BC BUILT. BC STRONG™

December 9, 2024

Honourable Adrian Dix
Minister of Energy and Climate Solutions
EMLI.Minister@gov.bc.ca

Honourable Brenda Bailey
Minister of Finance
FIN.Minister@gov.bc.ca

Honourable Diana Gibson
Minister of Jobs, Economic Development and Innovation
JEDI.Minister@gov.bc.ca

RE: SUBMISSION TO THE PROVINCIAL GOVERNMENT ON THE PROPOSED B.C. OIL AND GAS EMISSIONS CAP

Dear Ministers,

The Independent Contractors and Businesses Association (ICBA) is Canada's largest construction industry association, with more than 4,500 members and clients. We represent the bulk of construction contractors and the men and women they employ in British Columbia. ICBA is one of the largest sponsors of trades apprentices in Canada, and more than 300,000 people are on a health and dental benefit plan supported by ICBA.

ICBA is providing this follow-up submission on the provincial government's proposed *B.C. Oil and Gas Emissions Cap*. Our comments and recommendations build on an earlier ICBA submission shared with the government in October 2023. That submission was in response to the *B.C. Oil and Gas Emissions Cap Policy Paper* (OGECPP) published by the province last year.

ICBA members and the wider Canadian and B.C. business communities recognize the importance of addressing greenhouse gas (GHG) emissions and preparing for a shifting climate. This requires increasing energy and materials use efficiency across all segments of the economy; developing and adopting technologies that reduce the carbon intensity of industrial activity, transportation, power generation, and the heating and cooling of buildings; and investing to strengthen transportation and other physical infrastructure at risk of extreme weather events and other potential consequences of climate change.

At the same time, as a small, trade-dependent province with a rich base of natural resources and a relatively low-carbon economy by North American standards, B.C. must aim for a balanced approach in setting climate and economic development policies. Among other things, this means ensuring that actions taken domestically to reduce GHG emissions 1) are framed in the larger global context, given that climate change is a global challenge; and 2) do not come at the cost of a prosperous economy or undermine the competitive position of B.C.'s leading export industries – including energy, mining, forestry, agri-food, and manufacturing.

Larger Context

ICBA shares the concerns of the Business Council of B.C. about the economic implications of the government's existing suite of CleanBC policies, as well as the additional measures proposed in the oil and gas emissions cap.[1] As highlighted by the Business Council, the economic modelling commissioned (but not publicly released) by the province found that significant costs will be imposed on B.C. households and businesses as a result of the government's multi-faceted CleanBC plan. One element of the plan is the aggressive 2030 GHG emissions reduction target that the province has adopted – and which we believe to be unrealistic.

The government's own modeling shows that economic growth in B.C., measured on a per capita basis, will grind to a halt over the second half of the decade, as the carbon tax rises to reach $170/tonne by 2030 and the government simultaneously implements more stringent regulations and sector-specific emissions caps on certain industries. The modelling points to **an overall economic cost equivalent to $4,600 per person**, attributable to slower economic growth and (much) higher energy and energy input costs for both domestic households and B.C. businesses. In fact, the modelling forecasts real per capita income returning to the 2013 level by the end of the decade under the CleanBC plan. This is an extraordinarily negative outcome for British Columbians – one that will deliver next-to-no-gains in the broader global effort to mitigate climate change.

ICBA believes an overhaul of CleanBC is necessary. This should include recalibrating the timelines for reducing emissions, which have fallen only slightly since 2010 despite B.C. having the first and highest carbon tax in North America. Aiming to slash GHG emissions by 40% within just a few years is unrealistic. After all, apart from addressing climate change, B.C. policymakers also have other pressing priorities – for example, establishing conditions that foster economic growth, enhancing affordability, attracting private sector investment, supporting high-paying jobs,

---

[1] Business Council of B.C., "Submission to the B.C. Government on the Output-Based Pricing System Technical Background Paper," September 6, 2023; and "Submission to the B.C. Government on the New Zero New Industry Intentions Paper," August 24, 2023; both available at www.bcbc.com

promoting the commercial success of the province's major export industries, and advancing Indigenous economic reconciliation. Various parts of CleanBC are misaligned with these important goals.

Capping Oil and Gas Sector Emissions

As is well known, B.C. was the first jurisdiction in North America to introduce an economy-wide carbon tax. A broadly applied carbon tax is acknowledged by economists to be the most cost-effective approach for reducing greenhouse gas emissions, particularly when implemented alongside a commitment to aggregate revenue neutrality.[2] The original B.C. carbon tax was indeed revenue neutral, with the revenues generated by taxing emissions offset through reductions in personal and business taxes. However, the province abandoned the principle of revenue neutrality several years ago, and the government has continued to hike the carbon tax since 2017, while failing to cut other taxes.

Along with carbon pricing, a well-designed output-based GHG management system for energy-intensive industries can help to protect B.C.'s industrial and export competitiveness while still incentivizing emissions reductions. ICBA acknowledges that the province has taken some steps in this direction. However, it is important to note that no peer jurisdictions in the U.S. have implemented carbon pricing along the lines of the B.C. tax, meaning that our natural resource and manufacturing industries have been put at a growing competitive disadvantage in the wider North American context.

Against this backdrop, we see several problems with the proposed B.C. oil and gas emissions gap.

First, GHG emissions have exactly the same impact on the climate regardless of the source; there's no compelling reason to target a single sector, and the government has failed to make a persuasive case otherwise.

Second, as a group of leading Canadian economists committed to strong climate action wrote back in 2023, climate policies targeting specific industries (or regions) are likely to reduce emissions at a much higher overall cost per tonne of avoided emissions. Smart public policy should aim to reduce emissions at the lowest possible economy-wide cost; an oil and gas emissions cap is flatly inconsistent with this principle.

Third, forcing down B.C.'s oil and gas emissions within a brief time span (five years) is sure to exact a far too heavy economic price on British Columbians, at a time when both B.C. and Canada as a whole are projected to experience a long period of very weak growth in inflation-

---

[2] Trevor Tombe, "Capping oil and gas emissions is a bade idea," The Hub, April 20, 2023; Gilbert Metcalf, "Carbon Taxes in Theory and Practice," Annual Review of Resource Economics, 2021.

adjusted incomes and GDP per person, according to the OECD and other forecasting agencies. A made-in-B.C. oil and gas emissions cap will stack an extra regulatory cost on top of the existing carbon price charged to oil and gas producers and other industries. It also promises to foster complicated interactions with the federal government's regulatory and carbon-pricing regimes for the oil and gas sector, including the emissions cap for the sector recently outlined by the Government of Canada.[3]

The Conference Board of Canada think-tank, the consulting firm Deloitte, and other expert groups have estimated the aggregate cost of the federal government's emissions cap. All these projections reasonably assume that Canadian oil and gas firms will scale back production to help meet the cap. Such production cuts will translate into many tens of billions of lost economic output, fewer high-paying jobs across the energy supply chain and in the broader economy, and a significant drop in government revenues. Exactly the same analysis and arguments apply in the case of a made-in-B.C. sector-specific cap.

The proposals in the 2023 OGECPP, notably the requirement to slash oil and gas sector emissions by 33-38% from 2007 levels by 2030, will result in a significant contraction of output, investment, employment, and exports in the B.C. fossil fuel sector, notwithstanding the widely anticipated need for expanded B.C. upstream natural gas production to support the emerging LNG industry – an industry the government itself has promoted and helped to develop. Implementing the OGECPP proposals together with an oil and gas emissions cap will shrink the B.C. energy industry and re-direct both capital investment dollars and natural gas production away from our province to other jurisdictions in the U.S., Canada and abroad. Such "carbon leakage" will do nothing to reduce global GHG emissions (and could easily lead to a net rise in worldwide emissions), but it will cause real and lasting damage to the B.C. economy and the provincial government's finances.

Finally, it should be noted that groups ranging from the U.S. government's Energy Information Administration to Goldman Sachs, Rystad Energy, Shell, and the McKinsey Global Institute all forecast that global demand for LNG (and natural gas generally) will continue to grow briskly in the coming decades, as energy use shifts from more carbon-intensive fuels to less carbon-intensive sources (natural gas and renewables). Canada and B.C. have an opportunity to support and benefit from this energy transition, by moving with purpose to build a global-scale LNG industry. The province's planned oil and gas emissions cap will work against this objective and undermine an industry poised to become British Columbia's number one source of export earnings.

---

[3] There is a chance the federal government's oil and gas emissions cap will be struck down by the courts as unconstitutional, for reasons similar to those highlighted by the Supreme Court of Canada in striking down the *Impact Assessment Act*. See Osler, 'Federal government announces constitutionally questionable oil and gas sector emissions cap," November 8, 2024.

In short, the government's proposed cap on GHG emissions from the oil and gas industry lacks any solid scientific, economic or policy rationale. Proceeding with the cap will add yet more costs and complexity to British Columbia's increasingly complex, financially burdensome, and ever-growing suite of climate policies. The idea of a B.C. cap should be abandoned.

Yours sincerely,

[redacted]

INDEPENDENT CONTRACTORS AND BUSINESSES ASSOCIATION
Chris Gardner, President and CEO

CC:

Hon. David Eby, Premier of British Columbia premier@gov.bc.ca
Shannon Salter, Deputy Minister to the Premier OOP.DMO@gov.bc.ca
Doug Caul, Deputy Minister, Office of the Premier Doug.Caul@gov.bc.ca
Kevin Jardine, Deputy Minister, Ministry of Environment and Parks DM.ENV@gov.bc.ca
Peter Pokorny, Deputy Minister, Ministry of Energy and Climate Solutions DM.EMLI@gov.bc.ca
Douglas S. Scott, Deputy Minister, Ministry of Finance DM.FIN@gov.bc.ca
Fazil Mihlar, Deputy Minister, Ministry of Jobs, Economic Development and Innovation DM.JEDI@gov.bc.ca
John Rustad, Leader of the Official Opposition john.rustad.mla@leg.bc.ca
Azim Jiwani, Chief of Staff to the Leader of the Official Opposition azim.jiwani@leg.bc.ca
Gavin Dew, Jobs, Economic Development and Innovation Critic gavin.dew.mla@leg.bc.ca
Larry Neufeld, Energy and Climate Solutions Critic larry.neufeld.mla@leg.bc.ca
Peter Milobar, Finance Critic peter.milobar.mla@leg.bc.ca