



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

**Peace River Regional District
October 26, 2023**

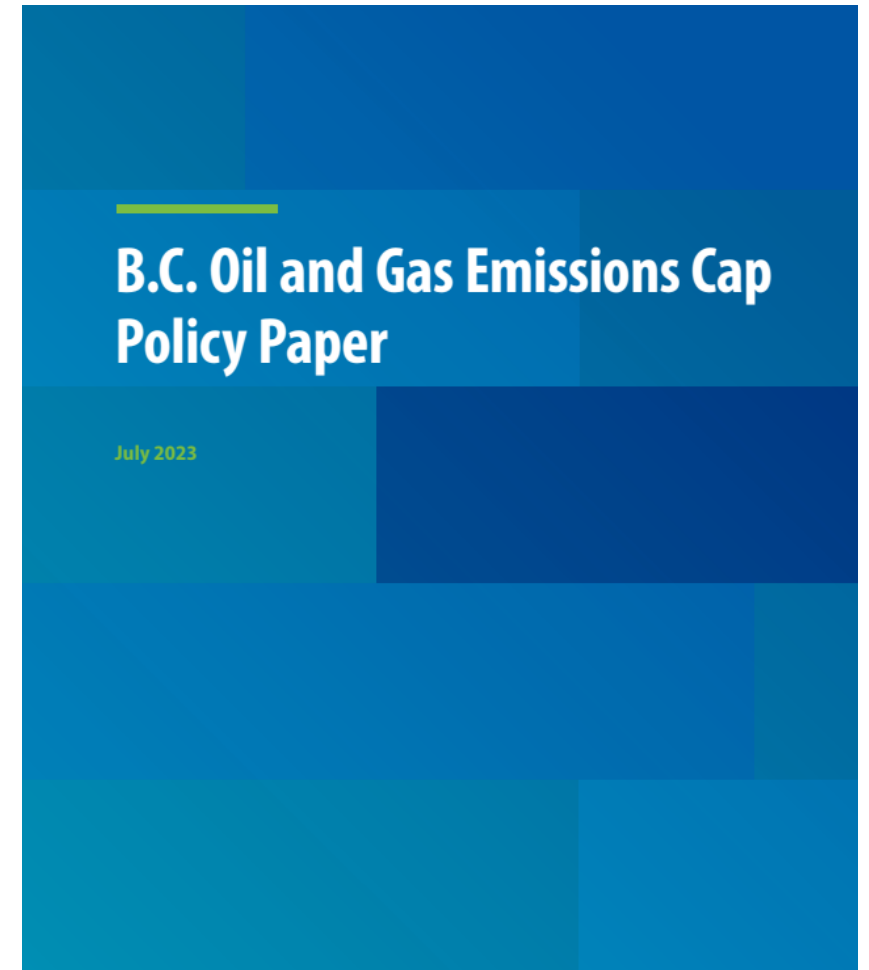


Energy Action Framework: New Emissions Cap for Oil and Gas, and LNG

- **Several policies announced this year will dramatically impact the economy and business in B.C.**
 - Output Based Permit System (OBPS), New Industry Net Zero Policy, GHG emissions cap
 - The proposed regulated GHG emissions cap applies to the upstream, midstream, and refineries & LNG
 - The new regulated oil and gas emission cap is 33-38% below 2007 levels by 2030
- 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 may disproportionately impact business and jobs in northeast B.C.
- **BMO Capital Markets Report September 5, 2023: “No Summer Lovin’ for BC as Industry told it Better Shape Up” on the OBPS and other additional climate policies - describes how 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

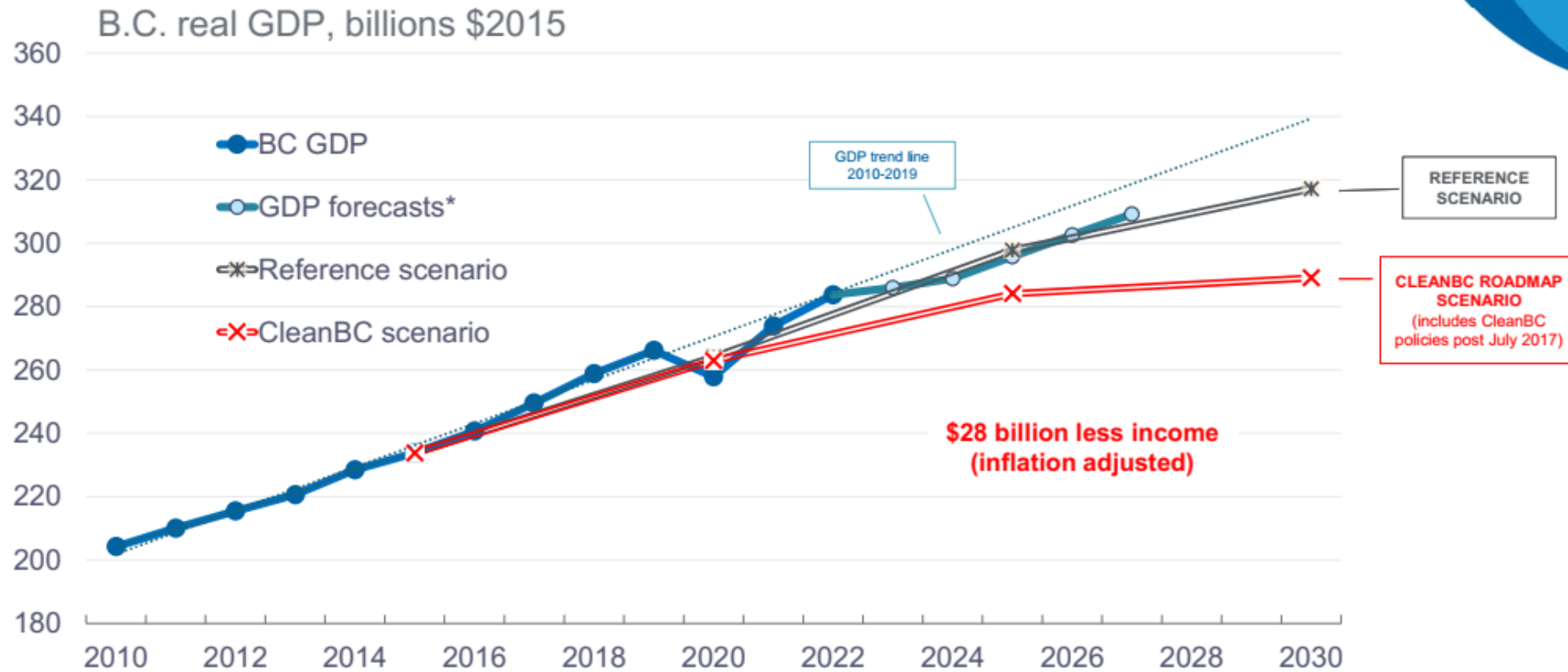
B.C. Oil and Gas Emission Cap Policy Paper: July 2023

- 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 in March to begin engagements in April 2023 and to complete consultations by the end of the year.
- **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.
 - https://www2.gov.bc.ca/assets/gov/environment/climate-change/ind/ogc/oil_and_gas_emissions_cap_policy_paper.pdf



CAS Annually Publishes CleanBC modelling conducted by NAVIUS: Business Council Of British Columbia (BCBC) Analysis

CLEANBC POLICIES EXPECTED TO SHRINK B.C.'S ECONOMY BY \$28 BILLION



GDP at factor prices rebased to \$2015 to align with Modelling CleanBC data; *2023-2024 forecasts are bank consensus projections and 2025-2027 based on expenditure-based GDP growth from BC Budget 2023 p.105. GDP history: Statistics Canada, Table: 36-10-0402-01.

BCBC Analysis of NAVIUS Modelling finds:

Difference: CleanBC less Reference scenario \$2015

Unit: billion 2015 \$	2030
TOTAL^{1,2}	-28.1
FOSSIL FUEL INDUSTRY	-2.9
Coal Production	-0.3
Upstream Oil and Gas	-1.4
Natural Gas Production and Processing	-1.5
Conventional Oil Production	0.0
Oil, Natural Gas, and CO ₂ Transmission	0.1
Downstream Oil and Gas	-1.1
Petroleum Refining	-0.3
Natural Gas Distribution	-0.3
Liquefied Natural Gas	-0.5
Oil and Gas Services	-0.1
ELECTRICITY	0.8
Electricity Generation	0.7
Electricity Distribution	0.1
TRANSPORT	-3.5
Transit	-0.2
Air	-0.3
Truck	-1.0
Rail	-1.0
Other Transport	-1.0

Difference: CleanBC less Reference scenario \$2015

Unit: billion 2015 \$	2030
HEAVY INDUSTRY	-1.7
Mining	-0.3
Metals	-0.1
Pulp and Paper	-1.0
Non-Metallic Minerals	-0.1
Chemicals and Fertilizers	-0.2
BUILDINGS	-15.1
Service Industry	-15.1
Residential	-
AGRICULTURE	-0.2
Agriculture	-0.2
WASTE	-
Waste	-
LIGHT INDUSTRY	-5.6
Light Manufacturing	-3.2
Construction	-1.9
Forest Resources	-0.5

- 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
- Less GDP means less government revenue

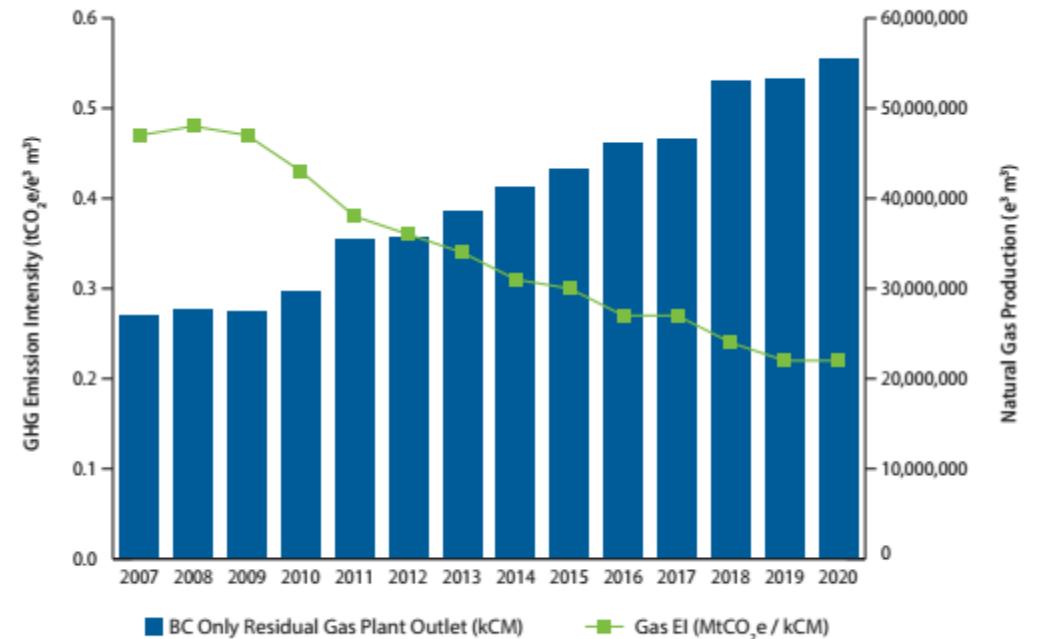
<https://www2.gov.bc.ca/gov/content/environment/climate-change/data/provincial-forecast>

1. Values are outputs of Navius' gTech model and may differ from historic values published elsewhere.
2. The GDP projection under CleanBC is significantly affected by policies still being designed and may be different in future modelling

B.C. Oil and Gas GHG reductions: Industry Performance

- Since 2007, the upstream industry has made significant strides to improve emissions intensity and has reduced absolute emissions
 - Nationally, **CO₂ equivalent emissions** from national gas production **fell by 22 percent** - production grew by 35 percent
 - 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
 - 2020 B.C. provincial GHG inventory showed oil and gas emissions were reduced below 2007 levels, **down 7 percent**, while investment and job creation continued
 - During this time, B.C. production more than doubled: **~50 percent drop in emission intensity**

Chart 2: B.C.'s natural gas production vs sectoral greenhouse gas emissions intensity (EI)



Sources: GHG Emissions – Provincial Inventory Report (“Oil and Gas Extraction,” “Oil and Natural Gas,” and “Transportation”); Production – [B.C. Monthly Natural Gas and Oil](#) statistics.

Graph Source B.C. Oil and Gas Emissions Cap Policy Paper

Pathways to Compliance

- “If B.C.’s policies impact the sector in ways that reduce oil and gas production in B.C. and lead to increased production in jurisdictions with weaker climate policies, overall climate pollution is not reduced.” (B.C. Oil and Gas Emissions Cap Discussion Paper)
- **Pathways to achieve government’s sectoral emission reduction target do not exist within the time frame outlined**
- The BC OBPS, combined with the proposed emission cap, **could run the risk of curtailing existing production and preventing additional production from coming online**
- **There is a shared and mutual interest in finding ways to address emissions and to continue to grow the economy sustainably by having policies that attract new investment**
- **B.C. needs to allow time to get this policy right**
- This is a viewpoint that was recently outlined in the **MLA’s Select Standing Committee on Finance and Government Services** in its August 3, 2023 [“Report on the Budget 2024 Consultations”](#).

Recommendation 68 reads:

Develop an output-based pricing system in consultation with stakeholders to improve the competitiveness foundation for BC’s leading export sectors and avoid lost benefits and job losses linked to carbon leakage.

Natural Gas: Energy and Economic Context: B.C. is a Net Energy Exporter

- British Columbia's Economic Base is led by resource development.
- A small open economy, BC's standard of living depends on the value of goods and services exported.
- **USA is B.C.'s largest export market (57% of exports)**
- **Natural resources development accounts for almost 50% of BC's international goods and services export.**

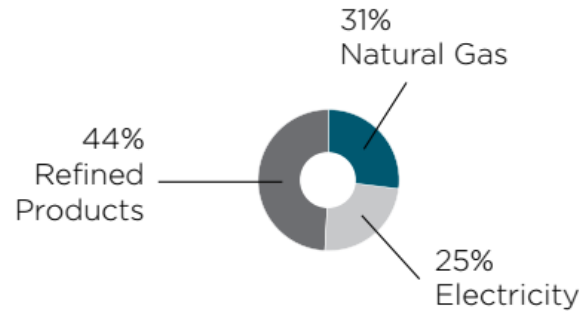
Top Five B.C. Exports to the USA (2022)

	Commodity	Cdn \$Millions	Share of Total
1	Natural Gas & LPG	\$7,274.5	20%
2	Lumber	\$5,601.5	15%
3	Crude Oil	\$2117	6%
4	Electricity	\$1,765	5%
5	Unwrought zinc	\$1075.8	8%

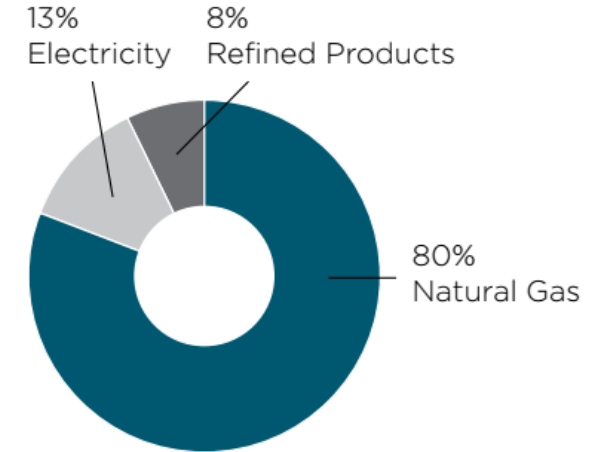
Source: BCStats, <https://bcstats.shinyapps.io/CountryTradeApp>, [BCBC](#)

ENERGY CONSUMPTION AND PRODUCTION

B.C. ENERGY CONSUMPTION



B.C. ENERGY PRODUCTION



B.C. is a net exporter of energy and exports the majority of natural gas produced to the U.S. and the rest of Canada. B.C. also exports electricity, and imports refined fuel products.

Source: Statistics Canada, Report on Energy Supply and Demand of Energy in Canada, 2017

- **BC produces one-third of Canada's natural gas** - #2 national producer
 - BC exports 90% of its natural gas to USA and rest of Canada
- **BC produces 10 percent of Canada's electricity** - #4 national generator
 - BC trades 4% of its electricity (importer or exporter, depending on the year)

Natural Gas Industry's Province Wide Impact: Supply Chain Benefits & Contributions 2018- 2021



2018-2021



INDIGENOUS PARTNERSHIPS

\$540M

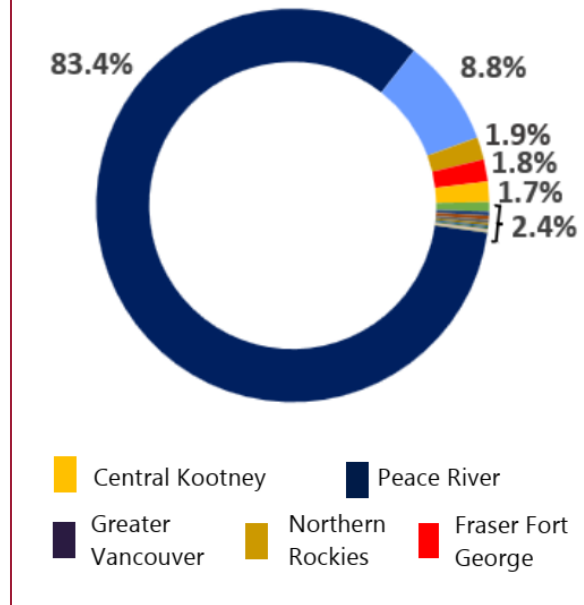
spend with 100 B.C. - based Indigenous-affiliated businesses and organizations. That's 11.5% of total B.C. supply chain spend.

B.C. SUPPLY CHAIN SPEND

The supply chain impact has a province-wide footprint



% Allocation by B.C. Regional District



Study released Jan 2023 Data source iTOTEM Supply Chain study. <https://www.capp.ca/wp-content/uploads/2023/01/BC-Natural-Gas-and-Oil-Supply-Chain-Community-and-Investment-Study.pdf>