Thank you for the opportunity to comment on the B.C. Oil and Gas Emissions Cap Policy Paper.

Given the record breaking wildfires that ravaged our Province this summer - and in many places continue to burn - this policy and the broader efforts of your government to limit the worst impacts of climate change are more urgent than ever. Fossil fuels are by far the largest contributor to global climate change, accounting for over 75 percent of global greenhouse gas emissions and nearly 90 percent of all carbon dioxide emissions. **Therefore, any policy designed to cap and reduce emissions from this sector has the potential to be an important part of the solution to the climate crisis.**

However, we would be remiss if we did not take this opportunity to remind you of the findings of the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), who have both found that, to limit climate change to 1.5 degrees and maintain a safe world, we must immediately stop the expansion of oil and gas extraction and start winding down production in short order. **While this policy holds significant potential, additional policies across this sector and others across the economy, will be needed to reduce emissions as rapidly as what climate science tells us is necessary.**

Furthermore, because the Canadian Constitution empowers the Provinces alone to regulate the oil and gas sector, you and your counterparts across the country hold a great deal of power over whether or not Canada will meet its climate targets. In fact, due to the oversized impact of the Montney Shale Formation – the largest “carbon bomb” in Canada and the sixth largest on the planet – it is fair to say that decisions you make around this policy, and other steps your government takes to regulate this industry, will determine all of our futures.

That is why it is so important that the proposed B.C. Oil and Gas Emissions Cap (as well as the policies that will come after it) have the teeth to ensure that B.C.’s oil and gas sector does its fair share to reach our climate targets. B.C. is at a crossroads; unless the province takes strong action on climate, the oil and gas sector could quickly grow during the crucial remaining years we have left to avert even worse climate disasters and a growing risk of fossil fuel projects, old and new, becoming stranded assets. This means that, if emissions reductions cannot be found through other measures, you must be willing to take steps to cut production. **We expect the final OBPS to be accompanied by a public release of modelling that demonstrates the policy will meet the reductions target.**

In the attached submission, sent on behalf of 19 organizations with the ability to reach over 160,000 supporters across British Columbia, we offer tangible steps that we believe will strengthen the proposed policy. Taking these steps will bring the province closer to what climate scientists are telling is necessary to limit the very real impacts of climate change already being felt in every corner of B.C.

Sincerely,

[signatories follow]

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Question 1: Scope

GHGs covered: The B.C. OBPS does not cover fugitives or certain types of venting for the oil and gas sector; **are there opportunities to expand coverage of the cap to include more emissions sources? What would be the benefits / drawbacks?**

Sub-sectors covered: **Should refineries and/or natural gas distribution from gas utilities be in or out of the cap policy? Why or why not?**

Facilities included: **Should the enhanced B.C. OBPS establish new minimum emissions requirement thresholds for oil and gas sector to require smaller emitters (under 10kt CO2e) to report under GGIRCA and comply with the oil and gas cap? Why or why not? If so, what should the threshold be?**

- Fugitives and venting (for both methane and CO_2 from well formations) should be included in the oil and gas emissions cap. While we understand methane is difficult to measure and price and will be covered in revised methane regulations, it is such a potent climate threat that it should also be included in the scope of the oil and gas cap to further incentivize reductions. Methane is currently under-reported in B.C. and improved monitoring, reporting and verification is critical to effectively regulate and reduce methane emissions.
- Hydrogen is a new industry, and it is easier to build to net zero requirements than to retrofit in the future. Many proposals intend to use natural gas as a feedstock in a process that produces GHGs. Therefore, we recommend that new hydrogen production facilities using fossil fuels as a feedstock should be required to be net zero by 2030, similar to LNG. The latest hydrogen facilities purport to achieve 95% carbon capture rates and, therefore, it seems more than feasible for these facilities to meet net zero requirements right away.
- Mid- and upstream emissions for LNG are significant – at least two times greater than those associated with LNG terminals. We assume that mid- and upstream emissions associated with fossil-fuel based hydrogen production would be significant as well. Therefore, all mid- and upstream infrastructure for both LNG and hydrogen should be required to be net-zero by 2030.

Question 2: Price Trajectory / Increased Stringency / Compliance Options

What pricing pathways and price levels could drive investments in decarbonization in B.C.? Should the trajectory be fixed (i.e., annual tightening rates) or should different trajectory rates be considered? What are the advantages and disadvantages of different approaches?

What should the allowable usage of compliance options (e.g., offset units) be to meet the incremental requirements of the enhanced B.C. OBPS?

- We recommend the trajectory be maintained through an annual tightening rate that demonstrably reduces emissions. If results show that emissions are not being reduced, the tightening rate should be increased. Any changes to the tightening rate should be communicated early and transparently to industry. The price trajectory should continue to increase beyond 2030 (i.e. beyond $170/tonne) to ensure that a strong price signal on emissions is maintained. We believe that a price on carbon is critical to achieving B.C. 's 2050 targets.
- We recommend the use of offsets be very limited, and the volume permitted should be more stringent than what is currently proposed under the B.C. OBPS. This will

incentivize facilities to reduce their own emissions, the most certain and effective way to mitigate climate change.

- Following the example of a number of leading jurisdictions, initiatives, and standards, we recommend that B.C. set very strict limits on the use of offsets for a facility's emissions, in the range of 5-10%. The Western Climate Initiative, a cap and trade scheme in which California and Quebec participate, allows offsets for only 8% of emissions, the Science-based Targets Initiative only permits participating corporations to address 10% of their emissions with offsets, and no offsets are allowed under Phase 4 of the EU's Emissions Trading System.
- B.C.'s Climate Solutions Council 2022 report highlights "utilization of offsets that will not result in incremental and permanent GHG reduction" as one of 13 "pitfalls in climate policy implementation." We are particularly concerned about this pitfall in light of the increasing rate of catastrophic forest fires and forest health issues associated with drought and insect infestations. Therefore, we recommend that forest offsets:
    - should be limited to high quality offsets enabling permanent Indigenous-led protection of forests from logging;
    - demonstrate additionality;
    - are only used where alternative conservation financing mechanisms don't exist; and
    - are monitored on an ongoing basis.
- We also recommend that the Province seeks partnerships to develop non-offset financing mechanisms to support First Nations-led initiatives to protect forests.
- We support only allowing offsets from within British Columbia.
- We expect the rate of compliance payments should be at least equal to the carbon price of the day.

Question 3: Support to Reduce Emissions

What approaches could be used to **support innovation and investment in reductions, while mitigating emissions leakage or production curtailments in the oil and gas sec**tor (e.g., program design like the CleanBC Industry Fund)?

How could the CleanBC Industry Fund further support the existing facilities and operations in the oil and gas sector in meeting the B.C. Oil and Gas sector cap framework? Should additional funding from the enhanced B.C. OBPS (incremental to the B.C. OBPS compliance charge) be considered under the fund?

- This policy should be guided by the Polluter Pays Principle. That is, public funds and tax breaks should not be given to the oil and gas sector to fund emissions reductions. This is particularly true given that the Pembina Institute estimated oil and gas companies' free cash flow in 2022 to be $152 billion.
- In our opinion, programs like the CleanBC Industry Fund meet the WTO definition of a "fossil fuel subsidy" and, despite the fact this funding reduces emissions intensity, it can lead to higher overall production and higher total emissions from the oil and gas sector.
- While it is critical to decarbonize the oil and gas sector, the electricity demand required to electrify mid- and upstream infrastructure and to deploy CCSmay enable its continued

growth, which would exacerbate climate change. Further, it is likely that demand from an expanding oil and gas sector will compete against other essential sectors of the economy for B.C.'s limited electricity supply. Therefore, we recommend prioritizing electrification for existing facilities and sectors that will continue to be part of a net zero economy (e.g. manufacturing, transportation, buildings, green hydrogen).

Question 4: Demonstrating Progress

How can B.C. ensure that the oil and gas cap is on track to meet the target and that the regulatory approach under the enhanced B.C. OBPS is effective? Are there elements of the BCER's evaluation review process of B.C.'s methane regulations that can be a helpful model to consider replicating for the oil and gas cap? How can we address the gaps between the PIR emissions inventory and the GGIRCA facility reporting to set a baseline that can be regulated appropriately to meet the sectoral target? **What mechanisms need to be in place to take action if the review process shows B.C.'s oil and gas sector is not on track under the enhanced B.C. OBPS to meet the targets?**

- In the annual Climate Change Accountability Report, include projections of future oil and gas production levels in scenarios where BC reaches its sectoral and economy-wide climate targets, including net-zero by 2050. Include in this reporting the assumptions that are made about the uptake of emissions reductions technologies annual report.
- Modeling that demonstrates how the OBPS contributes to B.C.'s progress to the oil and gas sector target should be published annually.
- Review the stringency of the OBPS to ensure emissions stay on track to meet reduction targets when new facilities or projects that would increase emissions sector-wide reach a final investment decision (FID) (or where construction begins for such projects that don't require an FID).

Question 5: Competitiveness and Carbon Leakage

What steps can B.C. take to balance a competitive business climate for the sector while ensuring it meets its emissions targets? How do the costs associated with climate policy compare to other costs? How does the price of gas and/or the price of the Canadian dollar compare to carbon costs in investment decisions?

What would be the optimal price on carbon for the sector? Are there measures outside of climate policy that government could take to reduce costs and help mitigate the impacts of increased carbon price that are consistent with meeting sectoral and facility targets?

- We don't see any real world evidence that carbon leakage exists in this sector. In fact, the Canadian Energy Regulator projects that gas production is going to expand in the Montney and that, by 2028, BC will be the leading gas producer in Canada.
- This policy must prioritize meeting the sectoral climate target over concerns about the competitiveness of the oil and gas sector. Furthermore, one of the secondary goals of the policy should be to make low carbon alternatives to oil and gas more cost competitive.