BUSINESS COUNCIL OF ALBERTA

June 6, 2022

The Honourable Steven Guilbeault, P.C., M.P.
Minister of Environment and Climate Change
House of Commons
Ottawa, ON K1A 0A6

and

The Honourable Jonathan Wilkinson, P.C., M.P.
Minister of Natural Resources
House of Commons
Ottawa, ON K1A 0A6

Dear Ministers Guilbeault and Wilkinson,

On behalf of the Business Council of Alberta (BCA), we would like to congratulate you on the release of the *2030 Emissions Reduction Plan: Canada's Next Steps to Clean Air and a Strong Economy* (ERP) in support of Canada's emissions reduction targets under the Paris Agreement.

BCA and its members support the federal government's efforts to achieve net zero by 2050 and are committed to working together with the government to advance that goal. We also recognize and acknowledge that Canada cannot achieve its 2030 and 2050 targets without deep and meaningful cuts to greenhouse gas (GHG) emissions from Alberta's major industries. Industry leaders recognize this as well. As you know, a coalition of six major companies, together accounting for about 95% of total oil sands production, have committed to working with the federal and Alberta governments to achieve net greenhouse gas (GHG) emissions from their operations by 2050. Their goals, and ours, align with yours.

Meeting these climate targets will be one of this country's greatest challenges. The pace and scale at which we need to reduce, eliminate, and offset emissions will require best efforts from industry partners and all levels of government. Anything less than an all-in approach will leave us short of achieving those ambitious goals.

With that in mind, we highlight the following imperatives to address in order to achieve the ambitions targets of the ERP.

1. Regulatory hurdles

Our current regulatory system and project approval timelines will not allow Canada to hit its targets.

Canada's regulatory and approval process is lengthy and uncertain, both federally and provincially. Many projects have spent years in process–far longer than our competitor nations. Some have withdrawn due to time and cost. Others are simply unwilling to invest the time and money required to submit, particularly via the Canada Energy Regulator or the Impact Assessment Agency, given uncertain and lengthy processes. Canada cannot afford

these long delays in achieving our 2030 targets. We have less than eight years to build the unprecedented amount of low-carbon infrastructure needed to significantly reduce emissions in a timely manner.

For example, carbon capture, utilization, and storage technology (CCUS) is one of the key technologies that will be relied on to decarbonize the oil and gas sector. While the CCUS investment tax credit represents a strong first step in supporting these projects, the regulatory and approvals system still poses a significant hurdle. CCUS projects and related infrastructure currently take 6-10 years between conception and commissioning. At this speed, it is unlikely that companies will be able to build CCUS projects in time to meet the 2030 target.

Similarly, it takes an average of 13 years to build copper mines after the initial discovery. Copper is used in electrical wiring and plays an increasingly important role in producing electric vehicles. This delay presents a hurdle to producing enough electric vehicles to meet the zero-emission vehicle sales mandates–particularly the upcoming 2026 target of 20% of all new passenger vehicles.

Finally, some technologies, like small modular nuclear reactors, have a long path to commercial availability. If technologies like small modular nuclear reactors are to be available in 2030, government should look for ways to strategically accelerate initial regulatory approvals and deployment of reactor designs that are suitable for electricity generation and/or for industrial process heat needs, as current timelines would not permit their application soon enough to make an impact on 2030 targets.

These are just a few examples highlighting the obstacle regulatory approval timelines pose to emissions reduction initiatives across many industries. Many other projects that could reduce domestic and global emissions face similar obstacles, including: nuclear power generation, LNG terminal construction, critical minerals mining, and pipelines to transport natural gas, hydrogen or carbon dioxide across provincial borders.

The time needed to conduct federal environmental assessments of new projects has ballooned. These delays hamper investment in the projects urgently needed for Canada to achieve its climate ambitions.

To better support industry in their build-out of low-carbon infrastructure, we urge the government to dramatically reduce regulatory and project approval timelines by focusing on performance standards for responses and an expedited channel for experienced and proven applicants. We would like to see Canada become one of the fastest jurisdictions globally for approving projects that reduce GHG emissions.

Furthermore, in events where regulatory approval cannot be expedited, thought should be given to extending access to support programs (like the CCUS Tax Credit) for projects that cannot complete construction by the end of 2030 due to permitting delays.

2. Investment spending

Our current investment spending is insufficient to get Canada to its 2030 and 2050 targets.

While the ERP announced $9.1 billion in new investments, the level of investment required to meet our emissions reduction targets in the given timeframes must be an order of magnitude greater. Currently, annual investment in the climate transition is somewhere between $15 and $25 billion per year. However, as Budget 2022 notes, it will take between $125 and $140 billion in annual investment to achieve net zero by 2050. This represents an investment shortfall of at least $100 billion per year.

To realize the transformational change needed to meet its 2030 and 2050 goals, the federal government must make Canada a magnet for capital investment. A report by the National Bank of Canada has found that business investment has yet to recover to pre-COVID levels, and private, non-residential capital stock has been on a downward trend for the past five years. This is troubling given that the ability to retain and attract large amounts of capital investment is critical for financing the country's energy transition.

In addition to attracting capital, the government must also de-risk capital deployment. Many of the technologies needed to significantly decarbonize our economy already exist–CCUS, electric vehicles, hydrogen fuel–but not all offer a return on investment. Companies need government to de-risk capital deployment if these solutions are to be implemented at the scale necessary to significantly reduce emissions.

Lastly, as we look decades down the line, many of the technologies needed for a net zero 2050 are not developed yet. It is too early to know which will be best positioned to help us reach our goals 20 or 30 years from now. To avoid prematurely picking winners and losers, the government must support broad RD&D initiatives in new energy and clean tech to ensure Canada is positioned to deliver on emissions reduction commitments in the years ahead.

3. Policy uncertainty

Uncertainty about the future price of carbon kills investment and inhibits the deployment of capital at a scale needed to reach emissions reduction targets.

Investment dollars are not afraid of climate policy, only uncertain climate policy. And the threat of removing the price on carbon is one of the biggest barriers to moving ahead with emissions reduction projects.

That is why we were pleased to see a commitment in the ERP to explore measures such as carbon contacts for differences that will create clarity around the framework on carbon pricing and provide long-term certainty for industry and investors.

Some emissions reduction technologies, such as direct air capture and blue hydrogen, require a relatively high price on carbon to be economically viable. For example, blue hydrogen (produced by steam methane reforming of natural gas) with relatively high carbon capture rates (85%) needs a carbon price of $130 to be competitive with grey hydrogen. Therefore, having a guarantee that the price on carbon will rise to $170 per tonne by 2030 will result in upfront capital today.

As companies make capital allocation decisions, they need to have assurances that larger infrastructure projects with long lead times and lifespans will be good investments when built and for decades to come. However, more work is needed to ensure carbon contracts for

differences will provide revenue streams for economically challenged projects, including considering the implications of the price, duration, and volume of carbon credits.

4. Regional impacts

Perhaps the biggest challenge in implementing the ERP is that meeting national targets will impose differing compliance burdens and costs across the country.

For example, Alberta is the country's highest-emitting province because of its geography, resource base, and unique industrial structure; consequently, Albertans may face the highest compliance costs.

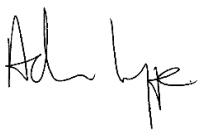
To pick one example, the ERP's headline initiative for the electricity sector is its commitment to developing a Clean Electricity Standard (CES). But unlike in provinces with vast hydroelectricity or other reliable zero-emitting capability, Alberta's legacy grid infrastructure is largely reliant on fossil fuels for stable and reliable baseload electricity generation. As a result, reducing emissions from this sector will be more challenging and more costly for Alberta than for most other provinces.

As the government consults on the scope and design of the CES, three features of a good electricity grid must be given equal consideration—affordability, reliability, and cleanliness. In our pursuit of the one, we cannot neglect the other two. And the realities and limitations of Alberta's resource endowments must be considered by CES policy design to prevent placing a disproportionate burden on Alberta's businesses and ratepayers.

Canadians want to work towards reducing our emissions. Albertans and Alberta companies want this as well. We believe the path to Canada's 2030 and 2050 targets runs through Alberta via a deep collaboration with industry and the provincial government. We know that the ambition incorporates three fundamentals – emissions reductions, energy affordability, and energy security – all of which must factor into the final equation. Industry is keen to engage in the pragmatics and realities of how we can achieve these three fundamentals.

Once again, the Business Council of Alberta congratulates you on releasing the ambitious 2030 Emissions Reduction Plan: Canada's Next Steps to Clean Air and a Strong Economy. We firmly believe that Canada's path to net zero runs through Alberta, and we look forward to working with you to overcome the imperatives outlined above. Meaningful action in these areas is critical if Canada is to achieve its climate goals while generating prosperity for all Canadians.

Sincerely,



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