



BUSINESS COUNCIL OF ALBERTA

December 20, 2024

The Honourable Steven Guilbeault, P.C., M.P.
Minister of Environment and Climate Change
229 Wellington Street
Ottawa, Ontario, K1A 0A6

Dear Minister Guilbeault,

We hereby provide our submission (see “Appendix”) to the Ministry of Environment and Climate Change Canada’s (ECCC) recently published draft “Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations” (hereafter, “oil and gas cap,” “sector cap,” or “draft regulations”) document in *Canada Gazette, Part I* (hereafter, “CG1”).

The Business Council of Alberta (BCA) is a non-partisan, non-profit organization composed of the chief executives and leading entrepreneurs of Alberta’s largest enterprises. Our members represent the majority of Alberta’s private sector investment, job creation, exports, and research and development. We are dedicated to building a better and more prosperous Alberta within a strong Canada.

We are disappointed to see the federal government continue to advance the implementation of an oil and gas cap. Simply put, the cap is regionally and sectorally discriminatory; and it is bad for national unity. If implemented, it will result in a host of negative consequences that will vastly outweigh any impact on domestic emissions. It will devastate the economy and drive affordability challenges in Canada. It will undermine existing climate policy and harm our international standing. And, most importantly, it will have no discernible effect on global GHG emissions, which is the problem that Canada and the world are trying to address.

Frankly, the oil and gas emissions cap cannot go forward in any form. It is the epitome of bad public policy, and it must be scrapped.

BCA has always been supportive of reducing national greenhouse gas emissions while positioning Canada as a responsible, competitive energy producer capable of scaling to meet global demand. That is why our [last submission](#) on the proposed cap outlined five principles of sound climate policymaking, which we believe must inform all current and future policy actions:

1. emissions should be reduced at the lowest possible cost;
2. policies are simple and clear;
3. emission reductions are sector agnostic;
4. regional fairness is considered and protected; and
5. Canada’s businesses remain globally competitive.



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This sector cap does not uphold any of these principles. By failing to partner with businesses to develop climate policy that aligns business incentives with the deployment of emissions-reducing capital, this government's policy will be counterproductive for the environment, economic competitiveness, consumer affordability, and national unity.

A tonne of carbon abated is a tonne of carbon abated no matter what sector it comes from. As such, it is time to pivot away from pitting industries and regions against one another. It is time to get back to pragmatic policymaking. We sincerely hope that the government withdraws this problematic proposal. There is no version of it that is in the national interest.

We would be happy to discuss further with you or your staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Legge".

Adam Legge
President

cc: Hon. Jonathan Wilkinson, P.C., M.P., Minister of Energy and Natural Resources
Joanna Dafoe, Chief of Staff, Environment and Climate Change
Kyle Harrietha, Chief of Staff, Energy and Natural Resources
John Hannaford, Clerk of the Privy Council and Secretary to Cabinet
Jean-Francois Tremblay, Deputy Minister of Environment and Climate Change
Michael Vandergrift, Deputy Minister of Energy and Natural Resources
Chris Padfield, Deputy Secretary to the Cabinet (Clean Growth)
Mollie Johnson, Deputy Secretary to the Cabinet (Plans and Consultations)



Appendix: Official Response to the Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations

BCA has significant high-level concerns about the recently-published [CG1 draft regulations](#). In short, this policy is **bad for the economy, bad for the environment, bad for the federation, and bad for Canada's global standing.**

Bad for the Economy

The sector cap is misaligned with business incentives to reduce emissions, meaning it will lead to needless production cuts, job losses, and capital flight:

Businesses will comply with the proposed cap by choosing the least costly of the compliance options available: remitting allowances/offsets; paying into the decarbonization program; reducing facility emissions by investing in technologies; or cutting production. Whichever option, or combination of options, produces the best return-on-investment (ROI) or lowest-cost pathway to compliance will be the path businesses take.

According to oil and gas producer modeling, cutting production will be a key component of achieving the least costly compliance pathway. As such, while this policy is being advertised as an emissions cap, it is a *de facto* production cap.

Fundamentally, the federal government misunderstands businesses' incentives to reduce emissions. The best way for governments to unlock the billions of dollars needed to invest in reducing oil and gas production emissions is to design policy that allows businesses to achieve an ROI through such investments.

This sector cap is decidedly misaligned with this goal. It fails to recognize that, just because government policy dictates that emissions must be reduced at a given pace, the multi-billion-dollar carbon capture and storage projects required to decarbonize oil sands production may not generate the best ROI. Even in the context of the industrial price on carbon and the existing carbon capture investment tax credit, if production cuts provide a better ROI than pursuing investment in technological solutions at the unrealistic pace and scale that this cap requires, those investments will not take place. The capital will flow elsewhere, and the foregone production will mean that emissions will be produced in another country. The only way to prevent this capital flight (and carbon leakage) is to ensure policy creates value for reducing emissions at the scale and pace desired. This cap does not.

As such, it is widely expected that the sector cap will result in production cuts; and will do so at a time when global demand for oil and gas is anticipated to grow. In fact, even in its least bullish crude oil price scenario, the Energy Information Agency (EIA) [forecasts](#) (see Table G02) crude oil production to grow by 20% globally and 18% in Canada between 2025 and 2050.



As stated earlier, needlessly forcing the sector to cut production in order to comply with the cap accomplishes nothing except to displace production to other regions and encourage capital flight. In Canada, all it will accomplish is to cut jobs, incomes, prosperity and capital investment, and there would be no discernible impact on global emissions whatsoever (carbon leakage is discussed in more detail later in this submission). By some [estimates](#), the economic cost of the cap would be anywhere from 82,000 to 151,000 jobs and approximately \$16.3 to \$28.5 billion in GDP.

Hundreds of billions in oil and gas value will be foregone through 2050:

The federal government has been adamant that the oil and gas cap is not a cap on production. However, the trajectory of the cap is set according to the Canada Energy Regulator's (CER) [Canada Net-Zero Scenario](#) (CNZ).

This is problematic for two reasons: First, a scenario analysis, including CER's CNZ, is *not* a forecast. It does not comment on the probability that the future it has modeled will actually unfold. Rather, it assumes a particular future outcome will unfold, and maps backwards from that outcome to determine the conditions that may be required to achieve the outcome. The federal government is using the CNZ to determine the sector cap's stringency as if it is a forecast and not a scenario analysis. This is a fundamentally flawed way of designing public policy.

Second, and more importantly, the assumptions of the CNZ scenario are fundamentally flawed. CNZ unrealistically presumes that every country participating in the Paris Agreement will meet their climate commitments in full and on time. However, [no country in the world is currently](#) anticipated to be compatible with the 1.5° Celsius Paris Agreement target.

It is more likely, therefore, that long-term demand for oil and gas will fall somewhere between the CER's Current Measures scenario and its CNZ modelling. Given the high likelihood that the USA under President Trump pulls out of the Paris Agreement entirely, future oil and gas production will likely be closer to the modeled Current Measures scenario, which is substantially higher than the CNZ modeling. This means that the sector cap will likely be well out-of-step with long-term oil and gas demand in the real world; and, as such, the trajectory of the cap's future stringency will end up functionally capping Canadian production and displacing it elsewhere.

How much value will be lost if production is cut to levels somewhere between the CNZ scenario and the current measures scenario? While it is hard to say, if we use the CER's own crude oil demand and benchmark price [assumptions](#) under both scenarios, Canada could stand to lose over \$1.2 trillion (2022 USD) in foregone crude oil value between 2025 and 2050—equivalent to more than half of Canada's total GDP this year. And this figure entirely



ignores the impacts on natural gas production, as well as the indirect economic impacts on service providers and other ancillary businesses.

More goes into investment decision-making than a technical feasibility assessment:

The government's regulatory analysis rests heavily on assumptions about the volume of GHG emissions that are *technically feasible* to reduce.

While technical feasibility is an important consideration when designing a regulation, it cannot be divorced from the *economic feasibility* of making the associated investments. Analyzing technical feasibility alone may be beneficial for forcing a market-based regulation to produce a pre-determined outcome, but divorcing technical feasibility from economic feasibility is to voluntarily choose not to conduct any real-world analysis of the regulation and its impacts.

Just as economic feasibility considerations are left out, so too are considerations of the legal liability risk of unintended noncompliance. This regulation falls under the *Canadian Environmental Protection Act, 1999*, which establishes criminal liability for noncompliance. If company leadership knows there is a compliance risk associated with deploying a new and untested technology in the face of an inflexible timeline, the risk of criminal liability will deter investment, which in turn tips the scales towards production cuts as a safer compliance alternative.

Bottom line: If a company faces a deadline to reduce emissions, and their choices are, on the one hand, to make an uneconomical or legally risky investment in a technology that the government has assumed is technically feasible; or, on the other, to reduce production at a lower economic cost or risk, it will choose the latter.

A cap will exacerbate cost-of-living pressures for all Canadians:

The federal government insists that this regulation will have little impact on cost of living, [stating](#):

Oil and gas prices correspond to global market demand, and they do not typically reflect the cost of production. As such, the risk of compliance costs passed through from the oil and gas sector to Canadians is very low, and the proposed Regulations are not expected to affect the cost of everyday items such as fuel or groceries.

While it is true that Canada is a price taker (particularly for crude oil), it is false to suggest that this means the regulations will not affect people's cost of living. Cost of living is a function of jobs and earnings relative to the price of goods and services. Both sides of the function are impacted by the proposed oil and gas cap.



On the price side of the equation, Canada's trade balance impacts the value of our currency. Last year, crude oil and natural gas made up 18% of Canada's total exports (valued at [\\$124 billion](#), and [\\$13.2 billion](#), respectively). The national trade surplus was just over \$14 billion that year, meaning that without fossil fuels, Canada would have had a large trade deficit. If, as modeled by member companies, the oil and gas sector cap leads to production cuts, our trade balance will worsen, putting downward pressure on the Canadian dollar and raising the price of imported goods.

In other words, the cap will mean higher prices for the goods and services we import.

On the jobs and earnings side, oil and gas jobs are among the highest compensated in the country. [Statistics Canada data](#) indicate that oil and gas extraction workers last year earned on average \$2,893.48 a week—a full 32% higher than the next closest occupation. Sector cap induced job losses or reduced wages in this sector will impact cost of living as people make less or transition into lower paying jobs.

The Regulatory Impact Analysis Statement (RIAS) lacks transparency, significantly underestimates the economic costs, and does not meet Treasury Board requirements:

Projections of the economic impact of a proposed policy are only as good as the assumptions built into the modeling and analysis. The RIAS's cost-benefit analysis (CBA) for the proposed sector cap projects a net benefit to Canada. Unfortunately, the modeling fails on several fronts.

First and foremost, this policy is intended to drive down sectoral emissions over the long term by tightening the cap at a pace and scale that achieves a net-zero Canada by 2050. However, this regulation only establishes the cap up to 2032, and the economic impact assessment ignores the 2033-2050 period entirely. This fails to provide businesses with the long-term policy certainty necessary to make the kinds of investment decisions they are considering, and it laughably underreports the costs imposed on the sector and the Canadian economy through to 2050.

In fact, the scope of ECCC's cost-benefit analysis (CBA) may break the Treasury Board Secretariat of Canada's (TBS) own [Policy on Cost-Benefit Analysis](#), which sets out the rules which federal departments must adhere to when analyzing the costs and benefits of proposed regulations. According to this policy:

Departments must provide the present value of costs and benefits based on a minimum 10-year period, starting when the regulations are registered, unless the regulations explicitly prescribe a different time period (for example, regulations that sunset before 10 years).



By only providing the present value of costs and benefits between 2025 and 2032, and given that the draft regulation itself states that the regulation will extend beyond 2032 (“compliance period means the period that begins on January 1, 2030 and ends on December 31, 2032 **and each subsequent period of three consecutive calendar years**” – emphasis mine), the CBA appears to contravene TBS rules.

Second, even within the limited (2025-2032) timeframe examined, several assumptions put the federal government’s ability to grasp the economic impacts of the regulation into question. For example, the CBA’s sensitivity analyses indicate that relatively small, yet realistic adjustments to several key assumptions (i.e., abatement costs end up slightly higher; a lower social cost of carbon is utilized; or a higher discount rate is applied) quickly produce a significant social net cost for the regulation as opposed to a benefit. This degree of sensitivity indicates that there is significant uncertainty about the real-world impacts of this policy.

Third, the entire notion of Canada attaining a net benefit from cutting sector emissions requires the emissions abatement in Canada to result in an equivalent net reduction in global emissions. For this to happen, the emissions cap cannot cause Canadian production cuts, or even foregone production growth. Otherwise, the emissions will relocate to whichever jurisdictions ramp up their production to make up for Canada’s shortfall. Since these results are inevitable, the cap will have no material impact on global emissions and the net benefit calculated by the CBA evaporates. Canadians will bear the economic impacts of this policy for no discernible reason.

And finally, the oil and gas sector does not have the opportunity to challenge many of the assumptions that went into the CBA model because of its proprietary nature. In this day and age, it is unreasonable and, frankly, irresponsible, for the federal government to maintain a proprietary data model—especially since it was built with taxpayer funding. The world has entered the age of data transparency, open data, and collaborations to ensure that we develop predictive models of reality with integrity.

Billions of dollars of investment and incomes rest on accurate assumptions and estimates. The CBA model should, therefore, be made open and transparent, allowing academics, businesses and practitioners the ability to review, critique, and recommend improvements. Allowing these opportunities for improvement and refinement would go a long way toward improving climate policy in Canada and increasing the transparency of government action to the broader public.

The cap undermines Canada’s most productive sector during a productivity crisis:

Canada is facing a [productivity crisis](#), and this sector cap will make it worse.

Growth in the business sector’s real output per hour worked has been virtually non-existent since the pandemic, marking Canada as one of the worst performing advanced economies



on earth. By contrast, in the three decades prior, productivity grew by a passable 1.6%, 1.0%, and 1.2%, respectively. The recent lack of productivity growth is the reason why Canadians are getting poorer; GDP per capita has declined in [eight of the last nine quarters](#). Canadians now, on average, are [less well off than Alabamans](#).

Despite this broader economic weakness, the oil and gas sector remains Canada's most productive by far. In fact, oil and gas extraction produces more than [5.6 times](#) the value per hour worked than the Canadian all-industry average. And the only industries that create more value are also part of the sector: petroleum product manufacturing (7.3-times the Canadian average) and pipeline transportation (9.1-times the Canadian average).

In other words, the sector cap takes specific aim at Canada's most productive sector by threatening to reduce activity and creating significant investment uncertainty. By resulting in production shut-ins and further widening the gap between Canada's ability to attract investment vis à vis the United States and other jurisdictions, this sector cap will lead to capital flight and further productivity losses.

Improving Canada's productivity requires attracting new investment and encouraging those already here to invest even more. And it specifically requires supporting the growth and expansion of our most productive sectors. Capital [investment per worker](#) is already down 20% from 2006 to 2021. A sector cap will only exacerbate this trend by targeting the most productive segment of the economy.

Bad for the Environment

The cap hampers decarbonization investment by further undermining the ideal of efficient, simple, and cost-effective climate policy:

A tonne of carbon is a tonne of carbon. It doesn't matter where emissions are reduced, just that they are. And yet, a sector-specific cap inherently treats those tonnes differently. It makes an implicit value judgment that the emissions produced from extracting oil and gas are somehow worse than emissions from other industries.

Ultimately, this ill-advised value judgment will create carbon market inefficiencies that slow decarbonization efforts across the economy in the following ways:

First, the timing and pace of emissions reductions across industries will necessarily vary depending on how achievable and costly they are. That pace should be determined by the economics that come from an emissions reduction policy that applies equally to all industries and within the widest possible carbon market. It should not be for governments to determine or enforce whose emissions matter most. Governments should not be in the business of picking winners and losers.



Instead, this is exactly what the government has done through this sector carveout. The federal government's own RIAS anticipates that oil and gas sector emissions reductions under the cap will come at an average cost that's 3.3-times higher than today's headline carbon price, and 1.5-times higher than the anticipated headline carbon price in 2030. And, as this government well knows, these multiples will rise as the easier- and less-costly-to-abate emissions are mitigated first, leaving the more expensive reductions for when the cap tightens in the future—a period of time between 2032 and 2050 that, as noted earlier, this regulation conveniently fails to address.

And second, climate policy complexity, duplication, and density are making Canada a nonviable investment option at a time when multibillion dollar carbon investments are being proposed by the oil and gas sector. Investors need to have policy certainty, simplicity, and carbon market harmonization in order to make the investments needed to reduce emissions. A sector cap only exacerbates existing hurdles to our investment attractiveness.

Canada already has layer upon layer of climate regulation. There are nine separate large emitter carbon markets for heavy emitting facilities; a patchwork of command-and-control climate regulations and performance standards for various segments of the economy; a series of tax credits, loans, and grants for an assortment of climate-conscious initiatives; and additional federal carbon markets targeting specific activities (such as the production of less carbon intensive fuels) layered on top.

Layering on yet another major climate policy—a sector-specific emissions cap that is in no way harmonized with the existing tangle of complex, dense climate regulation—is not a recipe for creating investor certainty. Anecdotally, investors are already looking confusedly at Canada's uncertain policy landscape and are struggling to decipher which emission reduction investments are the most efficient and cost effective. They cannot accurately model which industrial activities are best suited for emissions-reducing investments—especially relative to the simplicity of the climate investment incentives available in the United States.

This creates an unfortunate irony: the federal government is trying to direct and spur on investment in oil and gas sector decarbonization projects, but under their current approach, they have created a policy climate that is nonviable for investment and will lead to capital flight to other jurisdictions entirely at the precise moment we are trying to attract major emissions-reducing capital deployment in Canada.

A sector-specific carveout harms economy-wide emissions reductions and discourages decarbonization collaboration:

Markets work best when they have many participants who value the items being traded at different prices. As markets become more constrained and have fewer participants—especially when those who remain all value the items being traded at a similar level—costs



go up, market efficiency is lost, and trade is less mutually beneficial for everyone. This is why Canada seeks international free trade agreements, and why Quebec joined California's carbon market.

Rather than carbon markets being expanded, harmonized, and made more efficient, the layering of a sector-specific carbon market on top of existing ones does the opposite, leading to unintended consequences for emission reduction efforts across the economy.

In Alberta, for example, it will create uncertainty for all participants in the Technology Innovation and Emissions Reduction System (TIER) carbon market. Many TIER participants reduce emissions faster and cheaper than their oil and gas sector counterparts. However, the economics of many of their projects rely on businesses in the oil and gas sector to purchase the credits they generate. As the sector cap forces oil and gas companies to decarbonize, the flood of credits generated in the TIER market will reduce the market price of those credits and thus render many carbon reduction projects across the economy uneconomical.

In fact, the federal government's own RIAS raises the concern that the sector cap could interact with provincial output-based industrial emissions pricing programs like TIER, stating that "actions undertaken [by companies] to come into compliance under the proposed Regulations could have impacts on the supply and demand for credits in output-based pricing systems across Canada." However, the Analysis then states that the impacts of the regulations on these markets could only be assessed in 2026, when the federal government reviews the stringency of these provincial programs against their carbon price benchmark. It is irresponsible to introduce a regulation as significant as this one when government cannot or will not provide an accurate assessment of the impacts it will have on other carbon markets that companies must participate in.

Furthermore, participants in the oil and gas sector cap will be buying, selling, and trading allowances among competitors with similar cost structures. This stands in direct contrast to participation in TIER which has a wider carbon market with a diverse array of participants with varying decarbonization cost structures. The smaller and homogenous carbon market created by the sector cap will lead to a lack of carbon allowance liquidity, which directly translates into marginal carbon reductions from the trade allowances.

Perhaps most troubling of all, the cap-and-trade system proposed by the sector cap regulations will create competitive divisions across companies who are currently collaborating on shared carbon reduction infrastructure development (like the Pathways Alliance project). Rather than incentivizing shared decarbonization infrastructure and cost-savings, the sector cap will instead incentivize these same companies to compete against one another. This will have the effect of driving up the cost of emissions reductions by reducing the impetus for these companies to develop shared infrastructure and eliminate duplicative efforts. In the same way it is more efficient to share electricity transmission



lines, oil and gas facilities also benefit from projects such as shared carbon transport pipelines.

The sector cap will lead to carbon leakage:

As previously discussed, production cuts will lead to capital flight and no discernible impact on global emissions. This phenomenon is called “carbon leakage.”

No climate policy that Canada chooses to adopt will materially decrease global demand for oil and gas. As such, Canada’s best course of action is to fight climate change by ensuring that our production of oil and gas occurs at the lowest possible emissions intensity – without any decrease in production outside of those generated by global demand. Any policy that Canada adopts that leads to production shut-ins, like this proposed sector cap, will merely result in an equivalent amount of production occurring elsewhere, and global emissions will be virtually unchanged.

The best course of action is for Canada to design policy that encourages the sector to make the technological investments necessary to reduce its emissions intensity at the pace required to also curve absolute emissions downward—all while continuing to meet global demand for our products.

As a matter of fact, oil sands emissions intensity has already declined by [28%](#) since 2009; and absolute emissions are starting to level off and decline. Considering that this progress has occurred during a period of significant production growth, it is unclear why the federal government would push for domestic emissions reductions off the back of domestic production cuts when we know they will have virtually no impact on global emissions.

Bad for the Federation

The cap is regionally discriminatory and will further deepen fractures in national unity:

It is plain to see that the emissions cap will have, at most, a negligible impact on global emissions. It may help Canada reach its domestic targets but at the price of untold billions in economic losses.

And those losses are heavily concentrated in one province: Alberta.

In 2023, Alberta produced 84% of the country’s oil and 66% of its natural gas. A sector-specific cap will disproportionately impact Alberta, its economy, its delivery of public services, and more. Even the federal government’s supremely underestimated economic impacts of the cap in its RIAS notes that Alberta will face a \$2 billion decline in GDP over a very short timeframe (2030-32).



And, while some may argue that the policy does not discriminate since it applies to all oil and gas production emissions regardless of their precise Canadian origin, one could make the same argument about a hypothetical tax on the production of French language arts and cultural products—a patently absurd idea that would rightfully be denounced as discriminatory and would clearly be targeting Quebec.

The cap undermines cooperative, constitutional federalism:

Recent Supreme Court of Canada references re. the *Greenhouse Gas Pollution Pricing Act* and the *Impact Assessment Act* suggest that regulating emissions through such a specific sectoral and regionally focused policy may not be within the federal government’s constitutional authority. At best, pursuing this regulation tests the limits of cooperative federalism; it chips away at a cooperative understanding of lawmaking in an area of shared federal and provincial jurisdiction (the environment), and represents an attempt to encroach upon exclusive provincial jurisdiction (Constitution Act, 1867 s. 92A).

Since the emissions produced by the oil and gas sector are no more harmful than emissions produced by any other sector, there are serious constitutional questions about whether the federal government can justify using criminal law (*Canadian Environmental Protection Act, 1999*) to single out emissions from one sector if they are indistinguishable from those from any other source.

Furthermore, the federal government’s own Regulatory Impact Analysis Statement outlines that it anticipates the sector cap will lead to a production decline between their baseline scenario (with no cap) and the scenario where a cap is imposed. And yet, the [federal government](#) is adamant that “the oil and gas GHG pollution cap will limit emissions, not production.” Not only are these two assertions directly contradictory, but the Canadian constitution is also clear that provinces have exclusive jurisdiction in making laws concerning the production of non-renewable resources. If, by the federal government’s own admission, the sector cap will limit future production growth, it is very likely unconstitutional.

These considerations, among others, mean that a constitutional challenge is likely, and will no doubt lead to a drawn-out legal battle between Alberta and the federal government. Regardless of the outcome, or whether a legal challenge is mounted at all, the ongoing uncertainty caused by this policy will grind major decarbonization investment decisions in the sector to a halt—a result completely at odds with the objective of the cap in the first place.

On the one hand, and as has already been outlined in this submission, the unnecessary layering of this policy will harm investor certainty and lead to capital flight. On the other hand, if a legal challenge is undertaken, policy clarity will only begin to solidify once the courts have reached their decision. Since investment will dry up either way, it would be unreasonable to blame the provinces for introducing uncertainty through a drawn-out legal battle.



The cap compromises Indigenous reconciliation efforts:

Reconciliation has been, and will continue to be, an ongoing process. For many Indigenous Peoples, the positive relationships forged between the oil and gas industry and their communities have helped enhance local economic opportunities—often where they may not have otherwise existed. And, increasingly, Indigenous Peoples are [becoming owners](#) of oil and gas facilities and associated infrastructure.

The proposed emissions cap threatens these opportunities. Specifically, it runs counter to Article 3 of the [United Nations Declaration on the Rights of Indigenous Peoples](#) (UNDRIP), which states:

Indigenous peoples have the right to self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development.

Now that Canada has adopted legislation that puts UNDRIP into effect, the federal government cannot then put conditions on the kind of development Indigenous communities pursue. The emissions cap does precisely that. Even as the federal and provincial governments are delivering loan guarantee programs to help Indigenous Peoples to participate in and benefit from resource development, this proposed emissions cap threatens that development potential and limits where and how Indigenous communities can pursue their own economic development.

In fact, the draft regulations themselves harm new Indigenous oil and gas developments, and all small but rapidly growing oil and gas producing projects, in particular. The government plans to distribute emissions allowances to operators based in part on production levels from a year prior to the year they're allocated. If, for example, a small Indigenous-owned company doubles or triples its output from one year to the next—which is not uncommon for small, growing companies to do—it will only receive allocations based on reported production before the rapid growth. This effectively discourages Indigenous-led resource development and violates the spirit and intent of UNDRIP.

Bad for Canada's Global Standing

Geopolitical realities are shifting, and Canada is getting caught flatfooted. The introduction of this sector cap is further evidence of our nation's naïve understanding of our place in the world, the importance of relationship building, and of creating value for our allies.

The world is rapidly exiting the post-Cold War unipolar era of American global hegemony. As evidenced by the rapid escalation of international conflict, increased saber rattling by emerging powers, and the signals sent by shifting global alliances, other nations are rising to exert their power and influence on the world stage in direct response to the US retreat from what was once seen as its international obligation to maintaining its interests by containing



international conflicts and protecting trade routes. The growing American focus on internal affairs is mirrored by its growing distrust of international free trade, the threat of tariffs on imports, and efforts to re-establish its diminished manufacturing might.

In this context, and like it or not, Canada's place in the world is defined by our relationship vis-à-vis the United States. Canada needs to understand the value we bring to that relationship; and seek leverage to ensure it remains mutually beneficial.

Our oil and gas exports to the US are by far the highest value products we provide to the relationship—especially at a time when the President-Elect needs Canadian oil to accomplish his domestic agenda to reduce prices at the pump. In fact, last year, crude oil alone represented [16%](#) of Canada's total export value to the US—much higher than the next highest export (passenger cars and light trucks) at 9%. Moreover, crude oil has been the largest export to the US in 13 of the last 16 years. This is the leverage Canada needs as we redefine our relationship with the world's economic superpower.

Furthermore, Canada represents one of very few stable democracies capable of providing our allies with an energy secure future. This sector cap will further undermine Canada's ability to provide our global allies, [like Germany](#), with the resources they have been asking us for, and reduce global instability as Europe [continues to rely on Russian natural gas](#) as their storage levels and benchmark prices become increasingly unstable.

Given this backdrop, it is irresponsible—and to a certain degree, evidence of our national naivete—to signal to the world that Canada is willing to risk its leverage with the US by reducing oil and gas production through a misguided sector cap.

Concluding Remarks

The proposed sector cap is the epitome of bad public policy; it is regionally and sectorally discriminatory, and will be bad for the economy, environment, national unity and our global standing. There is no version of it that is workable, and we ask the federal government withdraw this proposal.

The Business Council of Alberta will not support this policy. No other nation is introducing a similar sector cap, and for very good reason: it will curtail investment, cut jobs, make life less affordable, have no meaningful impact on climate change, and harm Canada's global standing.

We would be happy to meet with the Minister of Environment to discuss this matter further at his earliest convenience.