

**To: House of Commons Standing Committee on Finance**

**Submission from: Canadian Gas Association**

**August 2, 2024**

## Canadian Gas Association 2025 Pre-Budget Submission

### Recommendation Area 1: The Energy Security Trilemma

- Include the energy security trilemma (affordability, reliability, acceptability) as a mandate letter priority for Ministers of Global Affairs, NRCan, ECCC, and ISED.
- Create an energy security parliamentary caucus.
- Require energy and environmental legislation/regulation to pass an energy security trilemma screen and improve energy modeling to consider all trilemma priorities.

### Recommendation Area 2: Clean Technology and Emissions Reductions

- Introduce a new Canadian Centre of Energy Excellence (C2E2), a joint industry platform for innovative research aimed at making energy more affordable, reliable, and acceptable.
- Promote investment in energy technology by extending investment tax credits (ITC) for innovations that enhance affordability, reliability, and acceptability, including the existing hydrogen ITC and introducing a new renewable natural gas ITC.
- Prioritize funding for codes and standards for gas energy, including those for hydrogen blending in natural gas distribution networks and end-use equipment.

### Recommendation Area 3: Consumer Affordability

- Introduce a federal program to extend gas infrastructure to rural and Indigenous communities, which includes recapitalizing the NRCan off-diesel funding program to cover natural gas and other gas energy for remote areas.
- Ensure federal building policies and programs preserve energy choice and remain fuel/technology neutral.
- Improve information sharing between industry and government via a Canadian Cyber Security Ecosystem Strategy.

August 2, 2024

Dear Members of the Standing Committee on Finance,

The Canadian Gas Association (CGA) appreciates the opportunity to provide our 2025 pre-budget submission. It focuses on the critical issues of energy security, emissions reductions, and consumer affordability. Addressing these topics is essential for a strong energy future for Canada.

Natural gas is a cornerstone of Canada's energy system, meeting nearly 40% of our national energy needs. Transported over more than 600,000 kilometers of infrastructure, serving nearly two-thirds of Canadians across eight provinces and one territory, affordable, reliable, acceptable gas energy is essential to our economic wellbeing. Moreover, a culture of innovation within the industry ensures that value proposition is constantly improving.

Canada's vast energy resources, including crude oil, uranium, water, coal, wood, critical minerals, and natural gas, have been developed over our country's history to meet the needs of Canadians at home, and at work. Despite challenging terrain, all kinds of climatic conditions, and massive distances, these resources have been developed to the point where we have one of the world's highest standards of living. Natural gas is exemplary in this regard, and our industry's infrastructure transports natural gas, hydrogen, and renewable natural gas directly to residences and businesses, providing essential services for all aspects of modern life, right across the country. And we are growing: we are reaching more Canadians in our fast-expanding urban centres, and more rural and indigenous Canadians who live in smaller communities further afield – offering the choice of affordable, reliable, acceptable gas energy to more and more citizens.

The Government of Canada has an opportunity to put conditions in place to ensure the gas energy option is available to more Canadians, in more ways. We have several suggestions.

**The Energy Trilemma: Balance affordability, reliability and acceptability to ensure energy security.**

Balancing affordability, reliability, and acceptability is at the heart of Canada's energy security strategy. Canadians need energy policies that reflect their values and respond to their changing needs. Access to affordable energy for heating homes, reliable energy for industrial investment, and acceptable energy that addresses emissions concerns are essential.

Affordability is a primary concern. High energy costs have an impact on household budgets and the economy, especially for lower-income Canadians. Research shows that up to one in five Canadian households struggle with energy costs, with some regions seeing figures as high as 40%. Households using natural gas can save up to \$2,500 annually compared to other energy options, making it the most cost-effective choice.

Reliability is also critical. Natural gas infrastructure ensures consistent energy delivery, even during peak demand or extreme weather conditions. This infrastructure supports the daily energy needs of homes and businesses, contributing to the stability and resilience of the energy system.

Acceptability involves aligning energy policies with environmental goals and public expectations. The natural gas sector is committed to reducing emissions through technologies like carbon capture and storage, renewable natural gas, and hydrogen blending. These efforts help minimize the environmental impact of energy production, aligning with Canada's climate objectives.

The natural gas sector continues to invest in clean technologies to reduce emissions while maintaining the reliability and affordability on which Canadians depend.

### **Clean Technology and Emissions Reductions: Reduce emissions by supporting innovations that leverage existing infrastructure to deliver new gas energy**

The natural gas sector is leading the innovation agenda, investing in technologies such as carbon capture and storage, gas heat pumps, and renewable gases such as hydrogen and renewable natural gas. These innovations reduce emissions while maintaining reliable and affordable energy.

A key recommendation is establishing a Canadian Centre of Energy Excellence (C2E2) for joint research in energy innovation, bringing together industry, government, and academic partners. The Natural Gas Innovation Fund (NGIF) Accelerator has already allocated \$26 million to 97 projects, creating over 230 cleantech jobs and potentially reducing CO<sub>2</sub>e by 8.7 million tonnes by 2030.

Promoting investment in clean energy technology through extended tax credits (ITCs) would send a very positive signal. Extending the hydrogen ITC and introducing a new ITC for renewable natural gas can drive further innovation. Currently, there are 27 operational renewable natural gas (RNG) facilities in Canada, expected to more than double by 2026, producing over 30 petajoules of RNG. Prioritizing funding for developing codes and standards, including hydrogen blending in natural gas networks, is essential for safe integration.

CGA member companies – including Enbridge Gas and ATCO Gas - are piloting hydrogen blending projects, demonstrating the sector's commitment to sustainability. These efforts highlight the potential for clean technology to reduce emissions and support Canada's climate goals.

By investing in these clean technologies, the natural gas sector can continue to provide reliable and affordable energy while significantly reducing emissions, contributing to a cleaner environment and a stronger economy.

### **Consumer Affordability and Resilient Infrastructure: Extend the resilient gas infrastructure to remote and Indigenous communities to provide affordable energy choice.**

Ensuring consumer affordability and resilient infrastructure is essential for meeting the energy needs of all Canadians, including remote and Indigenous communities. Extending natural gas infrastructure to underserved areas provides reliable and affordable energy, significantly reducing costs. Households using natural gas can save up to \$2,500 annually compared to other energy options.

The CGA recommends a federal program to extend gas infrastructure to rural and Indigenous communities, including recapitalizing the NRCAN off-diesel funding program for natural gas solutions.

Ontario's Natural Gas Expansion Program has connected 9,000 new customers in 16 communities, saving \$250 to \$1,500 per year.

Federal building policies must preserve energy choice and remain fuel/technology neutral, allowing consumers to select cost-effective energy sources. In 2022, a Leger research project showed that 84% of Canadians want to choose how they heat their homes. Additionally, developing a Canadian Cyber Security Ecosystem Strategy is crucial for improving information sharing between industry and government, enhancing energy infrastructure security.

Natural gas infrastructure delivers energy reliably, even during extreme weather and peak demand, supporting daily energy needs and contributing to energy stability.

Natural gas is crucial for Indigenous communities, providing affordable, reliable, and clean energy along with significant economic opportunities. The Cascade Power Project, involving six First Nations communities, represents a \$93 million investment generating substantial revenue over 30 years.

Investments in natural gas infrastructure and partnerships with Indigenous communities support economic growth and resilience. Expanding access to clean energy and encouraging Indigenous business participation can build a resilient and inclusive energy future for all communities.

## **Conclusion**

The combination of favourable market conditions, the value of gas energy and infrastructure, and positive public sentiment provides an opportunity for the Government of Canada to set a clear vision for gas energy. A strong federal signal will improve investment conditions, benefit our economy, provide energy security, and ensure continued energy choice. Canadian federal leadership is needed to articulate a new vision for Canadian gas energy and its infrastructure.

Our recommendations aim to address the energy trilemma by ensuring that energy remains affordable, reliable, and acceptable for all Canadians. By investing in clean technology and emissions reductions, we can leverage existing infrastructure to deliver new gas energy solutions. Extending resilient gas infrastructure to remote and Indigenous communities will provide affordable energy choices and support economic development. These measures will ensure that natural gas continues to play a critical role in improving the lives of Canadians through secure, affordable, and acceptable energy solutions.

We look forward to working with the government to advance these recommendations. Our aim is to ensure that natural gas remains a cornerstone of Canada's energy framework, contributing to the economic goals and quality of life for all Canadians.

Sincerely,

Timothy M. Egan  
President & CEO  
Canadian Gas Association