



ALBERTA

ENVIRONMENT AND PROTECTED AREAS

Office of the Minister

Dear Minister Steven Guilbeault,

Alberta is a global leader in reducing methane emissions. We strongly oppose the federal government's proposed methane regulations and the many other unconstitutional regulatory initiatives targeting emissions from the oil and gas sector.

The draft methane regulations proposed by your government are poorly designed, ineffective and undermine the successful provincial-led emissions reductions work that is already underway. We recommend halting their development immediately and beginning meaningful collaboration within established provincial regulatory regimes for oil and gas regulation and emissions reduction.

In no way does Alberta's technical submission alter our province's position that the proposed regulations are unconstitutional. Legislating and regulating the development of non-renewable natural resources explicitly falls within the jurisdiction of the provinces as outlined in Section 92A of the *Constitution Act, 1867*.

For years, Alberta, not Ottawa, has done the hard work on reducing methane emissions. Our cost-effective approach is considered an international best practice and has earned global recognition. We have focused on methane emission mitigation for decades, as responsible energy production is important to Alberta. Our province set out to reduce methane emissions from the oil and gas sector by 45 per cent from 2014 levels by 2025 – and did it three years early. Unlike the federal government, we have reached our emissions targets and met them ahead of schedule.

The bottom line is that Alberta's combination of regulation, market-based incentives and programs work to achieve timely, cost-effective and sustained reductions. Alberta has worked closely with industry to craft regulations that are cost-effective and internationally recognized. The current province-led regulatory approach is also estimated to cost half that of the federal approach while still accelerating emissions reductions.

The proposed federal methane regulations, as currently written, are unworkable and unnecessary. Instead of supporting Alberta's approach, the federal government is interfering unnecessarily, which decreases investor confidence and uptake of clean technology.

In Alberta's technical submission, our analysis highlights significant flaws in your proposed regulations, modelling and impact assessment, as well as the glaring absence of necessary federal financial support to achieve meaningful reductions. These regulations will cost \$9.4 billion in Alberta alone, and lead to 117,405 million lost barrels of oil equivalents per year from 2027 to 2040.

By 2050, Alberta aspires to achieve a carbon neutral economy without compromising affordable, reliable, and secure energy for Alberta, Canada and the world. We welcome and encourage federal investment to support decarbonization efforts and invite you to join us in implementing our Emissions Reduction and Energy Development Plan to reduce methane emissions and help grow Canada's economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Rebecca Schulz". The signature is fluid and cursive, with the first name being more prominent.

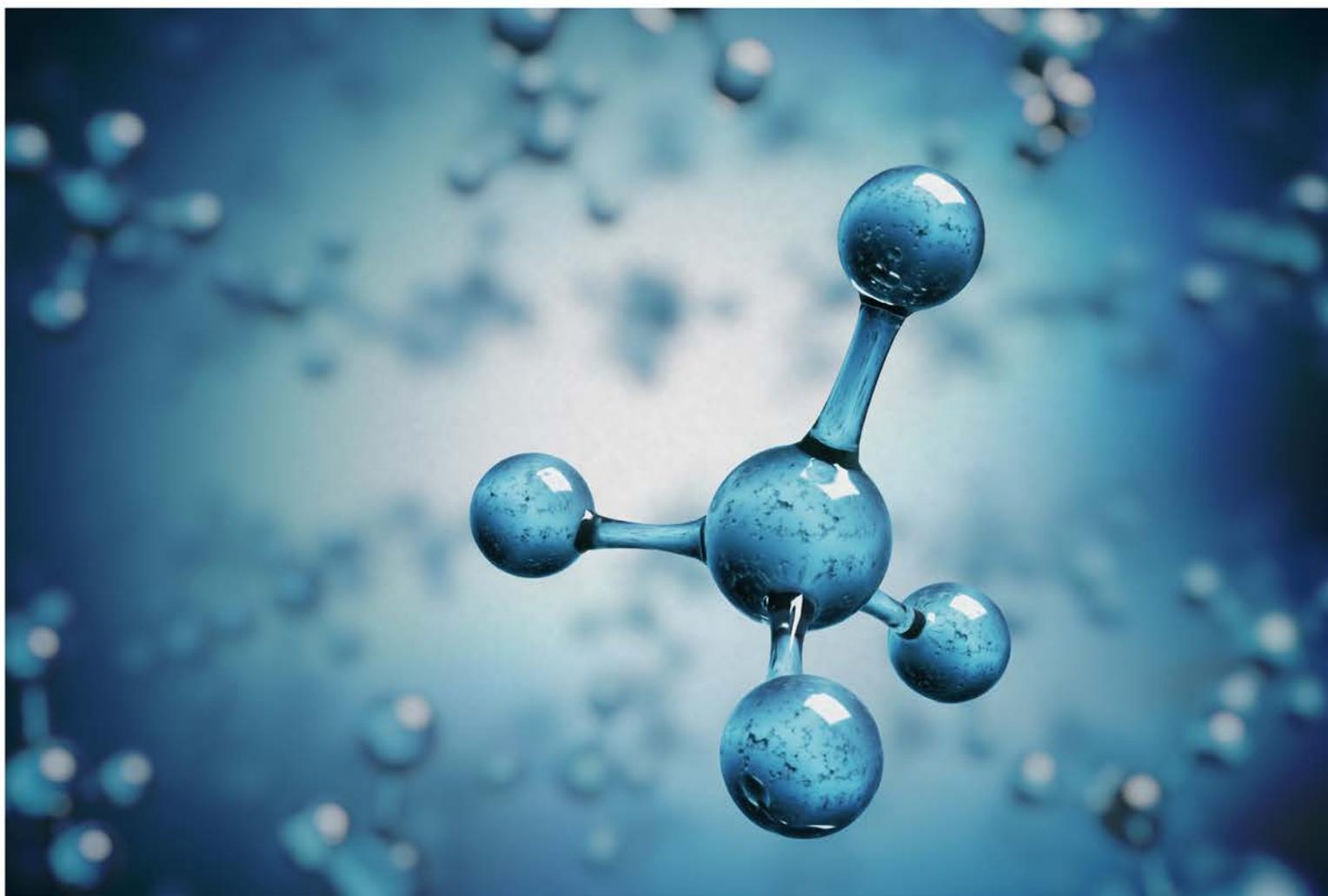
Rebecca Schulz
Minister of Environment and Protected Areas

Attachment

cc: Honourable Brian Jean, Minister of Energy and Minerals

Federal draft methane regulation amendments for the upstream oil and gas sector

Government of Alberta technical submission





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Federal Draft Methane Regulations for Oil and Gas – Government of Alberta Technical Submission

This submission supplements the letter provided by the Premier of Alberta to the Prime Minister regarding proposed amendments to the federal Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector) and earlier letters and submissions from the Government of Alberta

Despite submission of this feedback, the province contends that the proposed methane regulations are unconstitutional, emphasizing that the authority to legislate and regulate natural resource development falls exclusively within provincial jurisdiction, as outlined in Section 92A of the *Constitution Act, 1867*.

Alberta strongly opposes the federal regulatory initiatives targeting emissions from the oil and gas sector, asserting that such initiatives encroach upon provincial jurisdiction over the production of natural resources. The October 13, 2023, Supreme Court of Canada ruling on the *Impact Assessment Act* reinforces the unconstitutionality of the federal government's ongoing efforts to interfere with natural resource sectors of all provinces. This court decision validates Alberta's legal position as we work to protect our province from federal intrusion into various areas of exclusive provincial jurisdiction. The federal government is urged to learn the lessons from this court decision and abandon its ongoing unconstitutional efforts, including but not limited to these proposed regulations, the proposed federal electricity regulations, and the proposed oil and gas emissions cap. We invite the federal government to align its policy with Alberta's responsible approach to achieving greenhouse gas emissions reductions across the economy, including methane emission reductions from the upstream oil and gas sector.

Alberta has a plan to achieve carbon neutrality by 2050 while maintaining energy security, reliability and affordability and maximizing the positive benefits of meeting energy demand while supporting overall global emission reductions. Our successes to date have already decoupled emissions from oil and gas production and reductions in conventional upstream oil and gas sector methane emissions.

The proposed federal regulations drive to approximately an 85 per cent reduction in methane emissions from Alberta's upstream conventional oil and gas sector. The Government of Canada has signed onto the Global Methane Pledge, committing to take voluntary actions to contribute to a collective effort to reduce global methane emissions at least 30 per cent from 2020 levels by 2030. The proposed federal methane regulations show the Government of Canada is putting the reduction burden on one sector – oil and gas.

Environment and Climate Change Canada has not meaningfully engaged with the Government of Alberta on the draft methane regulations, and Alberta will not accept these expanded federal targets given the very real impacts they would have on costs, jobs and the overall competitiveness of Alberta's oil and gas sector. The federal government has not engaged in cooperative federalism, as was clearly illustrated by Minister Steven Guilbeault's overreach in announcing the global pledge without agreement with the resource owner, Alberta.

When considered together, the proposed federal methane regulations, the proposed federal oil and gas emissions cap and other federal policies make it clear that Canada's oil and gas industry is being targeted. The methane reductions sought by the federal government from the oil and gas sector are significantly greater than the reductions they are seeking from other sources.

The proposed federal methane regulations are unworkable and unnecessary. Alberta is calling on the federal government to halt the advance of these regulations and begin meaningful collaboration within established provincial regulatory regimes for oil and gas regulation and emissions reduction.

The proposed federal regulations would increase costs for this trade-exposed industrial sector, hurting their competitiveness and placing them at a disadvantage in comparison to many other oil and gas producing jurisdictions, affecting levels of domestically produced oil and gas, and increasing reliance on foreign oil in Canada and the United States. The proposed federal methane regulations will lead to production shutdowns, reduced output and job losses, among other negative impacts. Alberta's extensive experience on regulating oil and gas informs this submission, highlighting significant flaws in the proposed federal regulations, weaknesses in the federal modelling and impact assessment, and the need for significant additional federal investment support.

Alberta is confident that many issues raised in this submission are shared by other provinces and industry stakeholders. We hope that the federal government responds to this weight of evidence with a complete re-evaluation and halt of its proposed regulatory approach being misapplied to our shared objective of carbon neutrality by 2050.

Part 1: Alberta’s leadership in oil and gas methane management

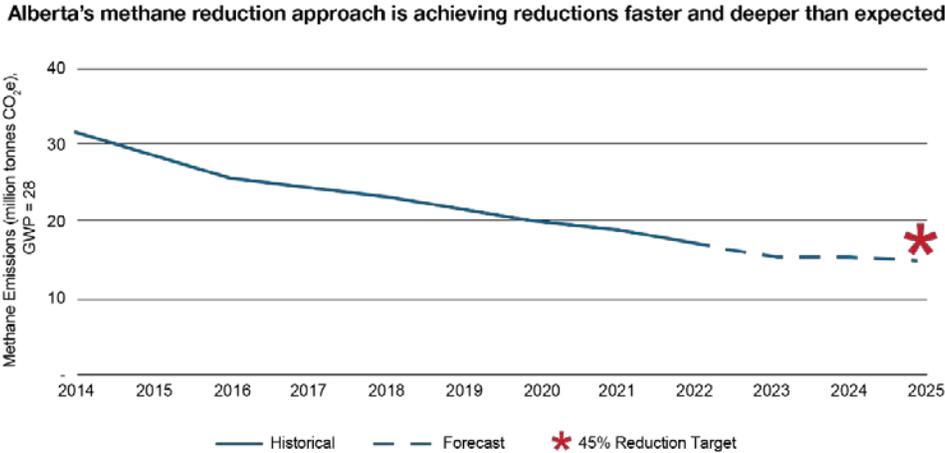
The conventional oil and gas industry is a key component of the provincial and Canadian economy, generating thousands of jobs and contributing to government revenues which support a high quality of life in the province and the rest of Canada. The upstream oil and gas industry provided 134,000 direct jobs in 2022. Statistics Canada estimates that every one of those creates indirect and induced jobs, meaning that roughly 800,000 jobs in Canada are a result of the oil and gas industry.¹

Alberta’s oil and gas industry operates in one of the world’s most stringent regulatory environments through established legislation, regulation and policy, where Alberta sets thresholds to minimize the impact of oil and natural gas development on air, land and water as well as mitigate greenhouse gas emissions.

Alberta’s approach to reducing methane emissions from flaring, venting, and fugitives is considered an international best practice. The province was the first oil and gas producing jurisdiction to put requirements on emissions from flaring, starting in the 1990s, and has continued to add requirements and mechanisms to reduce venting, flaring and fugitives. Alberta’s innovative approach to flaring and venting policy has won awards, serving as a model for other jurisdictions, including:

- Alberta experts were used to calibrate international methane satellites in the 2000s.
- Alberta's Clean Air Strategic Alliance’s flaring and venting reduction project received the Canadian Council of Ministers of the Environment Pollution Prevention Award in 2005.
- Alberta’s flaring standards were adopted as a model among neighbouring provinces and internationally. They were given an Excellence Award by the World Bank’s Global Gas Flaring Reduction Partnership in 2015.

Alberta set a target to reduce methane emissions by 45 per cent from 2014 levels by 2025 from the upstream conventional oil and gas sector. The province achieved this goal in 2022, three years early, through implementation of an Alberta-tailored policy approach that leverages regulatory requirements, market-based mechanisms, and program supports. Achieving this objective clearly demonstrates Alberta’s leadership with our partners in industry, technology and service providers, academia and others in delivering a plan our way. There is no need or justification for the federal government to intrude in our jurisdiction.



¹ Canadian Association of Petroleum Producers, December 7, 2023, The Economic Impact of Canadian Oil and Gas.

A province-led success story

The federal government entered into an equivalency agreement with Alberta in October 2020, recognizing Alberta's Methane Emissions Reduction Regulation and the Alberta Energy Regulator's methane management directives as demonstrating comparable methane emission reductions to federal methane regulations over the next 10 years.

The latest Alberta Energy Regulator reporting confirms that Alberta achieved its methane emission reduction target of 45 per cent in 2022. Additional reductions are expected through existing provincial policy frameworks including, but not limited to, that from the Technology Innovation and Emissions Reduction (TIER) Regulation, achieving greater methane reductions by 2030.

Achieving the provincial methane reduction target early is the result of the province working closely with industry, technology and service providers, academia, environmental organizations, and others to design policy frameworks that work. Alberta has established robust, outcomes-based provincial regulatory requirements, with built-in flexibility to yield reductions in a cost-effective and efficient manner. Alberta has also established early action incentives like carbon offsets and effective methane reduction investment programs. The provincial policy approach is estimated to have reduced the cost of methane emission reductions by approximately half that of the federal approach, while accelerating emissions reductions.

These important actions illustrate Alberta's ability to deliver methane emissions reductions at a pace while supporting this critical sector to the province's socio-economic fabric.

Alberta's TIER Regulation also requires a reduction in oil and gas methane emissions from oil and gas facilities that are directly subject to the regulation or opt-in to it.

Alberta's carbon credit market has been in place since 2007. There are currently two offset protocols incentivizing faster and deeper methane emission reductions from the upstream oil and gas sector, where activities must be additional to all regulatory requirements. The protocol for pneumatic devices and the protocol for vent gas reduction have resulted in more than 8.5 million offsets to date and driven early action to install 58,000 low or zero-bleed devices in advance of the regulatory requirements.

These important actions illustrate Alberta's ability to deliver methane emissions reductions while supporting a sector that is critical to the province's socio-economic fabric.

Investing in reductions

The province has invested TIER funds in programs from 2020 and 2023 to assist with the measurement and mitigation of methane emissions from the conventional oil and gas sector.

- The \$15-million Baseline and Reductions Opportunity Assessment Program helped industry develop comprehensive inventories of its methane emitting equipment and identify opportunities to reduce methane emissions.
- The \$25-million Methane Technology Implementation Program helped defray the cost of implementing established technologies designed to reduce methane emissions from operations, with an estimated lifetime emission reductions of more than 16 million tonnes.
- The \$17.6-million Alberta Methane Emissions Program is a multi-faceted program to help industry utilize new technologies in their fugitive emission management programs. The program helps establish new ways to detect emissions more efficiently using new technologies and helps technology providers test commercially ready technologies using standardized testing protocols.

A plan in place for the future

Alberta's leadership in methane emission reductions will continue.

As part of continuous improvement, Alberta established a working group in 2022, with experts from academia, industry and associations, Indigenous businesses, environmental groups, and technology service providers, to review the effectiveness of the provincial methane policy framework and provide recommendations.

Alberta's Emissions Reduction and Energy Development Plan, released in April 2023, outlines new commitments that include actions to reduce emissions and actions that represent and uphold Alberta's jurisdiction in managing oil and gas sector emissions. Alberta's plan is focused on achieving carbon neutrality by 2050 while supporting energy reliability, security, and affordability.

Specifically related to methane emissions management from the oil and gas sector, Alberta's plan includes:

- Continuing to share its experience and learnings on methane emission reductions from the oil and gas sector with other jurisdictions.
- Engaging stakeholders, Albertans, and Indigenous organizations to assess potential pathways to achieve a provincial 75 to 80 per cent methane emission reduction target from the conventional oil and gas sector by 2030 (from 2014 levels). Alberta's pathways will continue to use a combination of regulations, market-based incentives and programs, complemented by continuous improvement in measurement and reporting.

Part 2: Concerns with the Draft Federal Methane Regulation Amendments as published in Canada Gazette 1

The federal government's proposed methane regulations impact oil and gas operation in the province, causing uncertainty and instability in Alberta's regulatory environment and in industry's investment in clean technology. The proposed federal regulations will result in adverse outcomes including, but not limited to, production shutdowns, job losses, and reduced government income which impedes governments' ability to provide services and programs that Canadians count on.

Taking the feedback from provinces like Alberta, as owners and managers of oil and natural resources and our expertise in on-the-ground conditions and regulation of the industry, should be the top priority for the federal government. Environment and Climate Change Canada should fully re-evaluate and halt its proposed approach.

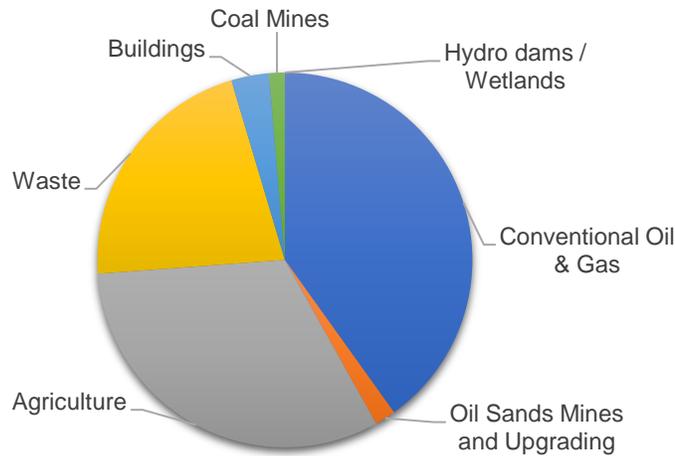
The proposed federal methane regulations, in addition to the proposed federal oil and gas cap and other federal policies, make it clear that the oil and gas industry is being targeted.

- The Government of Canada has signed onto the Global Methane Pledge that Canada to take voluntary actions to contribute to a collective effort to reduce global methane emissions at least 30 per cent from 2020 levels by 2030. The proposed federal methane regulations put the reduction burden only on the oil and gas sector.
- The methane emission reductions sought by the federal government from the oil and gas sector are significantly greater than from other sources of methane emitted in Canada. Other methane emitting sectors are not being targeted.
- The federal government is using prescriptive regulations to achieve what they name as, "at least a 75 per cent reduction" of methane from the oil and gas sector by 2030.
- The level of, and the approach to, methane reductions sought from other sectors is significantly lighter.
 - The federal methane reductions from the waste sector are targeted to be 45 per cent driven through a combination of regulations and other policies.²
 - The federal methane reductions from the agriculture sector are targeted to be 1 per cent and driven through incentives.³
 - The federal Clean Electricity Regulation penalizes one sector in Alberta by proposing to regulate emissions only from hydrocarbon fuel electricity generation, while ignoring the emission of methane emissions from hydro-electric dams.

² Environment and Climate Change Canada, 2022, Further and Faster – Canada's Methane Strategy.

³ Ibid.

Unfair: Methane emissions come from multiple sectors yet oil and gas is being targeted



Canada Methane Emissions by Sector, 2021

Source: Environment and Climate Change Canada, 2023, 2021 National Inventory Report

A methane emission is a methane emission – unless it’s from oil and gas

75%+

Reductions from Oil and Gas

45%

Reductions from Waste

1%

Reductions from Agriculture

Reductions from the oil and gas sector are targeted to be “at least a 75% reduction” by 2030 using prescriptive regulations

Reductions from the waste sector are targeted to be 45% driven through a combination of regulations and other policies

Reductions from the agriculture sector are targeted to be 1% and driven through incentives

The inclusion of oil sands mines and tailings in the assessment of the federal reduction target is inappropriate, resulting in cost-prohibitive regulations.

- Canada has a unique source of methane emissions from oil sands tailings ponds and mines, where the technologies to reduce methane emissions are unproven and not cost-effective. Industry and researchers have estimated the costs for reductions from such or similar sources being more than a thousand dollars per tonne of carbon dioxide equivalent.⁴
- Alberta’s TIER Regulation directly covers methane emissions from oil sands mines and tailings through the industrial pricing approach, which is designed to drive emission reductions and provide facilities to access more cost-effective, economy-wide emission reductions.

⁴ International Energy Agency, February 20, 2023, Methane marginal abatement cost curve for coal mine emissions 2022.

- **The federal proposed to include oil sands mine face and tailings ponds in the reduction target places an excessive burden on the conventional upstream sector and results in regulations that exceed what is cost-effective using available, proven technology.**
 - It is estimated that the proposed federal regulations drive to about an 85 per cent reduction in methane emissions from Alberta’s upstream conventional oil and gas sector.⁵
 - The Government of Alberta is committed to working with the federal government, Indigenous communities and industry to develop and implement an accelerated strategy for oil sands mine water management and tailings pond reclamation.

The proposed federal regulations are overly aggressive and prescriptive – making them unachievable and impacting production.

- While the federal government purports its proposed regulations allow flexibility, they are in fact very prescriptive.
- The federal approach is clear: the Government of Canada wants oil and gas methane emissions eliminated regardless of costs and negative socio-economic impacts on Albertans and Canadians.
- The positioning of the federal requirements under the *Canadian Environmental Protection Act, 1999*, means non-compliance can result in criminal penalties, which includes the possibility of incarceration.

The proposed regulations reduce the competitiveness of this trade-exposed sector.

- The proposed methane regulations lack parity with the United States (US) to protect competitiveness of this emissions-intensive and trade-exposed sector.
- A comparison between the US Environmental Protection Agency’s regulations and Canada’s proposed regulations reveals inconsistencies that will weaken the competitiveness of Canadian producers against their US counterparts.
- Comparability of costs incurred by US and Canadian operators has not been considered in the federal proposal. The impact on costs per unit of production in Canada are high. The federal government must consider the cost of other policies (such as carbon pricing, the proposed federal electricity regulations, the proposed federal oil and gas cap), the overall higher costs associated with oil and natural resource development in Canada than the US, as well as the significant technical and financial support programs available to US operators and states.

The proposed federal regulation design is fundamentally flawed.

There are numerous technical and practical flaws in the proposed federal methane regulations. Some examples are provided to help illustrate Alberta’s significant concerns about the federal design.

1. **There is a lack of evidence regarding rationale or basis for the proposed federal requirements. The proposed federal regulations include high-cost actions without evidence that such actions will actually reduce methane emissions.**

Design Flaw Example		Concerns
Inclusion of inactive wells adds costs without evidence of reducing emissions	The federal regulatory impact assessment statement indicates a cost of \$2 billion to extend fugitive emissions management to non-producing wells, without providing any evidence of the emission reductions resulting from this high cost.	<ul style="list-style-type: none"> • Inactive facilities are typically shut in and depressurized; therefore, the likelihood of a fugitive emission is extremely low. • Data quantifying emissions rates from inactive facilities and wells is not well established, and such evidence would be necessary to inform any abatement action.

⁵ Based on preliminary modelling and limited information available from Environment and Climate Change Canada.

<p>Type I and II classifications adds costs without evidence of reducing emissions</p>	<p>The federal regulations propose that Type I facilities have increased fugitive emissions detection requirements including quarterly inspection requirements, which are unwarranted based on evidence.</p>	<ul style="list-style-type: none"> • Statistical evidence from publicly available data on British Columbia’s Energy Regulator site indicates that separators have a low likelihood of fugitive emissions and do not merit monthly screenings or quarterly inspection. • Of the 9,600 inspections conducted in British Columbia in 2021, only 21 separators had leaks above the 1 kg/hr. Of these 21 incidents, the average leak rate was only 2 kg/hour with maximum leak found being 3.8 kg/hour. • Therefore, the federal proposal is unnecessary in its targeting a low probability, low impact issue.
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2. The proposed federal regulations are open to uncertainty and interpretation, giving the federal government too much discretion and ability to further target the oil and gas industry or regions of Canada.

Design Flaw Example		Concerns
<p>Federal Minister or department discretion creates uncertainty for compliance</p>	<p>The federal proposal provides the Minister of Environment and Climate Change Canada undue and likely harmful discretion such as where venting, flaring or incinerators and enclosed combustors would be permissible and timelines to repair leaks.</p>	<ul style="list-style-type: none"> • There is too much federal departmental discretion provided, which creates too much risk in a regulation with criminal law provisions. • The federal government could use this discretion to further target the oil and gas industry or select provinces or regions in Canada.
<p>Proposed phased-in regulatory requirements are punitive to growth</p>	<p>The federally proposed phase-in requirements are such that facilities increasing production from the previous year will be subject to regulations as early as 2027, which will constrain growth, while the US regulations respect growth.</p>	<ul style="list-style-type: none"> • Increased production should not independently trigger regulatory coverage. Increased production from previous years can occur without changes to facility equipment and infrastructure. There are a number of gas plants operating below capacity that could handling increased volumes. • The US standards stipulate that an increase in production at an existing facility, without a capital expenditure on that facility, does not result in coverage as a new or modified facility.

3. The proposed federal regulations include standards for emission detection and venting controls at that are unachievable. The standards reflect technologies are not yet commercially available or proven in real-world settings.

Design Flaw Example		Concerns
<p>Proposed performance standard is too low and unachievable</p>	<p>The proposed federal performance standard requires continuous monitoring systems, and sets emissions threshold at 1 kg/hr.</p>	<ul style="list-style-type: none"> • The proposed federal emissions threshold is too low and would result in industry being in a constant state of non-compliance. • The federal government’s proposed venting standard of 1 kg/hr is a 60 per cent reduction from Alberta’s current limit for new facilities and

		<p>which is more than 90 per cent lower than the current provincial limit for existing facilities.</p> <ul style="list-style-type: none"> The federal government has not provided details of the basis of its proposed standard, nor the technological feasibility of achieving it in practice. The standard is too low to be achieved with current technology.
Unproven technology standards for catalytic oxidation systems	In the federal proposal, catalytic oxidation systems require a minimum efficiency of 85 per cent.	<ul style="list-style-type: none"> Very few market-ready catalytic oxidation systems are commercially available, and the federal government has not provided evidence of its proposed efficiency standard actually being achievable in on-the-ground applications. This proposed standard would limit compliance options and increase costs.
Fugitive detection thresholds are not based on widely available technologies or real-world conditions	The proposed federal inspection methodology requires 90 per cent probability of detection for a flow rate of 1 kg/hr. There are very limited technologies that can perform in real-world conditions at this level.	<ul style="list-style-type: none"> Alberta's weather and geography limit access to remote facilities. The proposed federal threshold limits the number of technologies that can be used and increases costs. Alberta's regulatory system is outcomes-based and designed to enable flexibility through alternative fugitive emissions management programs, which reduces costs, protects protectiveness and yields emission reductions.
Proposed fugitive emissions coverage is too broad and inefficient	The proposed federal leak detection requirements include inactive sites, adding costs and administrative burden without evidence of achieving emission reductions beyond what are already being achieved in the provincial regulatory system.	<ul style="list-style-type: none"> Inactive facilities are typically shut in and depressurized; therefore, the likelihood of a fugitive emission is extremely low. There are provincial requirements already in place to manage emissions, including serious leaks.
Support for all available technologies is key to mitigating costs and reducing emissions	The proposed regulation and federal impact assessment statement limit technologies. For example, the regulations do not mention use of Cata-Dyne heaters, which currently play an important function in heating small buildings to prevent the negative effects of equipment and employees' exposure to very cold temperatures.	<ul style="list-style-type: none"> Currently installed Cata-Dyne heaters have a destruction efficiency of approximately 60 per cent, making compliance with either the 85 per cent or 98 per cent destruction requirements not possible. Governments must focus on supporting all technology solutions and be technology agnostic to achieve cost-effective and timely emission reductions.
Limited availability of technologies and services	Technology manufacturers and service providers will be challenged to meet demand at the pace proposed by the federal government, which will drive technology costs up as well as	<ul style="list-style-type: none"> The scale and pace of capital deployment expected by the federal government are unachievable. Manufacturers have limited capacity and expect major supply chain issues.

	constrict ability to reduce emissions.	<ul style="list-style-type: none"> • There is an insufficient supply of technology and training programs to deploy at scale and meet the proposed federal requirements. • These pressures are expected to increase with the US regulation taking effect, leading to cost increases and compliance challenges that could result in shut-ins.
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4. The proposed regulations are inefficient, with duplication within the proposed federal regulations themselves and unnecessary and uncalled for overlap with provincial regulatory systems.

Design Flaw Example		Concerns
Inclusion of wells with flares in Type I facilities is unnecessary	The federal regulations include duplicative requirements to reduce emissions from the same source. For example, the federal proposal requires wells with flares to have control measures as well as fugitive emissions detection requirements.	<ul style="list-style-type: none"> • The duplication of proposed requirements increases regulatory burden and costs, impacting competitiveness.
Proposed federal screening audits for fugitive emissions are duplicative to exiting provincial requirements and unnecessary	The federal regulations include duplicative requirements to detect emissions from the same sources. For example, the proposed federal regulation requires both an annual audit for all Type I and II sites and also a third-party screening.	<ul style="list-style-type: none"> • Alberta operators have already invested significantly in detection technologies and built in-house expertise. • The federal proposal would result in having third party inspectors with potentially less experience than those employed by operators – and industry having to pay for that. • The federal proposal negates the investments made by industry to purchase detection technology and train employees. • The proposed federal survey frequency leads to fewer emission reductions and introduces unnecessary layers of requirements.

Part 3: Concerns with the Federal Impact Assessment and Impacts to Alberta

Environment and Climate Change Canada must protect the ability of provinces and territories to maximize the socio-economic benefits of oil and natural resource development for their citizens and all Canadians.

- The development of Canada’s natural gas and oil resources contributed \$110.5 billion to Canada’s gross domestic product (GDP) and supported approximately 800,000 direct, indirect and induced Canadian jobs in 2022.⁶
- The industry paid over \$30 billion in oil and gas royalties to the provincial governments in 2022.⁷ This revenue helps fund essential services like roads, schools, and hospitals in every part of Canada.

⁶Canadian Association of Petroleum Producers, December 7, 2023, The Economic Impact of Canadian Oil and Gas.

⁷ Ibid.

- Oil and natural gas development in Alberta supports an economically significant secondary support industry, requiring everything from steel and parts for building plants and pipelines and manufactured goods ranging from drill bits to vehicles. It also involves services such as financial services and environmental consulting from suppliers across the country. This supply chain creates major economic spinoffs like jobs, growth and tax revenues, and benefiting communities across the country. According to data collected by the Canadian Association of Petroleum Producers, oil sands facilities spent \$4 billion on supplies and services from more than 2,700 companies outside Alberta in 2019 – these investments are in all provinces and territories.⁸

The proposed federal regulations are based on a model that underestimates associated reductions, costs and production impacts.

- The results presented in the federal regulatory impact assessment statement are based on federal modelling that unrealistically assumes static production levels between the baseline and regulated scenarios, overlooking potential production loss resulting from these proposed regulations.
- The emissions reductions associated with any shut-in or forgone development are not counted in the federal impact assessment, nor is the loss of gross domestic product (GDP) or revenue to governments considered.
- The Alberta Energy Regulator has developed a model to assess the impacts associated with regulatory requirements.
- Alberta’s preliminary assessment of impacts of the federal proposal is based on our interpretation of the requirements in the proposed federal regulations. Due to the absence of data from Environment and Climate Change Canada, cited data or studies, or the ability to obtain detailed clarification from the federal government, assumptions using the best available information and professional judgment were made.

What the proposed federal methane regulations mean for Alberta

85% **\$9.4 B** **Reduced Production**

Reductions from Upstream
Conventional Oil and Gas

Cumulative cost for Alberta

From Oil and Natural Gas

Alberta estimates the proposed regulation drives to an 85 per cent methane reduction in Alberta’s upstream conventional oil and gas sector.⁹ This total significantly exceeds the 75 per cent objective presented by the federal government and what is potentially feasible without creating negative impacts on production.

Alberta estimates the federal government has underestimated the impact of its proposed regulation in Alberta by approximately \$1.2 billion.¹⁰ The cumulative cost of the federal regulation for Alberta is \$9.4 billion¹¹ (real 2024 dollars, NPV 2027-2040), contrasting with the federal government’s estimate of \$8.2 billion (discounted, 2027-2040).

Alberta expects the proposed federal regulations to reduce production in natural gas, conventional oil and bitumen. The federal government has not conducted any analysis on production and job losses. The results presented in the federal impact analysis statement are based on a model that unrealistically assumes static production levels between the baseline and regulated scenarios. Additionally, it is posited by the federal government that any employment losses will be offset by labour requirements resulting from retrofits.

⁸ Ibid.

⁹ Based on preliminary modelling and limited information available from Environment and Climate Change Canada.

¹⁰ Ibid.

¹¹ Ibid.

Part 4: How Ottawa can Support Alberta’s Plan to Reduce Emissions

Canada can effectively reduce emissions from the oil and gas sector while respecting the Canadian constitution and avoiding massive economic repercussions by working with Alberta.

The federal government should look to Alberta and the United States as models for effective funding support programs for methane mitigation and detection technology development and deployment.

The proposed regulations would impose additional costs on oil and gas operators, and without additional support, will result in lost production and lost economic benefits for Canadians, with jobs and benefits shifting to the US or elsewhere. It is essential for Canada to recognize the substantial costs associated with the proposed regulations, on top of the higher cost to develop oil and gas resources in Canada.

Despite Alberta’s commendable progress in reducing methane emissions, the federal government has not acknowledged the province’s achievements or considered the significant capital costs involved in necessary infrastructure or equipment changes for methane emissions reductions. The proposed regulations place a financial burden on industry, requiring extensive infrastructure upgrades and administration for the methane monitoring program without offering any corresponding and commensurate financial support.

The federal government should assist Alberta’s emissions reduction efforts by providing federal investment supports aligned with Alberta’s policy framework and Emissions Reduction and Energy Development Plan. To not engage with Alberta on a shared understanding of the impacts, costs and financial support required to consider realistic and achievable objectives is insincere and divisive.

In the United States, through the *Inflation Reduction Act*, the federal government will provide more than \$1 billion in financial and technical assistance to accelerate the transition to no and low-emitting oil and gas technologies. The US government is supporting states directly to manage methane emissions. In December 2023, the US government announced the allocation of \$350 million to 14 oil and gas producing states to fund technical assistance and financial programs that will help operators voluntarily identify and eliminate methane emissions from low-producing conventional oil and gas wells to protect competitiveness and avoid lost production and lost jobs. States are not required to provide matching funds to access these federal supports. The US government also awarded nearly \$47 million in funding for 22 projects in 2023 that will focus on the outstanding technological challenges of quantifying and mitigating methane emissions in the oil and natural gas sector.

Canada has committed \$30 million to establish a Methane Centre of Excellence to serve as a hub for improving data collection and measurement of methane emissions. This funding is nowhere close to the costs of the federal regulation on this trade-exposed sector, which for Alberta alone are estimated at \$9.4 billion. Such funding should be provided directly to the provincial Crown to develop this centre. Western provinces can work together to determine alignment and cost-efficiency opportunities, while maintaining integration with established, effective regulatory data streams. “Excellence” requires leveraging the on-the-ground expertise of Alberta industry, technology providers, academia, environmental organizations, Indigenous businesses and regulators.

Alberta will continue implementing our Emissions Reduction and Energy Development Plan to achieve a carbon-neutral economy by 2050 through a combination of enabling policy frameworks, investments in emission-reducing technologies combined with practical emission offsets, all while continuing the development of Alberta’s world-class natural energy resources for Canada and the world.

Alberta asks the federal government to focus on supporting Alberta’s responsible development approach to achieving emission reductions across the economy, including the oil and gas sector, in alignment with the Emissions Reduction and Energy Development Plan.

The federal government must stay out of Alberta's jurisdiction, recognize our ability to enable clean technology at achievable levels and pace, and focus on the significant financial supports that will complement Alberta's approach.

- To attract global investments, especially in the clean economy, Canada requires a consistent and stable regulatory and policy landscape based on ambitious yet achievable goals. Stability and dedicated supportive policies are crucial for encouraging larger methane reduction projects.
- The implementation of measures described in the federal 2023 Fall Economic Statement is slow, resulting in clean technology investment delays and capital flight. Federal government regulatory demands are well surpassing incentives for projects, resulting in an imbalance and advantaging competing jurisdictions. The federal government needs to show clear and higher financial commitments to clean technology adoption.
- The federal government should craft targeted strategies aligning with incentives in high-priority sectors while supporting initiatives that are already working well, as seen in Alberta. The federal government should be funding and supporting de-risking measures for industry projects, including but not limited to tax credits. It should embrace all viable technologies.
- Collaborative federal policies and international initiatives with allies and trading partners, particularly related to Article 6 of the Paris Agreement, are needed to promote cost-effective and timely global emission reduction efforts.

The proposed federal methane regulations, the proposed federal oil and gas emissions cap and other federal policies make it clear that the oil and gas industry is being targeted. The proposed prescriptive federal methane regulations, though started by Environment and Climate Change Canada as achieving "at least 75 per cent" reduction, are estimated to be significantly more impactful, driving to approximately an 85 per cent reduction in methane emissions from Alberta's upstream conventional oil and gas sector – and at significant cost to this trade-exposed industrial sector. The proposed federal regulations hurt the Albertan and Canadian oil and gas sector's competitiveness, placing our industry at a disadvantage in comparison to many other oil and gas producing jurisdictions. This will affect production in Canada, lead to shutdowns, increase reliance on foreign sources, and result in job losses, among other negative impacts.

The proposed federal methane regulations are unconstitutional. Alberta calls on the federal government to halt the advance of these regulations and begin meaningful collaboration to financially support methane emission reductions within established provincial regulatory regimes.

