



2012 Pre-Budget Submission

**Cooperative Action to Deliver Sustained Economic Recovery
Suggestions from Canada's Natural Gas Industry**

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Executive Summary

Through strong financial management Canada has done better than most industrialized countries to grow its way out of the recent global financial and economic crisis. But experience has shown this may not be enough. The fragile state of the United States economy, high debt levels of European countries, the withdrawal of fiscal stimulus measures, a strong Canadian dollar, and rising indebtedness of Canadian households all produce headwinds to Canada's economic growth aspirations. Therefore, the important priorities continue to be jobs and growth, economic competitiveness and increasing our standard of living, all while continuing to eliminate the deficit and create the conditions for Canadian communities, business and families to succeed. The House of Commons Standing Committee on Finance has invited Canadians to share their priorities for the 2012 federal budget focusing on four objectives:

1. Achieving sustained economic recovery.
2. Creating quality sustainable jobs.
3. Ensuring relatively low rates of taxation.
4. Achieving a balanced budget.

The Canadian Gas Association (CGA) agrees that advancing on these four objectives will help mitigate the threats facing the economy and ensure the economic wellbeing of Canadian families and communities. Our part of the effort centres on how the energy system – a key foundation for our economic wellbeing – can best contribute to these objectives.

CGA members' seek to ensure that Canada's natural gas infrastructure is safe and secure and can provide natural gas to all customers who need it. CGA members' offer operational expertise, a long term investment cost advantage, and the foundation of a regulated asset system upon which to innovate and develop new energy services and systems. Our starting point in these efforts is our product. Natural gas is an abundant, safe, reliable, and clean domestic resource; a significant source of government revenue; and an affordable energy choice.

But too often people think about energy just in terms of supply. This ignores the fact that half the energy system is about demand by energy customers – Canadians in their homes and businesses every day across the country. Natural gas is particularly well-suited to meet energy demands in Canada - in fact today it meets 30% of our energy needs in over 6 million homes and businesses reaching a majority of Canadians. Looking forward, natural gas and natural gas utilities can contribute to smarter energy use, to more innovative applications of energy technology in Canada, and to help keep the Canadian economy strong and we want to work with government to do that.

To show how, and in keeping with the request of the Committee, **the Canadian Gas Association offers three recommendations for cooperation on specific action:**

1. Providing energy cost savings solutions to northern and remote communities.
2. Driving efficiency and innovation across Canada.
3. Helping to provide more cost-effective transportation choices to Canadians.

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About Natural Gas

Affordable:

Natural gas is an affordable energy choice. The price that Canadians pay for natural gas is driven by the open market forces of supply and demand in North America. With an increasingly abundant supply, ample storage capacity, a robust natural gas commodity market, and highly efficient fuel-using equipment at competitive capital cost, natural gas will continue to be an affordable energy solution for Canada.

Safe:

Canada's natural gas industry meets the highest standards, working with a world class regulatory system for exploration, production, transportation, distribution and end use. Protecting workers and the public is the top priority of the Canadian natural gas industry.

Abundant:

Canada's available natural gas resources have been increasing over the past decade, mainly due to technological advances in recovery from unconventional sources. Canada has over a century of supply and continuing innovation promises to unlock even more natural gas from shale, renewable, and other sources.

Clean:

Natural gas is a clean-burning source of energy. Market-ready natural gas has no ash content, is not a primary or major source of particulates, contains no sulfur dioxides, has negligible sulfur content, produces minimal nitrogen oxides, and has a low greenhouse gas emissions profile which is currently being lowered by introduction of renewable natural gas – from landfills, anaerobic digesters and waste water treatment facilities – for use in Canadian homes and businesses. Further, technologies that use natural gas are highly efficient, up to 95% in home heating and water heating and 90% in combined heat and power generation.

Versatile:

Natural gas provides almost one-third of all energy (greater than the 20% provided by electricity) used in Canada and is the #1 energy choice in Canada's residential, commercial and industrial sectors. It is always ready as an on-demand energy source and natural gas-based technologies can be scaled to size. Customers range from home owners, small businesses, hospitals, schools, large industry, and power generators. The "always ready" status of natural gas-fired power stations that are able to 'ramp-up' at a moment's notice make natural gas the ideal choice to facilitate intermittent renewable electricity generation from sources like wind and solar.

Reliable:

Canada's extensive natural gas pipeline system is designed with multiple redundancies and safety features. This system is backstopped by significant natural gas storage facilities. In North America, storage sites can hold two months of supply that ensures natural gas is available and affordable at all times.

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The Canadian Gas Association Federal Budget 2012 Recommendations:

The Canadian Gas Association offers three recommendations for cooperation on specific action:

1. Providing energy cost savings solutions to northern and remote communities.
2. Driving efficiency and innovation across Canada.
3. Helping to provide more cost-effective transportation fuelling choice to Canadians.

Recommendation 1: Providing energy cost savings solutions to northern and remote communities

Reducing energy costs and improving environmental performance in northern and remote communities is a priority for the Government of Canada. To help realize that priority, the Government of Canada should work with industry to stimulate northern and remote communities energy initiatives that could:

- i. Leverage investments by Canadian utilities and others to fund energy infrastructure that will meet energy, affordability and environmental priorities;
- ii. Showcase technologies like natural gas fuelled CHP energy systems in communities and on military bases;
- iii. Support a national and regional networking, capacity building, and information sharing program that facilitates the development and implementation of, and information dissemination about, community energy systems; and
- iv. Drive community sustainability by fuel switching from more expensive higher-emitting fuels to less expensive cleaner-burning fuels.

Rationale/Benefits:

There are made in Canada natural gas-based technologies that can help solve the energy cost and emissions issues that are facing northern and remote communities. Natural gas can be transported by a variety of means into such locations to provide a reliable, affordable and clean alternative. Natural gas evaporates in open air, virtually eliminating any risk of soil or water contamination in sensitive northern eco-systems compared to current diesel or fuel oil options. Natural gas can also be used to complement renewable projects – such as wind and solar - in such communities. Moreover, natural gas utilities - as energy service providers - are well-situated to work with government in developing solutions, so as to get the best possible return for Canadians.

Recommendation 2: Driving energy efficiency and innovation across Canada

The success of a drive for sustainable economic growth turns on the efficient use of inputs and a culture of innovation. This is particularly the case in respect to the energy system – a key component of our overall economic system. A range of programs exist across governments to do this. CGA believes there is an opportunity to revisit these programs with an eye to having governments and industry work more closely together to better deliver them. In particular, the Government of Canada can:

- i. On innovation, identify ways to cooperate with industry on initiatives like CGA's "Energy Technology and Innovation Canada." ETIC is a venture of CGA member companies to mobilize strategic investment in the demonstration and commercialization of natural gas technologies. Through collaboration and the leveraging

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of national and international expertise and resources the initiative will seek to move such technologies into the marketplace. Working with various agencies and offices of government, ETIC offers a unique opportunity for cooperation in four areas: community energy systems, renewable natural gas, transportation, and industrial processes.

- ii. On efficiency, cooperate with CGA and other organizations like QUEST¹ who have a particular interest in the better delivery of energy solutions to Canadian consumers across the country. To be most effective any programs dedicated to efficiency should:
- Be technology and energy source neutral in the types of projects eligible for funding;
 - Evaluate proposed projects based on the expected performance using a full fuel cycle analysis and on an energy-relevant unit of geographical analysis (e.g., the interconnected grid) that assesses energy efficiency, emissions-reductions, and other environmental performance measures; and
 - Encourage private sector investment and partnership between sectors. Natural gas distribution companies are particularly well-positioned to contribute in this regard and want to do so.

Rationale/Benefits:

Efficiency and innovation can help us use the right energy in the right place at the right time. Given the cost of energy in any economic activity, this is one of the most effective ways to drive economic growth (while reducing environmental impacts). Governments have an important role to play by sending signals that encourage efficiency and innovation.

Recommendation 3: Helping to provide more cost-effective transportation choices to Canadians

Dramatic increases in the supply of natural gas in Canada and worldwide offers a unique opportunity to deliver more and more affordable energy choices to Canadians for their transportation energy needs. To ensure this choice is available, there is a need to establish the building blocks for market development and to create the right market conditions for more sustainable transportation options to compete. Recent work facilitated by Natural Resources Canada shows that one good starting point for natural gas in transportation are the medium and heavy-duty vehicle sub-sectors where fuel costs represent a large component of operating costs and the benefits of an affordable, lower emission fuel are significant.

CGA supports the recommendations being put forth by the Canadian Natural Gas Vehicle Alliance (CNGVA) pre budget submission.

- i. CNGVA recommends the *Natural Gas Use in the Canadian Transportation Sector – Deployment Roadmap* be used to guide future market development actions in Canada. In doing so, the first step is to develop an implementation group between Natural Resources Canada (NRCan) and the natural gas vehicle industry to act on the Roadmap recommendations as soon as possible.
- ii. CNGVA further recommends establishing a partnership between Finance Canada and Canada's transportation industries to assess and define an appropriate fiscal measure that encourages more

¹ QUEST stands for Quality Urban Energy Systems of Tomorrow, a recently incorporate not for profit enterprise, dedicated to helping build the integrated community energy systems that will improve community energy efficiency and environmental profiles.

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sustainable transportation. A proposed measure should diversify energy use, reduce emissions, and require the use of factory-built vehicles. The measure should be performance-based, technology neutral, targeted, time-limited, and accessible.

CNGVA believes it is possible to implement this recommendation at no cost by using existing in-kind federal government resources and leveraging existing work involving public and private sector stakeholders from across Canada.

Rationale/Benefits:

Increased natural gas for transportation can create jobs, provide choice for businesses, communities and families, contribute to economic recovery by opening up a new market for an abundant Canadian resource, and lessen the harmful environmental impacts of conventional transportation in Canada. If just 5 per cent of the new trucks and buses sold over the next ten years were natural gas, by 2021, Canada would benefit from:

- The displacement of \$693 million annually in imported oil.
- Increased demand for Canadian natural gas worth \$170 million annually.
- Increased resource sales in the domestic market to help offset declining export sales to the U.S.
- A 1.0 mega tonne annual reduction in carbon emissions.

For more information visit www.cga.ca or contact Bryan Gormley, Director of Policy, Economics and Information at the Canadian Gas Association at (613)748-0057 ext. 315 or at bgormley@cga.ca