

October 23, 2023

[GHGRegulator@gov.bc.ca](mailto:GHGRegulator@gov.bc.ca).

Fort St John & District Chamber of Commerce calls for a pause on the proposed emissions cap for Oil and Gas, and LNG and requests robust consultation with all impacted communities and stakeholders.

The B.C. government has released several policies this year that will dramatically impact B.C.'s economy and business. The impacts are much more significant on the oil and natural gas sector with a proposed regulated emissions cap that applies to the upstream, midstream, and downstream sectors, including LNG. These policies will potentially set back global emission reduction opportunities and harm British Columbians economically by moving investment and jobs out of the province. The emissions cap, combined with other policies, will adversely impact the competitiveness of B.C. and lead to lower or forgone natural gas production in the province. This will impact business and jobs in northeast B.C. and be a setback to the emerging Canadian LNG export industry that is meant to displace coal globally and create long-term jobs and economic prosperity for British Columbians.

In July 2023, the B.C. government released its “B.C. Oil and Gas Emissions Cap Policy Paper” as part of its new “Action Energy Framework.” In this paper, government said, “B.C. will engage with operators, First Nations rights and title holders, Indigenous Organizations, labour, local governments, environmental non-governmental organizations, and the Minister of Environment and Climate Change Strategy’s Climate Solutions Council to build in input on the policy design considerations outlined in this paper.” This builds on an earlier commitment to begin engagements in April 2023 and to complete consultations by the end of the year. Many in northeast BC have not been consulted at all regarding this policy, it is important to note that the economy in the northeast and resource development will be significantly impacted by these policies. It is critical that a robust engagement be conducted,

Since 2007 the upstream industry has made significant strides to improve emissions intensity and has reduced absolute emissions. In 2023, the B.C. Energy Regulator (BCER) completed a review of methane regulatory requirements, which identified that B.C. is on track to achieve methane emissions reductions from the oil and gas sector of 45 percent, relative to 2014 levels, by 2025, equivalent to required federal targets. In 2020 the provincial GHG inventory showed oil and gas emissions were reduced below 2007 levels while investment and job creation continued. During this time, B.C. production more than doubled, approaching 6 billion cubic feet per day (Bcf/d). Natural gas production in the USA followed a similar growth pattern over this period approaching 100 Bcf/d.

Considering the lack of economic pathways to achieve this level of emission reduction within a short timeframe, these policies, as pointed out by third-party analysis, could act as an indirect production cap on the B.C. industry. The policy framework lacks credible pathways to compliance – lack of infrastructure to enable timely electrification or a robust offset market – making the objective infeasible. Putting a cap on one sector of the economy is inequitable and



inefficient. It needlessly increases the cost of emissions reductions making energy less affordable, especially for geographic and climatic regions that cannot easily switch home heating methods.

The B.C. Government needs to take the time to get this right. The implementation of the government's new "Energy Action Framework" must enable the industry's ongoing responsible development and growth so that B.C. is poised to meet the growing global demand for our products and B.C. can attract the investments needed to develop them. Communities within B.C.'s production and export regions should develop an understanding of how these policies may impact their local economies so they can plan for their future.

British Columbia production reductions and forgone growth will result in meaningful job losses, significant adverse investment trends, and government revenue in the province. Additionally, the Business Council of British Columbia (BCBC) has reviewed the government NAVIUS modeling of the impacts of CleanBC policies 3 and they found concerning results comparing the GDP of the reference scenario and the CleanBC forecast in 2030, including that:

- Every sector of the economy (except electricity) is adversely impacted – lower GDP.
- CleanBC policies are expected to shrink B.C.'s Economy by \$28 billion by 2030.
- CleanBC Policies reduce income (GDP) below 2020 levels in B.C.'s foundational sectors.
- By 2030, real per capita income is projected to be \$4,600 lower – taking prosperity back more than a decade (about \$11,000 per household).
- Less GDP means less government revenue.
- Carbon leakage, that sees emissions still produced in other jurisdictions while opportunity leaves B.C.

A BMO report (Source BMO Capital Markets, Carbon Innovation September 5, 2023) on the OBPS and other additional climate policies found that policies could:

- Act as an indirect production cap for industry in B.C. and when applied in combination, could make further development potentially uneconomic for much of industry.
- Could create clear winners and losers simply based on geography given the lack of flexibility for methods of compliance.
- Challenge facilities in remote areas that do not have access to electrification including coastal LNG and potentially prevent the development of future LNG projects.

The Fort St John & District Chamber of Commerce calls on the Government of BC to hit the pause button on these policies until they have completed a robust consultation with First Nations, industry, local governments and impacted communities to get a clear understanding of how these policies will affect the economic growth to both Indigenous and non-Indigenous communities. We believe that it is irresponsible leadership to demand electrification to the oil and gas sector when the government has not set out a clear pathway to get the infrastructure in place and operational before 2030. As we have seen, the consequences of not doing complete consultation have resulted in delayed permits, additional red tape, delays and even cancellations of projects.

Industries who invest in British Columbia must have a clear and concise path to a holistic plan for development of the Clean Energy policies and vision, The current path does not create a

consistent and viable pathway for investment in resource development in British Columbia and leaves many communities uncertain of how these policies will affect them over the long term.

We urge the government to review these policies and consult meaningfully with all parties to create a plan that ensures this industry will be a part of British Columbia's economy well into the future.



Kathleen Connolly  
CEO

## Important Information on B.C.'s Energy Action Framework: New Emissions Cap for Oil and Gas, and LNG

**Overview:** The B.C. government has released several policies this year that will dramatically impact B.C.'s economy and business. The impacts are much more significant on the oil and natural gas sector with a proposed regulated emissions cap that applies to the upstream, midstream, and downstream sectors, including LNG. These policies will potentially set back global emission reduction opportunities and harm British Columbians economically by moving investment and jobs out of the province. The emissions cap, combined with other policies, will adversely impact the competitiveness of B.C. and lead to lower or forgone natural gas production in the province. This will impact business and jobs in northeast B.C. and be a setback to the emerging Canadian LNG export industry that is meant to displace coal globally and create long-term jobs and economic prosperity for British Columbians.

In July 2023, the B.C. government released its "B.C. Oil and Gas Emissions Cap Policy Paper" as part of its new "Action Energy Framework." In this paper, government said, "B.C. will engage with operators, First Nations rights and title holders, Indigenous Organizations, labour, local governments, environmental non-governmental organizations, and the Minister of Environment and Climate Change Strategy's Climate Solutions Council to build in input on the policy design considerations outlined in this paper." This builds on an earlier commitment to begin engagements in April 2023 and to complete consultations by the end of the year.<sup>1</sup>

**The B.C. government is asking for input on these policies:** If the government has not engaged you, we encourage you to learn more. The comment period on this policy paper will be open from Wednesday, July 26 – October 24, 2023. **Send submissions to:** [GHGRegulator@gov.bc.ca](mailto:GHGRegulator@gov.bc.ca).

The B.C. Government needs to take the time to get this right. The implementation of the government's new "Energy Action Framework" must enable the industry's ongoing responsible development and growth so that B.C. is poised to meet the growing global demand for our products and B.C. can attract the investments needed to develop them. Communities within B.C.'s production and export regions should develop an understanding of how these policies may impact their local economies so they can plan for their future.

**Emissions Cap:** [The Oil and Gas Regulatory Emissions Cap Policy Paper<sup>2</sup>](#) sets out the Province's policy design considerations in delivering a new sectoral regulatory emissions cap for the oil and gas industry, including LNG facilities approved in 2018 and beyond. The new regulated sectoral cap is 33-38% below 2007 levels by 2030. The regulated cap for 2030 will be inclusive of production growth to meet new domestic and global demand for natural gas and new sources of emissions from the emerging LNG industry which did not exist in the baseline period of 2007.

Since 2007 the upstream industry has made significant strides to improve emissions intensity and has reduced absolute emissions. In 2023, the B.C. Energy Regulator (BCER) completed a review of methane regulatory requirements, which identified that B.C. is on track to achieve methane emissions reductions from the oil and gas sector of 45 percent, relative to 2014 levels, by 2025, equivalent to required federal targets. In 2020 the provincial GHG inventory showed oil and gas emissions were reduced below 2007 levels while investment and job creation continued. During this time, B.C. production more than

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<sup>1</sup> Premier's Office Press Release "New energy action framework to cap emissions, electrify the clean economy" Tuesday, March 14, 2023

<sup>2</sup> [https://www2.gov.bc.ca/assets/gov/environment/climate-change/ind/ogc/oil\\_and\\_gas\\_emissions\\_cap\\_policy\\_paper.pdf](https://www2.gov.bc.ca/assets/gov/environment/climate-change/ind/ogc/oil_and_gas_emissions_cap_policy_paper.pdf)

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doubled approaching 6 billion cubic feet per day (Bcf/d). Natural gas production in the USA followed a similar growth pattern over this period approaching 100 Bcf/d.

To achieve the new oil and gas and LNG regulated emissions cap by 2030 the oil and gas industry will need to build on its emissions reduction trend from current production levels, grow production to meet new demand from LNG facilities that have been approved before the emission cap announcement and since the 2007 baseline year.

Considering the lack of economic pathways to achieve this level of emission reduction within a short timeframe, these policies, as pointed out by third-party analysis, could act as an indirect production cap on the B.C. industry. The policy framework lacks credible pathways to compliance – lack of infrastructure to enable timely electrification or a robust offset market – making the objective infeasible. Putting a cap on one sector of the economy is inequitable and inefficient. It needlessly increases the cost of emissions reductions making energy less affordable, especially for geographic and climatic regions that cannot easily switch home heating methods.

**Output Based Pricing System (OBPS):** Is a carbon pricing system that applies to industrial emitters. The B.C. OBPS will use a performance-based system to assess facilities on an annual basis and incentivize industrial emitters to reduce their GHG emissions. Facilities that emit under their annual emission limit will earn credits. The OBPS is a good policy that is being implemented in an uncompetitive manner in B.C. B.C.'s proposed system has higher compliance costs than either the federal OBPS or the equivalent Alberta policy (known as TIER). Over time, investment and jobs will move to other jurisdictions that can better compete, thereby hurting the B.C. economy with no global environmental benefits.

**Impact:** British Columbia production reductions and forgone growth will result in meaningful job losses, significant adverse investment trends, and government revenue in the province.

Additionally, the Business Council of British Columbia (BCBC) has reviewed the government NAVIUS modelling of the impacts of CleanBC policies<sup>3</sup> and they found concerning results comparing the GDP of the reference scenario and the CleanBC forecast in 2030, including that:

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- Carbon leakage, that sees emissions still produced in other jurisdictions while opportunity leaves B.C.

**Additional Impacts:** A BMO report (Source BMO Capital Markets, Carbon Innovation September 5, 2023) on the OBPS and other additional climate policies found that policies could:

- Act as an indirect production cap for industry in B.C. and when applied in combination, could make further development potentially uneconomic for much of industry.

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<sup>3</sup> <https://www2.gov.bc.ca/gov/content/environment/climate-change/data/provincial-forecast>

## **Important Information on B.C.'s Energy Action Framework: New Emissions Cap for Oil and Gas, and LNG**

- Could create clear winners and losers simply based on geography given the lack of flexibility for methods of compliance.
- Challenge facilities in remote areas that do not have access to electrification including coastal LNG and potentially prevent the development of future LNG projects.

### **Natural Gas in British Columbia Today:**

- Production – 2.1 trillion cubic feet (Tcf) per year –36 per cent of Canada's overall natural gas production in 2021 (Source: CAPP Stats handbook).
- 12,468 high-productivity, well-paying jobs (Source: [PetroMLI](#))
- \$7.2B CAPEX spend estimated in 2023 (Source: [CAPP News Release](#))
- \$800M royalties forecasted for 2023 (Source: [B.C. Government Budget Update 2023](#))
- From 2018 to 2021, the industry spent over \$4.7 billion in 140 municipalities and Indigenous Nations through the procurement of goods and services from more than 2400 B.C.-based businesses. (Source: [iTOTEM](#))
- Approximately \$765 million were spent between 2018 and 2021 in B.C.'s natural gas supply chain with 135 Indigenous-affiliated businesses throughout Canada. (Source: [iTOTEM](#))