia to supply up to 40 per cent of its natural gas, even as war rages on in Ukraine.

Peter Tertzakian of ARC Energy Research Institute notes, “Dismissing the importance of fossil fuel systems before having sufficient, secure and affordable clean energy substitutes is only half the problem. The other half is more ominous and reflective of past crises. Western countries have allowed the control of oil and gas markets to regress into the hands of countries that have a history of leveraging political muscle with their energy supply.”^{viii}

Canada’s *Just Transition* policy should be informed by these realities.

A *Just Transition* approach that incorporates a role for Canada as a responsible, global energy supplier would support Canadian economic recovery (protection of workers, energy consumers and quality of life), promote global energy security and lower the GHG footprint of energy globally. Such an approach would support hundreds of thousands of jobs, billions of dollars in Indigenous business partnerships,^{ix} and billions in clean technology innovation that will support other sectors of the Canadian economy and international customers in meeting their energy needs with lower emission energy. In recent years, the upstream oil and gas sector accounted for:

- 5.6 per cent^x of Canada’s GDP on average from 2017 to 2019, even when the sector was in a downturn;
- Close to 20 per cent of total Canadian exports by value in 2020;
- Over \$18 billion^{xi} per year in revenues paid to levels of government from various taxes, royalties, and other levies.

The resource sector remains one of the key economic engines of Canada’s middle class, including for rural and remote communities in Canada. As mentioned above, more than half a million Canadians are employed directly or indirectly in the upstream oil and natural gas industry. These workers enjoy the highest average annual salary of any sector in Canada – approximately \$130,000 per year,^{xii} which is three times the average Canadian annual wage. The industry is also a source of high-paying jobs and economic opportunities for New Canadians and Indigenous peoples. Some additional key points include:

- In 2019, oil sands companies alone spent more than \$2.4 billion on procurement from Indigenous-owned businesses, representing 11 per cent of all oil sands industry procurement. This is directly connected to business and job opportunities close to Indigenous communities and supports improved local economies and prosperity.
- According to recent Statistics Canada data, of the total number of New Canadians employed in the energy sub-sector^{xiii} of Natural Resources,^{xiv} 60 per cent are in the upstream oil and natural gas sector. New Canadian employees in upstream oil and natural gas made up 30 per cent of Natural Resource jobs as a whole.

We highlight these figures to draw attention to the importance of striking the right balance through a collaborative government and industry approach. There are important benefits that can be enhanced through a well-paced and designed *Just Transition* approach.

4 Emission Performance

Our industry is leading the technological transformation necessary to reduce emissions while meeting demand for our products. This is a key part of our approach and our contribution to Canada's transition to a lower-carbon economy. Our sector continues to take numerous measures to improve our environmental performance including emission reductions. As an example, the Oil Sands Pathways to Net Zero initiative is focused on solutions to significantly reduce emissions by 2030 with the goal of net zero emissions by 2050.

Our domestic industry continues to make significant investments in environmental protection and has realized significant progress in GHG emissions reduction:

- Oil sands mining emissions intensity decreased by 8 to 14 per cent between 2013 and 2019.^{xv}
- Natural gas, condensate and natural gas liquids emissions intensity decreased by 33 per cent over 2011 to 2019.^{xv}
- The industry has a broad portfolio of innovative solutions to deliver emissions reductions. The natural gas and oil industry accounts for 37 per cent of environmental protection spending by industry, according to data from Statistics Canada.

The oil and natural gas industry continues to take substantial steps towards reducing emissions. We see great opportunity for translating the benefits of these technologies to other sectors. This transfer will support the creation of new jobs that drive emissions down across the economy.

5 Conclusions

Climate change is a global issue that is connected to the human need for reliable, affordable and secure energy. Our industry is committed to working with all levels of government in a productive and collaborative way to achieve significant emissions reductions and opportunities for Canadians.

Appendix A. Considerations for Just Transition Policy and for the Advisory Body

Considerations for *Just Transition* Policy and Legislation

Assessing Performance

CAPP **recommends** that the government establish and report on national and regional economic targets associated with the *Just Transition* policy, including changes in real GDP, private sector investment as a portion of GDP, employment rate, changes in income levels and regional impacts.

CAPP **recommends** that future legislation should mandate both transparency and accountability for job creations or job losses as well as changes to annual income by region. Such transparency can support policy adjustment and improved outcomes.

CAPP **recommends** an evidence-based approach to *Just Transition* that recognizes the important role that oil and natural gas will continue to play in *global energy security*. This policy will be unsuccessful if skilled Canadian workers leave for other energy-producing jurisdictions creating a “skills leakage.”

CAPP **recommends** that *Just Transition* preserve and enhance opportunities for reconciliation, including economic, social and environmental benefits for Indigenous communities. Resource development has been one of the strongest paths for building Indigenous prosperity in Canada.

Regional Diversity

CAPP **recommends** that the federal government, in partnership with provincial and territorial governments, work together to assess regional and community outcomes of *Just Transition* policy.

CAPP **recommends** that mechanisms be established to capture and consider regional insights into pathways toward federal climate targets in order to yield the highest benefits both in terms of protecting livelihoods and communities, as well as achieving environmental objectives.

Competitive Business Conditions for Long-term Jobs

CAPP **recommends** that federal policy and programs focus on improving economics for Canadian industry, including regulatory efficiency, infrastructure, and market access, as well as fiscal policy that enables and supports emission reduction initiatives and the creation of jobs.

International Considerations

It is vital that the scope, scale and pace of Canada's transition to a lower-carbon economy aligns with global energy transformations so that Canada is not inadvertently phasing out its energy production and infrastructure capacity while global need and demand for oil and natural gas continue to exist. Canada needs both an international and domestic approach to climate change policy that includes an appropriate role for the significant climate benefits of Canadian energy trade.

CAPP **recommends** the *Just Transition* policy recognize that meeting human energy needs is a pre-requisite to successful international action on climate change.

CAPP **recommends** that Canada be clear on its goal to provide lower-emission oil and natural gas to world markets and in its support for the innovation and transformation within the sector.

CAPP **recommends** Canadian co-operation on an international approach include consideration of global energy needs and the role Canada's oil and natural gas can play in providing reliable, affordable, low emission energy to societies that need it.

Considerations for Just Transition Advisory Body

It is our expectation that the Advisory Body will consult with a wide range of stakeholders across Canada, including industries and stakeholders most affected by climate policies. The Advisory Body will play a key role in working with regionally diverse stakeholders to understand policy impacts and opportunities and to set performance expectations in terms of the economic and employment outcomes of the government's *Just Transition* policies.

CAPP **recommends** that the Advisory Body report to the Governor in Council (GiC) as the GiC, rather than a single minister, should be making decisions related to the *Just Transition*.

CAPP **recommends** that the Advisory Body include strong regional representation including from local chambers of commerce, Indigenous groups and industry, and that the provincial government play a role in selecting Advisory Body representatives.

CAPP **recommends** that the federal government, informed by the Advisory Body, table an annual report to Parliament on the achievement of economic targets for *Just Transition*, to ensure transparency and accountability.

CAPP **recommends** that the Advisory Body not be established until its enabling legislation has received Royal Assent. This will ensure that recruited individuals have awareness of the roles, responsibilities and are reflective of the final mandate.

i News release, “Minister Wilkinson Advances Energy Security and the Global Transition to Net Zero at the International Energy Agency Ministerial,” March 24, 2022, <https://www.canada.ca/en/natural-resources-canada/news/2022/03/minister-wilkinson-advances-energy-security-and-the-global-transition-to-net-zero-at-the-international-energy-agency-ministerial.html>

ii BMO Capital Markets, The 400 Billion Barrel Opportunity for Friendly Oil, and Canada’s Evolving Role, March 2020.

iii In EQT, Letter to Senator Elizabeth Warren- December 7th 2021, on page 6 it states: “*If (the United States) were to supply natural gas to replace only China’s planned or under construction coal power plants with natural gas plants, (it) would cut emissions by 370 million metric tons of CO_{2e}.*” This is more than half of Canada’s total emission in 2019 (730 Mt).

iv Environmental Protection by Industry (2019) “[Context: Energy Examined](#)” – data source: Statistics Canada, Table 38-10-0130-01 (website - April 18, 2022)

v CAPP, [Indigenous Engagement and ESG Report](#), October 2021

vi National Energy Resources Australia , Preparing Australia’s future oil and gas workforce, 2018

vii Westgen Technologies Inc. is a remote power generation company aiming to reduce development costs while improving environmental sustainability in the Upstream Oil and Gas Industry. See Emissions Reduction Alberta Project - <https://www.eralberta.ca/projects/details/unlocking-epod-economic-zero-bleed-pneumatic-instrument-air-retrofit-solution/>

viii Peter Tertzakian “A Disorderly Transition” <https://www.arcenergyinstitute.com/a-disorderly-energytransition/>

ix Oil Sands Supply Chain News Release: https://context.capp.ca/infographics/2019/ig_canada-oil-sands-supply-chain/

x Statistics Canada

xi CAPP & Statistics Canada

xii The average of Statistics Canada 4862 and 4861 salaries, page 19 - Exner-Pirot, H., “Pathways to Indigenous Economic Self-Determination,” MacDonald-Laurier Institute, May 2021

xiii Energy includes conventional oil and gas extraction, non-conventional oil extraction, support activities for oil and gas extraction, utilities (except water), petroleum refineries, and pipelines (oil and gas)

xiv Natural Resources Sector consists of Agriculture, Forestry, Fishing and Hunting (NAICS 11) and Mining, Quarrying, and Oil and Gas Extraction (NAICS 21).

xv CAPP, [Greenhouse Gas Emissions and Canada’s Natural Gas and Oil Industry](#), July 2021