

**Government of Canada Response to the Seventh Report of the Standing Committee
on Natural Resources Titled:
“A Study into the Government of Canada’s Promise to Cap
Greenhouse Gas Emissions of the Oil and Gas Sector.”**

Between February 7th and April 6th, 2022, the House of Commons Standing Committee on Natural Resources (the ‘Committee’) undertook a study on the Government of Canada’s commitment to cap and reduce greenhouse gas (GHG) emissions from the oil and gas sector at a pace and scale needed to achieve net-zero emissions by 2050. The motion provided that the study would include Canada’s ability to meet its climate commitments articulated at the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) (COP26) in Glasgow; the government’s plans and targets for funding renewable energy; and the role of carbon capture, utilisation, and sequestration (CCUS).

The Government of Canada thanks the members of the Standing Committee and all the witnesses who provided their testimony and perspectives. The Government concurs with the Committee’s overall assessment that reducing emissions from the oil and gas sector is necessary for mitigating the impacts of climate change; that the approach should incentivize innovation while minimizing regulatory duplication and carbon leakage and maximizing the benefits of low-carbon transition; and that the Government should ensure Indigenous consultation and consider employment and environmental impacts.

The world is dealing with dual crises of climate change and energy security, and we need to address both issues while keeping energy affordable for Canadian families. The global energy economy is shifting rapidly as governments around the world seek to respond to climate change, leading to uncertainty and volatility in international energy markets, which is exacerbated by Russia’s invasion of Ukraine. Impacts are being felt in Canada in the form of higher energy prices, which also impacts many sectors of society: food production, transportation, heating and cooling in buildings, manufacturing, services and other activities.

Developing Canada’s oil and gas resources in cleaner, lower-emission ways is essential to ensure the sector can contribute to global energy security and compete in a global economy going to net-zero emissions by 2050. To reach global and domestic climate goals, it is imperative that oil and gas is produced with the lowest possible emissions. Canada has an opportunity to lead the way in advancing clean energy and clean technologies for domestic and international markets, build our low-emissions energy future and leverage new opportunities in clean technology and low carbon industries, such as carbon capture and storage, geothermal energy, and clean fuels such as ultra low carbon hydrogen from natural gas. Bold and ambitious choices today can benefit Canadian workers with new, good-paying jobs for generations to come.

Since the Committee’s study in early 2022, Canada has continued to make progress toward these objectives:

- In March 2022, Canada published its 2030 Emissions Reduction Plan (ERP), which provides a roadmap to achieving Canada’s 2030 target, \$9.1 billion in new investments,

and lays the foundation for Canada to reach net-zero emissions by 2050.

- In July 2022, the government published a discussion paper “Options to cap and cut oil and gas sector greenhouse gas emissions to achieve 2030 goals and net-zero by 2050.” The paper proposed guiding principles, and presented two market-based regulatory options to cap and reduce GHG emissions from the oil and gas sector: a national cap-and-trade system and leveraging existing carbon pricing systems.
- In Budget 2022 and the 2022 Fall Economic Update, the Government announced three new Investment Tax Credits for clean hydrogen, carbon capture and storage, and clean technologies to achieve net-zero. These tax measures can further support the decarbonisation of the oil and gas sector.
- The government has also continued to work with provincial and territorial governments to ensure carbon pricing systems align with the strengthened federal benchmark stringency. It published Clean Fuel Regulations to require gasoline and diesel primary suppliers to reduce the carbon intensity of the gasoline and diesel they produce in and import into Canada. And it published Canada’s Methane Strategy, which provides a pathway to further reduce methane emissions from across the economy, including the commitment to reduce oil and gas methane emissions by at least 75% by 2030 from 2012 levels.

Throughout the past year, the government has engaged extensively with a wide range of stakeholders, including industry, provinces and territories, Indigenous partners, and civil society, held more than 80 bilateral meetings and public information webinars, including a dedicated roundtable with Indigenous organizations, to seek input and recommendations for development of the emissions cap for the oil and gas sector. Stakeholder response has been vast and varied, from calling for more rapid and ambitious action to reduce GHG emissions, to prudence in designing the cap to avoid driving investment out of Canada and causing carbon leakage. The desire for regulatory certainty, reliable and affordable energy, and avoiding unnecessary regulatory burden were raised by many, along with openness to collaborate on development of an achievable emissions trajectory to reach Canada’s 2030 and 2050 targets.

The Government supports the Committee’s recommendations and addresses them in turn below. The oil and gas emissions cap will focus on emissions and will not be a cap on oil and gas production. The intent of the cap is not to bring reductions in production that are not driven by declines in global demand. It will maximize opportunities to invest in decarbonizing the sector while accounting for evolving energy security considerations. And it will be designed to manage competitiveness challenges and minimize carbon leakage risks. The Government also notes the supplementary opinions and recommendations raised by the Conservative Party of Canada and the New Democratic Party, some of which overlap with the Committee’s overall recommendations, and has addressed them to the extent possible in the following:

RECOMMENDATION 1: That the Government of Canada cap emissions from the oil and gas sector to align with the long-term Paris Agreement goal of limiting global warming to 1.5 degrees Celsius.

The Government of Canada supports this recommendation.

Canada is a signatory to the Paris Agreement, in which countries around the world have collectively pledged to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels to avoid the most severe impacts of climate change.

In 2021, Canada updated its Nationally Determined Contribution (NDC) under the Paris Agreement to 40% to 45% reductions from 2005 levels by 2030, and adopted the *Canadian Net-Zero Emissions Accountability Act* (CNZEAA), which enshrines in legislation Canada's 2030 NDC and its goal to achieve net-zero GHG emissions by 2050.

The CNZEAA establishes a framework of accountability and transparency, including requirements to set five-year national emissions reduction targets, and to publish emissions reduction plans, and progress and assessment reports related to those targets. As required by the CNZEAA, in March 2022, Canada published its first Emissions Reduction Plan for 2030 (ERP). The ERP includes Canada's commitment to cap and cut emissions from the oil and gas sector as part of the roadmap to achieving Canada's 2030 emissions target, and as an important building block for Canada to reach net-zero emissions by 2050.

The cap will focus on emissions and will not be a cap on oil and gas production. The intent of the cap is not to bring reductions in production that are not driven by declines in global demand. Taking into account and building upon other regulations and complementary climate policies such as carbon pricing, methane and clean fuel regulations, the oil and gas emissions cap will ensure that oil and gas sector emissions decline at a pace and scale necessary to make a meaningful contribution to Canada's NDC and net-zero by 2050, while ensuring continued strong economic activity. Capping and cutting oil and gas sector emissions will send a clear, long-term policy signal to invest in clean technology, low-emissions energy assets, and positions Canadians and Canadian businesses to seize the economic opportunities that can come with the transition to a net zero future.

RECOMMENDATION 2: That the Government of Canada increase the stringency of the federal industrial carbon pricing system and the federal benchmark, by:

- **establishing a tightening rate;**
- **examining opportunities to require sector-wide standards rather than facility-level standards where possible; and**
- **increasing the scope of emissions covered by output-based standards.**

The Government of Canada supports this recommendation.

Increasing the stringency of the federal Output-Based Pricing System (OBPS) for industry has been part of the design of the federal OBPS from its inception in the 2018 Regulatory

Framework for the OBPS. Strengthening standards over time is consistent with Canadian and global climate goals, which require increasing ambition over time.

In February 2021, Environment and Climate Change Canada (ECCC) launched a review of the OBPS Regulations. In December 2021, ECCC published a consultation paper outlining proposed changes, including the introduction of a 2% annual tightening rate on most output-based standards and 1% for sectors that are considered at very high risk of competitiveness impacts and of carbon leakage. Tightening rates will help to ensure the federal OBPS maintains a marginal price signal in line with Canada's minimum national carbon price, thereby maintaining a consistent incentive to reduce across all covered emissions. ECCC intends to finalize the amendments by fall 2023, with key changes to the Regulations (including tightening rates) retroactive to January 1, 2023.

With regard to the Committee's recommendation to develop 'sector-wide standards' rather than facility-specific standards, the output-based standards (OBSs) in the federal OBPS Regulations are established according to the production-weighted average emissions intensity of all large emitter facilities producing a similar product across Canada. In short, the vast majority of standards under the federal OPBS are activity or product specific; only where confidentiality or technical limitations preclude their use (e.g., covered sectors with only one or two facilities, or for unique voluntary facilities), are facility-specific standards applied.

The scope of an OBPS system is only one part of the full application of carbon pricing, since an OBPS applies alongside a charge on fossil fuels. As outlined in the federal benchmark, output-based pricing systems in Canada may only apply to sectors that are at risk of carbon leakage and competitiveness impacts from carbon pricing, and must not apply to sectors that are clearly not at risk, such as fuel distributors. While this limits the scope of all OBPS-type pricing instruments, they must be paired with a fuel charge or levy component, thereby ensuring a carbon price signal across Scope 1, 2 and 3 emissions occurring in Canada and delivering an economy-wide incentive to reduce emissions broadly across the fossil fuel value chain.

At present, most industrial emissions are subject to provincial output-based pricing systems, rather than the federal OBPS, including in British Columbia, Alberta, Saskatchewan and Newfoundland and Labrador. Provincial systems vary in size, context, and composition, and Canada's approach allows provinces and territories to adjust their systems to meet local circumstances, as long as they meet national minimum stringency requirements. Canada strengthened the minimum national stringency criteria for carbon pricing systems (the 'benchmark') in 2021 for the 2023-2030 period, to ensure all carbon pollution pricing systems are comparable and effective across the country. This includes requirements to ensure that carbon pollution pricing applies to a broad set of emissions sources across the economy, and that carbon markets are robust and function well, creating an incentive for industries to reduce emissions and innovate, and sending a clear carbon price signal across all covered emissions in Canada.

The updated benchmark requires that output-based pricing systems maintain a marginal price signal in line with Canada's minimum carbon price and stringency requirements. This criterion achieves two foundational objectives of Canada's approach to carbon pollution pricing:

- It maintains a consistent carbon price signal in OBPS credit markets, by requiring that jurisdictions set and tighten their output-based standards to levels that will provide an incentive for firms to reduce emissions in line with the economy-wide carbon price; and
- It preserves the flexibility for jurisdictions to tailor standards to the circumstances of their sectors.

In effect, the updated benchmark imposes an economically efficient tightening rate on every jurisdiction, one that ensures an incentive commensurate with the carbon price without prescribing uniform rates, which could be insufficient or increase leakage risk, depending on the jurisdiction.

The updated federal benchmark also includes new minimum coverage requirements for all output-based performance and cap-and-trade systems: these systems are now required to cover industrial process emissions in addition to emissions from combustion sources.

The Government of Canada has committed to undertaking an interim review of carbon pollution pricing systems in Canada, which will be completed by 2026, to ensure that all systems continue to be robust and effective.

RECOMMENDATION 3: That the Government of Canada ensure that an emissions cap for the oil and gas sector incentivizes innovation while remaining technology neutral.

The Government of Canada supports this recommendation.

The oil and gas sector will need to achieve significant additional emissions reductions in order to keep its products competitive in a decarbonizing global economy. This will require further innovation and a massive scaling-up of emerging technology and infrastructure solutions.

There are a number of technology options for oil and gas sector decarbonization, including electrification, steam displacement, fuel switching opportunities, energy efficiency and other process improvements, methane abatement solutions, and carbon removal solutions such as carbon capture, utilization and storage (CCUS).

Clean technologies are evolving constantly. While some solutions for the oil and gas sector are available to implement now, such as for methane abatement, other emerging solutions such as CCUS and direct air capture are expected to play a much larger role later this decade, while some transformative solutions such as small nuclear reactors may only be available further into the future.

A key consideration as the emissions cap is developed and designed is ensuring that it promotes innovation, and supports rather than hinders investment and implementation of mitigation solutions. This includes accounting for uncertainty around the technical and economic feasibility of mitigation solutions for the sector.

Market-based approaches, such as those outlined in the Government's July 2022 discussion paper, focus on emissions, not production, and support innovation. Emitters are able to meet their obligations by reducing emissions at their facility in whatever way they choose, or by purchasing credits (or 'allowances') on the market, based on their relative cost. The market

incentivizes the next least-cost mitigation measure, creating demand for innovative approaches or technologies, with benefits accruing across the system. Rather than prescribing specific mitigation measures or technologies, both options proposed for implementing the emissions cap – a cap-and-trade system or a carbon pricing approach – would be technology neutral. Each would provide regulatees with the flexibility to meet their emissions reduction requirements by determining which emissions mitigation opportunities are most appropriate for their own unique circumstances.

In order to complement the emissions cap and further support innovation and deployment of key technologies, the Government of Canada is providing additional support, including through:

- The \$675 million Emissions Reduction Fund, which is helping Canadian onshore oil and gas companies invest in clean solutions to reduce methane emissions, while the \$42 million Offshore Deployment Program is supporting research, development, and demonstration projects that advance solutions to decarbonize the offshore oil and gas industry.
- The Net-Zero Accelerator will provide \$8 billion to large emitters (including oil and gas) to speed up decarbonization projects, scale-up clean technology and accelerate Canada's industrial transformation across all sectors.
- In Budget 2022 and the 2022 Fall Economic Statement, the Government has announced three new Investment Tax Credits for clean hydrogen, carbon capture and storage and clean technologies to achieve net-zero. These tax measures can further support the decarbonisation of the oil and gas sector.
- The Clean Growth Program represents a \$155 million investment in clean technology research, development, and demonstration projects in Canada's energy, mining, and forestry sectors.
- The Canada Growth Fund, launched as part of Canada's 2022 Fall Economic Statement, will provide \$15 billion to catalyze substantial private sector investment in Canadian businesses and projects to help transform and grow Canada's economy at speed and scale on the path to net-zero.

Canada's oil and gas sector is one of the leading investors in clean technology and innovation in Canada, averaging about \$1 billion per year in the last decade. Increasingly, oil and gas companies are announcing net-zero plans and investments in emissions reduction projects over the coming decades. Since December 2021, the Government of Canada has consulted extensively with industry and other stakeholders to better understand the enabling conditions and barriers that need to be overcome to make these plans and projects a reality. The Government of Canada is committed to continued dialogue in this regard to inform the design of the emissions cap and to identify where additional supports might help accelerate the transition.

RECOMMENDATION 4: That the Government of Canada analyse how existing provincial and federal measures for the oil and gas sector interact, with a view to developing an emissions cap that minimizes regulatory duplication, and that the government publish this analysis.

The Government of Canada supports this recommendation.

Various Government of Canada measures are already working with measures in other jurisdictions to reduce oil and gas sector emissions. These include methane regulations, the updates to the federal OBPS and provincial carbon pricing systems, and the Clean Fuel Regulations, as well as federal and provincial programs to de-risk investments in clean technology R&D and implementation. The Government of Canada agrees that the emissions cap will need to function together with this broad suite of measures.

The Government of Canada's discussion paper on the oil and gas cap highlights the need for policy coherence and coordination across jurisdictions as a key policy design consideration. While the specific set of considerations differ between the two regulatory options proposed in the paper, immediate steps include ensuring that the development of the cap does not interfere with ongoing implementation of updated carbon pricing systems in 2023, and that it accounts for emissions reductions achieved under complementary policies (for example, methane regulations). In addition, the Government's approach will continue to be developed in line with the principles outlined in the paper that were informed by advice from Canada's Net-Zero Advisory Body (NZAB) and input received from provinces and territories, Indigenous groups, industry and non-governmental organizations.

All new or amended regulations must include a Regulatory Impact Analysis Statement (RIAS), which provides an evidence-based synthesis of expected impacts, including an assessment of impacts on regulatory cooperation and alignment, published with the proposed regulation in the Canada Gazette.

RECOMMENDATION 5: That the Government of Canada ensure that an emissions cap for the oil and gas sector minimizes the risk of carbon leakage.

The Government of Canada supports this recommendation.

While the world is ultimately going to need to transition from oil and gas to clean sources of energy, there will be declining but continued use of oil and gas for the foreseeable future. The International Energy Agency's (IEA) net-zero 2050 scenario forecasts that global oil demand will decline by over 75% by 2050. If Canada wants to be a preferred supplier in this context, it will have to compete on both price and on carbon intensity. To meet this goal, the cap will focus on emissions and not production.

Carbon leakage can occur when carbon costs cause companies or investors to move production to jurisdictions with lower or no carbon costs. The result is that emissions are not reduced; they are just emitted in a different location. The cap will be designed to minimize this risk.

The options for addressing the risk of carbon leakage differ according to the regulatory option. For example:

- In a cap-and-trade system, carbon leakage risks can be mitigated through a combination of reinvesting auction proceeds, free allocation of allowances, credit banking and multi-year compliance periods;
- Output-based pricing systems in Canada are already designed to mitigate the risks of carbon leakage and adverse competitiveness impacts through (where applicable) setting standards adjusted for emissions intensity and trade exposure, the ability to comply through payment, and access to offset credits.

The government has also committed to exploring the use of time-limited flexibilities (for example, allowing compliance through robust domestic or international offsets) to ensure that the sector is responsible for reducing emissions while allowing time to implement solutions.

The emissions cap will be focused on emissions and is not intended to bring about reductions in oil and gas production beyond what is driven by declining global demand toward achieving net zero. Under either option, the emissions trajectory will take into account the technological readiness of the sector and the need to incent the deployment of low emissions technology, while avoiding stranded assets and recognizing the importance of global energy security within the context of an energy transition that maximizes net global GHG reductions.

RECOMMENDATION 6: That the Government of Canada collaborate through international trade negotiations to establish a level playing field that ensures that fossil fuel producers and exporters meet a global standard for environmental, labour and human rights obligations.

The Government supports this recommendation.

The Government of Canada is committed to ensuring that Canada's transition to a low-carbon economy is achieved in a way that is fair and predictable for our businesses and supports Canada's international competitiveness. Canada uses a wide variety of tools to open foreign markets to Canadian businesses and create more predictable, fair and transparent conditions for Canadian businesses operating in foreign markets.

As is outlined above, currently, risks of adverse competitiveness impacts and carbon leakage resulting from carbon pricing are mitigated through the design of federal, provincial and territorial carbon pricing, including for example through output-based pricing systems for emission-intensive, trade-exposed industries.

Border carbon adjustments (BCAs) are another tool to mitigate carbon leakage and encourage other countries to increase their own climate ambition. Several countries around the world, including Canada, are exploring how BCAs may fit into a broader strategy to meet climate targets.

Recognizing the close economic relationship between Canada and the U.S., in February 2021, Prime Minister Trudeau and U.S. President Biden agreed to a Roadmap for a Renewed Canada-U.S. Partnership in which both countries committed to work together to address impacts on trade from global disparities in climate policies.

Canada is an active participant in a number of multilateral institutions that play important trade

policy roles, including the World Trade Organization (WTO), the Organization for Economic Co-operation and Development (OECD), [Asia-Pacific Economic Cooperation \(APEC\)](#), [the G7](#), and the G20. Many of these institutions have specific forums dedicated to exploring issues on trade and environment, such as the WTO Committee on Trade and Environment (CTE) and the G7 Trade and Investment Working Group. Canada displays leadership as the co-lead of the WTO Trade and Environmental Sustainability Structured Discussions (TESSD) that includes work to meet climate objectives (e.g. Paris Agreement) through trade-related climate measures.

As a G7 Member, Canada was party to the December 2022 G7 Leaders' Statement endorsing the Climate Club's terms of reference and establishing an open and cooperative international Climate Club. Canada is also contributing to the work of the Inclusive Forum on Carbon Mitigation Approaches (IFCMA), hosted by the OECD and the International Energy Agency (IEA), which will inform the work of the Climate Club.

Canada is working with international partners to promote the expansion of carbon pollution pricing globally, including through the Prime Minister's Global Carbon Pricing Challenge, which aims to triple the percentage of global emissions covered by pricing by 2030. The expansion of carbon pollution pricing internationally will also help mitigate the risks of adverse competitiveness impacts and carbon leakage.

RECOMMENDATION 7: That the Government of Canada consult with Indigenous governments and communities to ensure that an emissions cap does not have disproportionately negative impacts on Indigenous peoples.

The Government supports this recommendation.

As part of developing its approach to capping emissions and in alignment with the objectives of the United Nations Declaration on the Rights of Indigenous Peoples Act (UNDA), the Government of Canada has committed to engaging with Indigenous organizations, groups and communities to ensure that their voices are heard and reflected in the path forward. The Government of Canada is providing direct support, including participant funding, to Indigenous partners who are interested in engaging.

The oil and gas cap engagement process with Indigenous organizations, groups and communities is ongoing. Following the government's 2021 announcement at COP26, an initial 48 Indigenous organizations, groups and communities were identified for targeted engagement based on their likelihood to be directly impacted and have an interest in oil and gas emissions cap. With additional expressions of interest in participating in engagements, a total of 62 Indigenous organizations, groups, and communities have been included in the engagement process. The release of the discussion paper prompted the launch of the engagement period with the aim of receiving formal written responses to the proposed guiding principles, regulatory options and considerations. To date, the Government of Canada has received 12 written responses to the discussion paper from Indigenous groups, which will be used to inform the development of the oil and gas emissions cap. The Government continues to remain open to receiving additional comments.

Engagement with Indigenous partners has included various information sessions including a

public webinar, an Indigenous-focused webinar, various technical workshops and technical bilateral meetings with government officials. To date, five bilateral meetings have been held at the request of Indigenous organizations, groups and communities. The Government of Canada continues to engage with Indigenous Peoples on the oil and gas emission cap, including, but not limited to, First Nations oil and gas producers, national and regional Indigenous organizations, and Indigenous communities and groups. This engagement with Indigenous partners in planning and policy development is critical, and the Government will continue to seek additional opportunities to hear and incorporate input on Indigenous-specific issues and considerations.

RECOMMENDATION 8: That the Government of Canada consider the impact that an emissions cap will have on employment.

The Government supports this recommendation.

Canada's oil and gas sector has been and will continue to be a source of good jobs and prosperity. In 2021, the petroleum sector provided 442,100 jobs, including approximately 10,400 Indigenous jobs. Conventional energy sectors will continue to be a key driver of economic opportunity as they work to decarbonize production and to respond to global competition for low carbon products. International Energy Agency analysis of a net-zero global economy finds that oil will be primarily used for non-combustion applications such as petrochemicals, asphalt, lubricants, solvents, carbon graphite and waxes, and natural gas will be used in ultra-low carbon hydrogen and fertilizer production. Countries that focus on producing hydrocarbons with ultra-low production emissions will have a significant competitive advantage as an early mover into these opportunities.

Establishing a transparent cap on oil and gas sector emissions, with milestones set at a pace that aligns with Canada's 2050 net-zero objectives, will send a clear, long-term policy signal to invest in the clean technologies, low-emissions energy assets, and supporting infrastructure key to success in a low carbon economy. According to numerous studies, rather than climate action resulting in the loss of jobs, Canada is more likely to see increased job opportunities. However, the ability to take advantage of these economic opportunities will only happen by ensuring that Canadian workers have the supports, skills, and training to succeed. The Government of Canada is working to understand the impacts of the shift to a low-carbon economy on workers and communities and to create the enabling conditions for sustainable job creation and economic prosperity across Canada.

The Government recently released an interim 2023-2025 Sustainable Jobs Plan to guide and organize efforts to support workers in the economy of the future. The Plan outlines federal governance, engagement, and an accountability framework to guide the Government's efforts over time, and to help ensure that all Canadians have a real and meaningful opportunity to succeed in the economy of the future. The interim Sustainable Jobs Plan outlines the Government's intention to improve data collection and dissemination regarding how communities and workers are adapting to the net-zero emissions economy, and to provide updates on progress as part of the release of the first Sustainable Jobs Action Plan in 2025.

With any new or amended regulation, the Government requires that a Regulatory Impact Analysis Statement (RIAS) be undertaken to understand the costs and benefits, including analysis of socio-economic impacts such as the effect on employment and the economy, be published with the proposed regulations.

RECOMMENDATION 9: That, to minimize the harms and maximize the benefits of low-carbon transition, the Government of Canada should:

- **Establish ongoing consultative process with workers, unions, industry, Indigenous governments and communities who are likely to be affected by transition**
- **Identify the sectors, communities, and regions most likely to be negatively or positively affected by a low-carbon transition**
- **Develop indicators for measuring these effects; and**
- **Consider establishing new federal supports to help workers, industry, Indigenous governments and communities, and regions manage the impacts of a low-carbon transition.**

The Government of Canada supports this recommendation.

Public participation in Canada's transition to net-zero emissions by 2050 is a cornerstone of the CNZEAA. The CNZEAA stipulates that provinces, territories, Indigenous Peoples, the Net-Zero Advisory Body, and interested Canadians must be provided an opportunity to make submissions when establishing future emissions reduction targets and emissions reduction plans.

Further, since December 2021, the Government of Canada has been engaging with provinces and territories, Indigenous Peoples, industry, non-governmental organizations, and other interested Canadians to solicit views and input on its proposal for an oil and gas emissions cap.

In addition, through its interim Sustainable Jobs Plan, the Government announced a federal governance, engagement, and accountability framework to guide the Government's efforts to support the shift to a low-carbon economy, and to help ensure that all Canadians have a real and meaningful opportunity to succeed in the low-carbon economy. This interim Sustainable Jobs Plan outlines federal measures across 10 action areas to bring together existing and planned efforts to drive progress on sustainable jobs, including introducing a permanent engagement mechanism called the Sustainable Jobs Partnership Council. The Partnership Council will bring together government, labour, industry, Indigenous groups and other experts to enable regular engagement with communities and stakeholders across Canada to help advise Government on new supports and actions that are needed. An improved approach to data collection and monitoring will also be supported by the plan.

Throughout the development and implementation of the policy, the Government will work to ensure that workers and communities have support and access to new opportunities from new and existing industries. As outlined in the interim Sustainable Jobs Plan, the federal government has already invested over \$1.5 billion in skills training to support workers and recently announced an additional \$250 million in the 2022 Fall Economic Statement to establish:

1. **The Sustainable Jobs Training Centre:** The Centre would bring together workers, unions, employers, and training institutions across the country to examine the skills of the labour force today and to forecast future skills requirements to help 15,000 workers upgrade or gain new skills for jobs in a low-carbon economy.
2. **A new sustainable jobs stream under the Union Training and Innovation Program:** The Union Training and Innovation Program (UTIP) supports union-based apprenticeship training innovation and enhanced partnerships in the Red Seal trades through two streams of funding. A new sustainable jobs stream under the UTIP will support unions in leading the development of green skills training for workers in the trades. It is expected that 20,000 apprentices and journeypersons would benefit from this investment.
3. **The Sustainable Jobs Secretariat:** The Sustainable Jobs Secretariat will offer a one-stop shop for workers and employers and provide the most up to date information on federal programs, funding, and services across government departments as Canada works to build a low-carbon economy with opportunities for everyone.

Through the \$8 billion Strategic Innovation Fund Net-Zero Accelerator (SIF NZA), the federal government is also making significant investments that will foster an enabling environment for creating good jobs for Canadians by helping established industries decarbonize and become net-zero ready, in addition to supporting the development of Canada's clean technology and battery ecosystem.

While these initiatives are a significant step towards ensuring that workers are able to succeed in the low-carbon economy, there is much more to be done. The Government of Canada remains committed to working with all levels of government, the private and non-profit sectors, and labour unions to better understand the distributional impacts of the policy, which will help inform the design of the emissions cap and mitigate any potential negative effects on economic sectors, regions, and communities.

Accountability is central to the Government's approach. The CNZEAA requires that emissions-reduction plans (ERPs) be supported by progress reports on ongoing implementation, and assessment reports to indicate whether a target has been met and to assess the effectiveness of the measures and strategies described in the plan. The CNZEAA also requires that the Government publish an annual report outlining key measures taken to manage the financial risks and opportunities related to climate change. Finally, with any new or amended regulation, the Government requires that a Regulatory Impact Analysis Statement (RIAS) be undertaken to understand the costs and benefits, according to key social and economic indicators.

RECOMMENDATION 10: That the Government of Canada account for the environmental impacts of the oil and gas sector, and the financial costs of these impacts, within the design of an emissions cap.

Government Response:

The Government supports this recommendation.

As Canada works towards achieving net-zero emissions by 2050, decarbonizing the oil and gas industry will require collaboration at the federal, provincial and territorial, industrial and

community levels. For its part, the Government of Canada will pair increased stringency in measures to accelerate and deepen emissions reductions from the sector with a range of supporting policies.

The cap is part of a larger approach of policies and investments, outlined in Canada's 2030 Emissions Reduction Plan. It will focus on emissions, not production, and its design will take into account other regulations and complementary climate policies by federal and provincial governments, support clean technologies to further decarbonize the sector while avoiding stranded assets, and help create sustainable jobs. Addressing emissions from the oil and gas sector—the largest source of GHG emissions in Canada—is critical to the achievement of Canada's climate goals and international commitments, and vital to the sustainability and competitiveness of Canada's energy industry.