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Chair: Mr. John Aldag



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• (1535)

[English]

The Chair (Mr. John Aldag (Cloverdale—Langley City, Lib.)): I call this meeting to order.

Welcome to meeting number three of the House of Commons Standing Committee on Natural Resources. Pursuant to Standing Order 108(2), the committee is continuing its study of the emissions reduction fund onshore program. Today will be our second and final meeting to hear from witnesses on this study.

Today's meeting is taking place in a hybrid format, pursuant to the House order of November 25, 2021. Members are attending in person in the room or remotely using the Zoom application. Please note that the webcast will always show the person speaking rather than the entire committee. I would like to take this opportunity to remind all participants that screenshots or taking photos of your screen is not permitted. Today's proceedings will be televised and also made available via the House of Commons website.

Given the ongoing pandemic situation and in light of the recommendations from public health authorities, as well as the directive of the Board of Internal Economy on October 19, 2021, to remain healthy and safe, the following is recommended for all those attending the meeting in person.

Anyone with symptoms should participate by Zoom and not attend the meeting in person. Everyone must maintain two-metre physical distancing, whether seated or standing. Non-medical masks are required to be worn in committee rooms and may only be removed when the member is seated in their place during the meeting and is speaking; however, it is strongly recommended that members wear their masks at all times, including when seated. Non-medical masks are available in the room, and they provide better clarity over cloth masks with respect to the interpreters being able to hear our conversations or our interventions.

Everyone present must maintain proper hand hygiene by using the hand sanitizer at the room entrance. Committee rooms are cleaned before and after each meeting. To maintain this, everyone is encouraged to clean surfaces such as the desk, chair and microphone with the provided disinfectant wipes when vacating or taking a seat.

As chair, I will be enforcing these measures for the duration of the meeting, and I thank the members in advance for their co-operation.

To ensure an orderly meeting, I would like to outline a few rules to follow.

Interpretation services are available for this meeting. You have the choice, at the bottom of your screen, of English, French or floor. Members and witnesses may speak in the official language of their choice, and I'd ask all witnesses and our members, when speaking, to allow time for our translators to keep up with what you're saying, so don't go too quickly.

For the members in the room, if you wish to speak, please raise your hand, and the clerk and I will do our best to keep track of the speaking order. For the members on Zoom, please use the "raise hand" function, and you'll be placed in order. As I'm sure you can all appreciate, it can sometimes be challenging when members raise their hands both in the room and on Zoom, so the clerk and I will manage the speaking order as best we can. We appreciate your patience and understanding in this regard.

Before speaking, please wait until I recognize you by name. If you are on Zoom, please click on the microphone icon to unmute yourself. For members in the room, your microphone will be controlled as usual by the proceedings and verification officer. When you're not speaking, your mike should be on mute. This is a reminder that all comments by members and witnesses should be addressed through the chair.

With that, I am ready to move right into our first panel. This is an exciting day, to have our minister and departmental officials here so early on in our study.

Welcome, Honourable Jonathan Wilkinson, member of Parliament and Minister of Natural Resources. Joining the minister we have, from the Department of Natural Resources, Mollie Johnson, assistant deputy minister, low-carbon energy sector; Debbie Scharf, director general, clean fuels branch; and Michael Layer, program manager, clean air and energy research.

I'd now like to welcome the Minister of Natural Resources, the Honourable Jonathan Wilkinson, along with the officials who will be with us for the first hour. We'll then proceed with a second panel of witnesses for the second hour of today's meeting, starting at 4:30.

Minister Wilkinson, you may now proceed with your five-minute opening statement, before we move to questions and answers.

Hon. Jonathan Wilkinson (Minister of Natural Resources): Thank you, Mr. Chair, and thank you to the committee for the invitation to be with you today.

[Translation]

The global economy is changing and changing rapidly. It's changing largely because climate change demands it, and markets are responding.

[English]

Just as any business has to interpret and react to changes in the business environment, countries, to sustain and enhance their prosperity, must also be capable of thoughtful response and action. This means that we must focus on actions to mitigate climate change while ensuring that there are economic opportunities in all parts of the country.

The emissions reduction fund's onshore program was designed as a COVID support program to contribute to both of these objectives.

In 2020, due to COVID, the oil and gas sector faced record-low prices that created significant financial strain and threatened tens of thousands of jobs. The emissions reduction fund was designed as a targeted COVID emergency support program that had two key objectives: to maintain jobs for oil and gas workers in Canada at a time of record-low oil prices and to ensure that work continued on reducing methane emissions at a time when emissions reduction would not be high on the agenda of firms whose finances were being stretched.

The program made significant progress on both of these objectives, and 99% of recipient companies were small and medium-sized enterprises. The program has been praised by mayors of communities like Estevan, Saskatchewan; Brandon, Manitoba; and Slave Lake, Alberta for the jobs saved within mostly small and medium-sized firms.

• (1540)

[Translation]

We estimate that, a year after completion, these projects will reduce the CO₂ equivalent by 4.7 megatonnes. That's like taking a million cars off the road.

As I mentioned, this program was specifically established as a COVID-19 support measure. And it was a program that was supported, not only by the sector, but also by a number of environmental organizations.

[English]

For example, the Pembina Institute described the fund as “one of the few programs around the world” that confronted the health crisis, created jobs and “contribut[ed] meaningfully” to reducing emissions. The David Suzuki Foundation said that the program will achieve outcomes that go beyond the methane regulations and that 97% were achieved at a cost below \$20 a tonne, something they said was “a notable achievement”.

[Translation]

Today, the oil and gas industry's acute economic crisis of 2020 has passed, but the climate crisis remains. So we are amending the program to ensure that it confronts that crisis.

In re-evaluating this program, we have taken into consideration the feedback presented by the Commissioner of the Environment and Sustainable Development.

[English]

Three important changes have been made for the third intake of the ERF. These changes will continue to accelerate the reduction of methane emissions. Going forward, the fund will only support projects that fully eliminate methane emissions from existing sources in oil and gas operations. Current Canadian regulations do not require zero venting or flaring from existing sources, so these projects will achieve additional emissions reductions.

The fund will apply strengthened criteria to ensure value for money, which is in line with the commissioner's recommendations. We will implement a cost-per-tonne threshold. We will require applicants to demonstrate that the project could not move forward without this funding, and we will determine the minimum funding required.

Finally, the fund will enhance the visibility of GHG emissions reductions by providing greater transparency on the emissions that are counted per project. We will engage an ISO-certified contractor to review and verify the program's methodology for assessing GHG reductions. We will require applicants to submit two GHG emission reduction plans to confirm the incrementality of the reductions.

These changes will enable high-impact methane reduction projects for Canada and will help drive Canada toward achieving its target of a 40% to 45% reduction in greenhouse gas emissions by 2030.

[Translation]

Once again, thank you for inviting me to speak to you today.

[English]

The Chair: Thank you, Minister, for your opening statement. You're below the five-minute allotted time, so that's fantastic. We can get right into some questioning.

I should have mentioned that we're going to use the time-keeping system that we used last time. I'll give you a yellow card when there are 30 seconds left, and a red card when your time is up. Don't stop mid-sentence. Finish your thought, and then we'll move on to the next round of questioning.

From the Conservatives, Mr. Melillo has the first round of questions for six minutes.

It's over to you.

Mr. Eric Melillo (Kenora, CPC): Thank you very much, Mr. Chair.

I'd like to thank the minister for making the time to join our committee today. I appreciate that.

Minister, you speak of the transparency that this program provides. However, a report by the Commissioner of the Environment and Sustainable Development found that Natural Resources Canada overestimated the reductions in greenhouse gas emissions that it expected under the onshore program.

This is a question for you, Minister. Do you believe that this overestimation was a result of human error, or was it deliberately misstated?

Hon. Jonathan Wilkinson: The discussion with the commissioner—and I've had a number of discussions with him about this—relates to the boundary conditions. The commissioner took a much broader definition of the boundary conditions.

Our focus was on the source of the emissions and the reductions that took place within that source. If, for example, there was another project miles away that was started during the course of the program, it was not counted. We were focused on reducing emissions at the source.

In that context, this program reduced 4.7 megatonnes of CO₂ during the first two intakes. It succeeded significantly in ensuring that there was a continuing focus on methane reduction during a period of very significant financial stress for the companies in the oil and gas space.

Mr. Eric Melillo: Thank you, Minister.

When you and officials from your department became aware that this had been overstated, were there any prompt changes to the program or any action taken by yourself or those in the department?

Hon. Jonathan Wilkinson: Again, I don't agree with the characterization of "overstated". The boundary conditions that were used in developing and implementing this program were based on the World Resources Institute greenhouse gas protocol, which is used globally for GHG reduction projects. It provides for the accounting and reporting of GHG reductions. I would note that in terms of methodology, it is what the International Energy Agency itself utilizes.

There's a difference in perspective with the commissioner in terms of the boundary conditions. I would tell you that if you're focused on the source of methane emissions—which I think we must be if we're looking to reduce them—the reductions were about 4.7 megatonnes during the first two calls for proposals, which is about a million cars off the road.

• (1545)

Mr. Eric Melillo: Thank you.

In keeping with your talk about the reduction targets, the emission reduction target, if I'm not mistaken, was between zero and 3.7 megatonnes for CO₂. In your view, would a reduction goal of zero be acceptable?

Hon. Jonathan Wilkinson: As I said, the focus of the program was twofold. It was to maintain jobs in the oil and gas space at a time when we actually had negative energy prices for a period of time and there was a lot of stress in the sector. It was also to keep companies focused on reducing emissions from these sources.

Mr. Eric Melillo: But would you consider—

Hon. Jonathan Wilkinson: The focus was on—

Mr. Eric Melillo: —a reduction of zero emissions a success, as that is—

Hon. Jonathan Wilkinson: What I'm saying to you is that the actual reductions were 4.7 megatonnes of CO₂ equivalent, which is the equivalent of a million cars off the road [*Technical difficulty—Editor*] successful.

Mr. Eric Melillo: Okay. Thank you, Minister.

You noted this in your opening remarks, and I believe you've mentioned it in the past as well. Sort of in defence of the underperformance on emission reduction, you've claimed that the program has helped to create jobs and helped to save jobs. However, I note that the program doesn't include job retention in its criteria for eligibility or funding assessment.

In your view, Minister, how could the government actually guarantee that this funding would lead to Canadian jobs being saved if it wasn't a requirement set out?

Hon. Jonathan Wilkinson: I think it was pretty evident to anybody who was observing what was happening in the sector that there was significant concern about the loss of jobs, just given the nature of what was happening with respect to energy prices. Given the circumstances and the timing, there was no reasonable or credible way to have this information provided up front, so we designed the program to obtain these figures following the project's implementation. These will be publicly reported.

I would say that the anecdotal evidence is entirely clear. Many service companies and technology companies have been employed to make these things happen. In communities like Estevan, Slave Lake and Brandon, the mayors have put out statements saying, effectively, in the case of the mayor of Brandon, "The project has supported economic activity and jobs in our region and will meaningfully reduce emissions." Again, on that score, I think the program has been successful.

Mr. Eric Melillo: Thank you.

I have a simple question as a follow-up to that. Given that, as you claim, job retention was a goal of the program, what would be a rationale as to why that was not baked right into the eligibility rules?

Hon. Jonathan Wilkinson: Well, as I said, this was brought into place very rapidly in order to respond to what was an economic crisis in the sector. It was something that many in western Canada were calling for. What we did, in order to respond in a reasonable period of time to the crisis that existed in the sector, was to bring forward a program that said we recognize there is this challenge; we recognize that people are going to be laid off; we're going to respond to that; and we're going to require the reporting on job retention numbers at the back end of the program. They will all be public.

Mr. Eric Melillo: I don't have much time left, so I'll hand it back to you, Mr. Chair.

Thank you.

The Chair: Great. You were coming to the end of your six minutes, so thank you.

Mr. Chahal, you have six minutes for questioning.

Mr. George Chahal (Calgary Skyview, Lib.): Thank you, Chair.

Hello, Minister. Thank you for joining us today.

On Monday, we had the opportunity to hear a number of interesting perspectives on the emissions reduction fund. As the MP for Calgary Skyview, I'm deeply interested in the future of our energy industry. Thousands of workers, many of whom live in my riding, have built careers in energy. Programs like the emissions reduction fund and others directly impact Calgarians and our economy.

Could the minister highlight for my constituents how this program has benefited our economy since its launch and how it has contributed to ensuring good-paying jobs for Calgarians?

Hon. Jonathan Wilkinson: Thank you very much for the question. Of course, the fight against climate change and the transition to a low-carbon economy will benefit all regions of this country. This fund was set up to achieve two things—to maintain jobs during a period of significant economic stress for the sector and to ensure that we had a continuing focus on reducing emissions.

A number of companies have benefited significantly: 24 companies, including companies like Danzig Resources and NuVista Energy, located in Calgary, signed contribution agreements in Alberta for a total of 52 projects. That represents about \$80 million in federal funding. Projects funded in Alberta have helped to maintain jobs for many skilled workers, some of whom include environmental engineers and those who work in the trades.

• (1550)

Mr. George Chahal: Thank you.

Minister, we know how difficult the pandemic was throughout the economy as it relates to employment. Calgary's energy sector had experienced intense challenges well before COVID-19, and the additional blow was devastating for so many local businesses. Our government immediately took leadership and stood up for struggling workers by introducing programs such as CERB and the Canada emergency wage subsidy.

Many successful recipients of the emissions reduction fund came from Alberta during a time when COVID-19 was causing economic challenges across all sectors and for businesses of all sizes. Could the minister highlight the intent of this program upon its initial launch?

Hon. Jonathan Wilkinson: As you have pointed out, certainly the program was launched in the midst of the pandemic, when businesses were facing a lot of uncertainty and we were seeing record-low prices for oil and gas. It was intended as a COVID response measure. It was designed to support and ensure that workers and their jobs would be protected. It was also intended as a climate measure to ensure that companies were able to continue to focus on reducing emissions during this very difficult time.

As I said, 24 companies in Calgary were recipients of this, for a total of \$80 million. I would also say that it helped to continue the work that was being done on technologies that will be a comparative advantage for Alberta, in the context of being able to export these technologies, going forward, around the world.

Mr. George Chahal: As a member of Parliament for Calgary, I hear a lot about the importance of a competitive energy industry that allows our innovators to put forward creative solutions to the challenges our world faces in energy, chief among those being reducing emissions in the fight against climate change. In order to access investment and signal to the market that our industry is committed to hitting our emissions targets, private sector firms and governments need to work collaboratively to create conditions for innovation while remaining competitive in a global marketplace.

Could the minister explain how the ERF will work to increase competitiveness and improve investor confidence within the sector?

Hon. Jonathan Wilkinson: Certainly investors and purchasers of energy commodities are increasingly demanding lower-carbon energy products. That's true around the world. By significantly reducing methane emissions and implementing continuous accurate metering and reporting, companies can verify emissions reductions and emissions intensity improvements associated with their products. These companies are able to improve investor confidence and may be able to access premium energy markets that demand high ESG performance.

With respect to innovation, this program and the methane regulations themselves actually drive significant innovation with respect to technology development and implementation, something that I discussed at length on a couple of different occasions with Minister Nixon in my previous portfolio, which is an area that will, again, be a source of comparative advantage in the future.

Mr. George Chahal: Minister, we have heard a lot about the importance of reaching our emissions targets. I've had the opportunity to review material from various initiatives, and it's clear that our government's plan has us on the right track.

My constituents in Calgary Skyview continue to remind me how important our commitment of reaching net zero by 2050 is to them. I represent a very young riding with constituents who are deeply concerned about the world they're leaving behind for their children.

Could you explain how this program will help us reach our net-zero goals?

Hon. Jonathan Wilkinson: Of course, climate change is an existential threat and it is something that we must address, but we have to address it in thoughtful ways, in ways that will actually promote economic prosperity for all regions of this country.

Our government has put in place a climate plan that is perhaps one of the most comprehensive that exist in the world—comprehensive and detailed. It has elements that relate to all sectors, but certainly the oil and gas sector, which is the largest single source of emissions in Canada. That includes putting a price on carbon pollution, strengthening our existing methane regulations, clean fuel regulations, and putting a cap on emissions from the oil and gas sector, but also includes making strategic investments in the oil and gas sector to help companies adopt clean technologies and invest in infrastructure necessary to eliminate emissions.

This program is exactly on that track, which is focusing on ensuring we are driving and working and partnering with the sector to ensure that we are actually making the emissions reductions possible in a manner that will enhance competitiveness.

• (1555)

The Chair: Thank you. We're out of time on that round.

In my opening comments, I meant to welcome Mr. Morrice, here at the table, and Mrs. Goodridge, who is substituting again today. Good to see you both.

Our next six minutes go to Monsieur Simard.

[*Translation*]

Mr. Mario Simard (Jonquière, BQ): Thank you very much, Mr. Chair.

Thank you for being here, Mr. Minister. I know that you are sensitive to environmental issues, which is quite the asset for the Department of Natural Resources. I welcome that and am very optimistic about it.

I was listening to your presentation earlier and something set me thinking. I would like to hear what you have to say about it. You said that the next intake of the Emissions Reduction Fund will be suited to today's economic outlook and environmental goals, not those of two years ago. I find that interesting, because Professor Pierre-Olivier Pineau, who dropped by to see us on Monday, told us that the Emissions Reduction Fund came at a time when oil prices were very low, which was bad for Alberta's economy, but now, oil prices are much higher and the industry is making a profit. He said that he did not see why it would need this financial support.

Even the name, Emissions Reduction Fund, is a little overblown. As my colleague from Calgary Skyview showed us at the last meeting, the objective of the fund was to support the oil industry when it was going through a bad time during the COVID-19 crisis. If you are looking for evidence of that, look no further than the Commissioner's report, according to which, two thirds of the projects, 27 projects out of 40, took the support to mean funding to increase the level of production.

With that knowledge, and especially since you stated that we have to concentrate on today's economic outlook and environmental goals, not on those of two years ago, do you believe that the department should drop the third phase of intake for the Emissions Reduction Fund?

Hon. Jonathan Wilkinson: Thank you for your question.

First, I would like to let the clerk know that the volume on the interpretation channel is lower than the speaker's volume, so it is difficult to understand. I can understand French, but, for others, it might be difficult.

Mr. Simard, your comment is certainly helpful. We have made changes to the third phase because, exactly as you say, the economic situation in the sector is much improved. We are now tackling the emissions that exceed the limits set in the regulations, so that we can speed up the work of reducing greenhouse gas emissions and can ensure that we meet the target of a 40% to 45% reduction by 2030.

Can you remind me about your second question?

Mr. Mario Simard: Let me summarize it for you this way.

On Monday, I finished the meeting by asking all the witnesses, Professor Pineau, Julia Levin, Dale Marshall and Tom L. Green, whether they agreed that it should be dropped. After all, it's a huge amount of money. The total in the program is \$750 million.

In simple terms, should we not just drop your third and final intake phase, and set this program to one side?

I do not believe that the oil and gas sector needs more government support.

Given the reaction of some experts in the area, shouldn't you just drop this program?

• (1600)

Hon. Jonathan Wilkinson: We are in the third phase now and we have made no decisions about the future. However, I do want to say that we are investing in almost all sectors of the economy in order to speed up their efforts to reduce greenhouse gas emissions. For example, in the aluminum sector in Quebec, we have made major investments in order to speed up their efforts. As for the oil and gas sector, it is important to reduce its greenhouse gas emissions, as is the case for every sector of the economy.

Mr. Mario Simard: I want to be gracious, but you opened the door for me.

I feel that the most underfunded sector, yet the one with the most potential to fight climate change, is forestry. However, it receives the smallest amount in federal government investment. It represents \$20 billion per year to the economy of Quebec, but it receives scarcely 0.3% of federal government support, of which, moreover, 75% comes in the form of loans.

Comparing the forestry sector, with its great potential to reduce greenhouse gases, with the oil sector is like comparing David to Goliath. There is no basis for comparison. So, if you were to tell me today that you are ready to redistribute that money to a sector like forestry, I would commend that a great deal and I would not trouble you again until the end of this mandate. I know that such will not be the case, but I feel that it would be ill advised—as the experts we have heard from have told us, moreover—to continue the third intake phase that is now open.

Hon. Jonathan Wilkinson: We have had a number of conversations about the forestry sector, and I agree with you that it is very important for the economy of Canada and Quebec.

The emissions reduction fund was created with a specific objective for a specific sector. However, the forestry industry also has assistance programs available, like the forest innovation program, that currently has federal funding to the tune of almost \$100 million over three years. There are also a number of other programs.

The forestry sector is certainly very important, and we know that is also a way to reduce emissions. That's why we have established a program to plant two billion trees in the next 10 years.

[English]

The Chair: Can I jump in there? We've gone a bit over on that round.

Thank you, Minister, for the response to the question.

We're going to jump now to Mr. Angus for his six minutes.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you, Mr. Chair.

Thank you so much, Minister, for joining us in the study on the methane review.

I'd like to focus this issue on the fundamental question of trust. We're dealing with a climate catastrophe that's unfolding. The Prime Minister has made really powerful statements internationally, so when we have a fund to deal with something that's a planet killer like methane, we expect results. I have to say I was really shocked when I read the environment commissioner's report that your department wasn't bothering to check whether or not emissions actually happened. They gave \$134 million out the door and they weren't checking whether the fundamental issue of methane reduction actually took place.

That's pretty irresponsible, don't you think?

Hon. Jonathan Wilkinson: Mr. Angus, I don't think that's actually what anybody said.

Every project is measured. In fact, part of the project is implementing measurement technologies to ensure that you are tracking emissions reductions. That's why we can actually say that from the first two tranches, we will achieve reductions in the range of 4.7 megatonnes, which is the equivalent of taking a million cars off the road.

I do not agree with your characterization.

Mr. Charlie Angus: I hope you've taken a million cars off the road, Minister, but the fact is that most of the reductions that you can claim come from regulations. That's in the report. You don't have the ability to tell us what actually happened, because you don't know.

DeMarco said that when he started the audit, he hoped to get a firm number as to what level of reduction was coming out of the Emissions Reduction Fund, because it was supposed to be an emissions reduction fund.

"I was very disappointed to see that Natural Resources Canada isn't doing the necessary tracking...."

Then he questioned whether there are any actual net emission reductions at all.

If you were going to give \$134 million to big oil, why don't you just say it was an economic development fund? Why did you claim to the Canadian people that you were concerned about methane?

• (1605)

Hon. Jonathan Wilkinson: The program, as I indicated earlier, was designed initially as a COVID response measure to ensure that we were maintaining jobs in the sector at a time of low energy prices, and to ensure that companies continued to reduce emissions in line with the regulations, and beyond, at a time when they would not be spending money on methane reductions, given the financial situation they found themselves in.

In that context, the program succeeded. It ensured that companies continued to focus on methane reduction. I will tell you that some of those reductions were in [*Technical difficulty—Editor*]. Some of them were more. Of the projects, 97% focused on eliminating venting and flaring. The current regulations do not require the elimination of venting and flaring; therefore, most of the projects went well beyond the 2025 requirements.

Mr. Charlie Angus: It must be so hard, Minister, to have an environment commissioner—

The Chair: I'm sorry, Mr. Angus. I'm going to stop the clock.

We've had a slight issue with the interpretation. I would ask the minister to adjust his mike. Thank you.

Mr. Angus, you're good to carry on.

Mr. Charlie Angus: Thank you.

I'm really pleased to hear you talk about job retention and the economic development issues, but when the department set up this fund, job retention was not part of the assessment criteria. So again, if you want to give \$134 million to big oil, then just say it. Why not say that this is a subsidy? When the environment commissioner asked your officials for an explanation, they said their priority was the economic needs of the oil companies. That's pretty straightforward.

Why not just come here and say, "Listen, it was COVID and our Liberal member for Calgary needed to have jobs protected, so we wanted to hire people in the oil sector"? Why didn't you just say that? Why did you come here and claim you were actually reducing methane, when you don't have any proof that you did that, because you weren't tracking it? That's what the environment commissioner told us. He said you were not looking at these issues.

Hon. Jonathan Wilkinson: Mr. Angus, with all due respect, that's just not true. It is being tracked. It's tracked in every project. I'm happy to have officials walk you through exactly how that methodology works. We use the methodology put out by the World Resources Institute. It is used by the International Energy Agency, as well as organizations around the world.

We have been able to show—

Mr. Charlie Angus: I'm sorry, Minister—

Hon. Jonathan Wilkinson: —4.7 megatonnes in reduction, as well as—

Mr. Charlie Angus: —but I don't have much time left.

You were claiming this, when the environment commissioner was saying that you weren't. He said what really worried him was the attitude of your officials. He said they didn't understand the concept of having baseline emissions data. Don't you think that's really important? I guess it would be pretty convenient to be able to pull a million cars off the road fictitiously if you don't have baseline emissions data.

He said that the response from your officials concerned him. He said he was disappointed by your department, and that the attitude of your officials “doesn't bode well”.

I think you should come here and say, “We're sorry; we screwed up. We're going to fix it, because the planet needs it.” That's what trust is. To [*Inaudible—Editor*] is not credible.

Mr. James Maloney (Etobicoke—Lakeshore, Lib.): I have a point of order, Mr. Chair.

We're not here to conduct a character assassination or explore opinions of other people's perceptions of how other people acted. We're here to explore data, to explore the report, and to talk to the minister about the program.

With all due respect, we should focus on that.

Mr. Charlie Angus: My time has been interrupted by the Liberals.

The Chair: I stopped the clock.

Mr. Charlie Angus: Thank you for doing that.

I'm referring to what the environment commissioner said. If the Liberals want to interfere and try to stop me from doing my job... My job as a member is to ask the minister. I know you've given him a good breathing space, but the question that's being asked is what the environment commissioner raised. The environment commissioner raised serious concerns that the attitudes of your department officials—this is on your watch—don't bode well for future projects.

How do you explain that?

Hon. Jonathan Wilkinson: The officials in my department are professionals, just as the commissioner is a professional. They had a difference of opinion with respect to the boundary conditions that one uses in accounting for emissions reductions. Ours aligns with the World Resources Institute and the International Energy Agency's methodology. He had a broader definition of emissions that

would be captured under the cap. There was a legitimate difference of opinion.

● (1610)

The Chair: We're out of time on this one. Thank you.

When we're having our exchanges, it's good to get into it, but if we could just have one person speaking.... It makes it really difficult for the interpreters if we have two people talking at the same time. I'll try to give the person asking questions the chance to get through the questions, but we need to make it easy for the interpreters as well.

We're going to go into our second round of questions. The first two are for five minutes.

Ms. Rempel Garner, you're up first.

Hon. Michelle Rempel Garner (Calgary Nose Hill, CPC): Thank you, Chair.

Minister, just to build on the question by my colleague from the NDP on job creation, how many jobs were created to date from the expenditures in this program?

Hon. Jonathan Wilkinson: As I said, given the circumstances and the timing, there was no reasonable or credible way to have this information up front. That information is being collected, and it will be made public as the program proceeds.

Hon. Michelle Rempel Garner: So you don't know how many jobs were created.

Hon. Jonathan Wilkinson: Well, certainly anecdotally we do. If you actually go and talk—

Hon. Michelle Rempel Garner: How many?

Hon. Jonathan Wilkinson: —to some of the companies, most of them in your province, you will find that all of them are telling you that they have been able to actually maintain jobs. If you go talk to the mayor of Slave Lake or—

Hon. Michelle Rempel Garner: Thank you.

Hon. Jonathan Wilkinson: —Estevan, or others, they'll all tell you the same thing.

Hon. Michelle Rempel Garner: Thank you.

I'm just wondering. Are you doing any calculations on the net jobs created versus jobs lost under your government's policies for this fund? Was this sort of an appeasement fund to deal with the number of job losses in Alberta over the years of your government, in the energy sector?

Hon. Jonathan Wilkinson: As I said at the beginning, the focus of this was very much responding to the crisis that the oil and gas sector found itself in, to try to ensure that people were not losing their jobs and losing their homes during the COVID pandemic. In that regard, as well as in regard to emissions reductions, the program has succeeded.

Hon. Michelle Rempel Garner: Are you saying that the downturn in the energy sector is solely related to the pandemic?

Hon. Jonathan Wilkinson: No, I am not. I am saying that this program was a response to the fact that oil prices had gone very low, and in fact they went negative for a period of time. There was enormous—

Hon. Michelle Rempel Garner: Do you know why the negative energy prices in Canada were so dramatic?

Hon. Jonathan Wilkinson: I think the focus of this is probably not a broader discussion around energy policy. I'm happy to have that with you, but this is about the emissions reduction—

Hon. Michelle Rempel Garner: Yes, and part of that—

Hon. Jonathan Wilkinson: This was a response to the record-low energy prices, and it was something the sector was looking for.

Hon. Michelle Rempel Garner: You've introduced that, so part of the reason why the prices were so depressed was that the delta that we get for Canadian energy versus world prices is higher because we are a price-taker to the Americans, because of our lack of energy infrastructure. Would you admit finally that, perhaps because your government did precious little to save the Keystone XL pipeline, that's why we were so unresilient going into the pandemic in the energy sector?

Hon. Jonathan Wilkinson: Well, I wouldn't agree with a whole bunch of the things you said in there. First of all, the government did actually support the Keystone XL pipeline and worked very hard to try to ensure that the Americans approved that. As you know, it was stopped by President Biden.

What I would say to you—

Hon. Michelle Rempel Garner: Right, I was around. It is my time, Minister. I do remember being in the House. I don't think you were around at that point, when President Obama actually vetoed it and the Prime Minister did not intervene—slightly unfortunate—and then that delta became more of an issue.

So you really have no idea how many net jobs this created at all. That's what you're saying.

It's \$675 million. How much of that went to CEO bonuses? Do you know?

Hon. Jonathan Wilkinson: It had to be spent on technology implementation to reduce emissions. That was the only way that it could be spent, so none of it would have gone to CEO bonuses.

Hon. Michelle Rempel Garner: But to be fair, the commissioner did say that it “did not follow...accounting principles or a standard when preparing its [expected] estimates”, so how would we know that it didn't go to CEO bonuses if you can't tell me how many jobs were created and you can't tell us how much you reduced emissions by? It's kind of—

Hon. Jonathan Wilkinson: I actually can tell you how much it reduced emissions by, and I have. I would also say that there is accounting for exactly what the project money is spent on, and I'm happy to have officials walk you through that if you would like.

Hon. Michelle Rempel Garner: On the emissions reduction, did you net out how much emissions were reduced because of the downturn in production during the pandemic and because of Liberal policies?

Hon. Jonathan Wilkinson: The way the process works is that you look at the source and the amount of emissions it's producing, and then you look, after the implementation of technology, at how much it's been reduced.

Hon. Michelle Rempel Garner: Great. Again, though, did you actually take into consideration at all that, because Liberal polices have reduced production in the energy sector, perhaps that's due to job loss or that sort of thing?

Hon. Jonathan Wilkinson: First of all, it's based on actuals. It's based on actual production and actual emissions, so that would have nothing to do with it.

Hon. Michelle Rempel Garner: But you can't—

Hon. Jonathan Wilkinson: I would also say to you that this drive-by sort of language is just not, I would say, appropriate. This government has worked very hard for the energy sector, just as it has for every sector—

Hon. Michelle Rempel Garner: I think you worked fairly hard against the energy sector—

Hon. Jonathan Wilkinson: Well, that may be your opinion, Ms. Rempel Garner—

Hon. Michelle Rempel Garner: As far as language goes, I am quoting from—

Hon. Jonathan Wilkinson: —but that is actually not—

Hon. Michelle Rempel Garner: —the commissioner's report, so it's unfortunate.

Look, I think it's really sad that you're coming here saying that you're going to spend over a billion dollars of taxpayer money when people in my province are hurting, and you can't even say how many jobs were created by this. Do you think that's good policy?

Hon. Jonathan Wilkinson: The focus of the program at the beginning, just to be clear, was on maintaining jobs. It was actually keeping people employed at a time when this work would simply [*Technical difficulty—Editor*]. If you go and talk to almost any of the local mayors who had work done in their area, they will tell you that this was an extremely important program to keep people working.

On that basis, yes, it was successful.

● (1615)

The Chair: We're going to have to stop there. That's the end of our five minutes.

We now move over to Ms. Lapointe for her five minutes of questions.

Ms. Viviane Lapointe (Sudbury, Lib.): Thank you.

Thank you, Minister, for joining us here today.

Since the late 19th century, the mining industry in my riding of Sudbury, something that I will take every opportunity to talk about and promote, has produced more than eight million tonnes of base metals. Unfortunately, as we now know, early mining methods scarred the land and acidified the lakes. Despite the economic gains of the booming mining industry, we had to take action, and we had to change the way things were being done. Today, as we all know, Sudbury's greening process has been recognized globally for our successful environmental rehabilitation.

On this topic, I have a few questions for you, Minister. I'll start by asking if you could explain how the ERF program will play a part and fit into our government's plan to cap emissions from the oil and gas sector. The second part of my question is this: Could you also expand on some of the long-term benefits we can expect to see from this program?

Hon. Jonathan Wilkinson: Sure. Thank you very much for the question.

When we designed the emissions reduction fund, we saw it as a way not only to protect jobs but also to help the industry continue to reduce methane and other harmful greenhouse gas emissions. We focused on methane because this greenhouse gas is significantly more potent than CO₂, for example. It has vastly more warming potential. It's responsible for about 30% of global temperature rise, and it represents 13% of Canada's greenhouse gas emissions.

With that in mind, in terms of targeting methane emissions and limiting its release, that's one of the fastest ways to fight climate change. [*Technical difficulty—Editor*] obviously the cap is an overall cap on the oil and gas space, but this is one of the key components. Certainly the methane regulations are as well.

Now that the economic crisis in the sector has passed, we're refocusing the program to pull forward emissions to ensure that we are going above and beyond the regulatory requirements for 2025, and to ensure we meet our climate target for 2030.

[*Translation*]

Ms. Viviane Lapointe: Thank you.

In Sudbury, the devastation caused by early mining methods cannot be denied. The measures to address that situation were expensive, demanded a lot of work, and required political will and innovation. However, the evidence was clear and the changes required were unquestionably necessary.

Clearly, there will be serious consequences if Canada does not act urgently and quickly to limit the environmental damages caused by the increase in our GHG emissions.

Could you talk about the consequences of doing nothing in 15 or 25 years and explain to us how the emissions reduction fund will prevent that from happening?

Hon. Jonathan Wilkinson: Thank you.

Canada can choose to be a leader in the global energy transition, or we can decide to do nothing and just hope for the best.

In my own province of British Columbia, we have seen the impact of climate change. If we choose to do nothing, the costs will be immense. Just recently, the Bank of Canada published a report

showing that the cost to our economy could represent one-tenth of our GDP, or more. That would be the consequence of doing nothing.

The emissions reduction fund is one of the many tools at our disposal to combat the increase in emissions. Over the years, we anticipate that those projects will eliminate 30 megatonnes of CO₂.

• (1620)

[*English*]

Ms. Viviane Lapointe: It's clear that many communities and families rely on good-paying jobs from the natural resources sector, certainly in Sudbury and other communities. That includes oil and gas.

Can the minister explain how the ERF and other programs will make sure families and communities are well supported as we make the necessary sustainable transition to a cleaner economy and cleaner jobs?

Hon. Jonathan Wilkinson: Thank you. That's a very good question.

The ERF was designed to help maintain jobs and enhance economic competitiveness, all while reducing methane emissions through the sector. The program certainly led to companies seeking more highly skilled workers and firms that specialize in professional engineering, environmental services, construction and technology. It has also resulted in spinoffs of technologies that, as I said, will end up being exported into countries around the world.

In terms of communities, you can go talk to the mayors of some of the communities that I've mentioned—Estevan, Brandon, and Slave Lake—who have all said this was extremely important from an economic perspective in supporting families and workers, and the communities, to ensure that they actually got through this very challenging time in a good way.

This program, as I've said before, is one component among many, and we continue to work towards a sustainable transition. We're going to be working with provinces and territories, industry, academia, indigenous partners and, of course, workers to ensure that we have appropriate feedback and that we're working towards a future that's going to be a good future for everybody, a future where we have a sustainable environment and a sustainable economy.

Ms. Viviane Lapointe: Thank you.

The Chair: Okay, we're out of time on that one.

Minister, I was told that you need to leave right at 4:30 for another meeting, so in the interests of time, we're going to jump right to Mr. Simard, who has a two-and-half-minute intervention.

[*Translation*]

Mr. Mario Simard: Thank you very much, Mr. Chair.

Mr. Minister, as a former minister of the environment, you are surely aware that, in environmental matters, a major principle is “polluter pays”. After all, as a principle, it's quite simple: major polluters are asked to pay for the costs of the negative effects they are having on greenhouse gases. My impression now is that a new trend is emerging in Canada, the principle of “polluter paid”.

In the last two years, I have tried to identify all the economic support that Canada provides to the oil and gas sector. There is simply no way. First of all, you are not clear on what a grant is, which is a problem right off the bat. Some say that it was about \$24 billion per year from 2017 to 2020. That is an awful lot of money. Many even say that Canada is the G20 country that supports the oil and gas sector most enthusiastically.

The problem I see with programs like the emissions reduction fund is that it is an attempt at greenwashing. It is an attempt to make the oil and gas sector sexier in the eyes of the environmentalists. But it comes at a terrible cost to us. Moreover, everyone knows that the more support we provide for fossil-fuel energy, the longer we wait for clean energy and new technologies.

So let me repeat the question I asked you earlier: in your opinion, would it be best to shut down the emissions reduction fund?

Hon. Jonathan Wilkinson: Thank you for your question.

I agree with you that polluting companies have to pay the bill. That is actually why we put a Canada-wide price on pollution. That is very important. It is an incentive to ensure that companies take steps to reduce their greenhouse gas emissions.

Of course, we also have to invest in order to accelerate the task of reducing greenhouse gases. We are making those investments in all sectors in Canada. Clearly, we have invested in the automotive industry in order to increase the production of zero-emission vehicles. We have also invested in the steel industry in Ontario and the aluminum industry in Quebec. Now we have to speed up the work in the oil and gas sector. Finally, we also have to protect workers' jobs. They have been in a very difficult position since the start of the COVID-19 crisis.

• (1625)

[*English*]

The Chair: Okay, thank you.

For the last round of questions, we're going to have Mr. Angus.

You have two and a half minutes.

Mr. Charlie Angus: Thank you so much, Mr. Chair.

I want to go back. I've stayed focused on the environment commissioner's report on this fund. He warned that your government needs to stop going “from failure to failure”. How bad has it been? Since Paris, we've had an increase in emissions, and the other G7 countries are doing better than we are. He says that emissions are going up, even though you've designed these individual programs that are supposed to bring them down.

It's because this program was designed as a fossil fuel subsidy. He said this department did not design this program “to ensure credible and sustainable reductions of greenhouse gas emissions”. What I thought was really powerful was that he said that the companies that got the funds said they were going to use them to increase production. Again, if you were using this as another subsidy for the oil sector, you should have been honest about it.

I'll ask you this: If you're telling the world—and your Prime Minister has told the world—that Canada is going to have an emissions cap, and if we're going to be increasing production, how are you going to be credible that you are actually going to meet your greenhouse gas emissions targets? If you're using the methane targets to increase production, how can we trust you on anything else?

Hon. Jonathan Wilkinson: I would say to the honourable member that the focus of this program absolutely is on reducing emissions. We have achieved reductions of 4.7 megatonnes, which is equivalent to a million cars on the road.

The action taken in this space has been the same as the action taken across the board with respect to climate. I would call the member's attention to the executive director of the International Energy Agency, who said a couple of weeks ago that “Canada has shown impressive leadership, both at home and abroad, on clean and equitable energy transitions”.

We are making—

Mr. Charlie Angus: Yes, but with all due respect, he said that based on your promises. The environment commissioner said that we don't need any more promises and targets; we need you to meet them. This report said that you failed.

We're sticking to the environment commissioner's report. If you want to bring someone else's report, we'll bring those witnesses. He said you failed and production is increasing. Why are you not taking responsibility for this?

Hon. Jonathan Wilkinson: In the context of the emissions reduction report, the emissions have gone down, and they've gone down significantly. If, in fact, the commissioner is looking at a project that a company may want to do 100 miles away from the project to reduce emissions, that's a very different thing.

Mr. Charlie Angus: He didn't say these were 100 miles away. He said this is the money that you gave them.

Hon. Jonathan Wilkinson: The focus—

Mr. Charlie Angus: You're making this up; stay focused on the report.

Ms. Julie Dabrusin (Toronto—Danforth, Lib.): Point of order, Mr. Chair.

The Chair: Sorry, I'll interrupt. We are at the end of our time there.

As I said, it makes it hard for the interpreters when we have more than one conversation.

We're at the end of the two and a half minutes, so we're going to wrap this panel up, unfortunately.

Mr. Maguire, I know you said you had a quick question, but we have two panellists who—

Mr. Larry Maguire (Brandon—Souris, CPC): It's for the minister and related to Brandon. I'm from Brandon, so I thought I'd do a quick one.

The Chair: I know he needs to go, and we do have the next panellists ready to go—

Mr. Larry Maguire: I'll let him go.

Hon. Michelle Rempel Garner: On a point of order, Chair, we still have two minutes left.

Give it to Mr. Maguire.

Mr. Larry Maguire: It's a 10-second question and the minister will be here. He's not going anywhere.

The Chair: What time is it?

I have 4:29.

Mr. Larry Maguire: I'll be 30 seconds, and he can answer me in 30 seconds.

The Chair: Okay, you have 30 seconds because you're from Brandon and the Brandon mayor had some good things to say.

Mr. Larry Maguire: Thanks, Mr. Chair.

Thank you, Minister.

Mr. Chrest was right, and I would agree with him. If there were jobs coming out of these things, jobs are always good. I wonder if you could provide me with the numbers of the retention of jobs or the creation of new ones in the Brandon project, so I can report that back to the mayor.

Hon. Jonathan Wilkinson: As I said earlier, I would be very happy to provide you with those. We are collecting them now in the aftermath of the implementation of the project. We will be very happy to sit down to go through that with you once we have the numbers.

Mr. Larry Maguire: Oh, you don't have them now.

That's fine. Thank you.

The Chair: Excellent. Thank you, Mr. Maguire. I think you're up for our next round, so we'll hear more from you.

Minister and officials—Ms. Johnson, Ms. Scharf and Mr. Layer—thank you for joining us for the panel with the minister this afternoon. If you want to jump off the line, we're going to bring in the next panel.

I understand there may be a couple of people who need to have a quick mike check. I'm looking at our clerk to make sure. If that all got sorted out in the back room, we may be able to go right into the panel.

• (1630)

The Clerk of the Committee (Ms. Hilary Jane Powell): We will do a very quick sound check with Mr. Cosbey and Mr. Gorski to make sure that works, and then we can start.

Thank you.

Mr. Aaron Cosbey (Senior Associate, International Institute for Sustainable Development): Can you hear me all right?

The Clerk: Hello, Mr. Cosbey. We'll just do a quick sound check. Maybe you can talk about the weather. We'll make sure our interpreters can hear you.

Mr. Aaron Cosbey: I'm coming to you from sunny, beautiful British Columbia, halfway between Calgary and Vancouver, on this fine winter day.

The Clerk: Thank you very much.

Now, we'll just do a very quick one for Jan Gorski, and then we'll go on.

Hello, Jan. Could you kindly say a few words about the weather as well?

The Chair: We also like to get our guests to sing us a small song.

Mr. Jan Gorski (Director, Oil and Gas, The Pembina Institute): This is Jan Gorski. I'm coming to you from Canmore, where it's fairly snowy right now and quite cold.

The Clerk: Okay, we're ready to go.

Thank you very much, everybody.

The Chair: That's excellent. Thank you, everyone, for your patience as we got through that.

We're now going to proceed to our second panel of witnesses today. I don't know if everybody was there at the start.

Briefly, as we go through it, I will give a yellow card when you have 30 seconds left, either in your opening statements or when the allotted time for questioning is up for each of the MPs. That's just a warning. With the red card, when the time is up, don't stop mid-sentence but wrap up your thoughts, and then we can move on to the next person so that everybody gets their fair chance at participating today.

Joining us for this panel, from the International Institute for Sustainable Development, we have Aaron Cosbey, senior associate. As well, from the Pembina Institute, we have Chris Severson-Baker, regional director for Alberta; and Jan Gorski, director of oil and gas. I believe Jan will do the opening remarks for the Pembina Institute. We also have Whitecap Resources, with Patrick Kitchin, director of regulatory and environmental sustainability, joining us.

Thank you, everyone, for making time to be with us today for the study. We will go into opening statements. Each of you will have five minutes, and then we'll get into our round of questions and answers.

Mr. Cosbey, we'll start with your opening statement, for five minutes.

Mr. Aaron Cosbey: Thanks very much, Chair, and thanks for my opportunity to present the views of IISD to the committee hearings on the ERF.

As a general proposition, IISD has concerns about subsidies to the oil and gas sectors, whether for decarbonization or for other purposes. They have a long history of work in this area, both in Canada and internationally, and Canada unfortunately has a long history of unfulfilled commitments.

To be clear, we support well-crafted subsidies that facilitate the coming industrial transformation. Clearly, the government has a significant role to play in helping Canadian heavy industry to decarbonize on the road to net zero, be that in steel, aluminum, cement or pulp and paper, but oil and gas is not like those other industrial sectors, in three important ways.

First, subsidies to oil and gas may lead to increased viability of industries whose products ultimately we need less of, not more of, if we are addressing the climate change crisis. Second, that means that every dollar spent supporting oil and gas is a dollar not spent supporting the sectors of the future, those that will provide long-term growth for Canadian workers and families. Third, support to oil and gas risks signalling that there's no need to prepare for a time when demand for its products is no longer at its current strength. It risks making the eventual transition more painful for dependent workers and communities, and it risks contributing to the financial crisis of significant stranded assets.

Those problems are significant to subsidies in the oil and gas sector, but they're layered on top of risks and pitfalls that are inherent in any industrial subsidies. It's a long list, but among the key concerns are that they can create vested interests that will advocate for their continuation after the subsidy is no longer necessary. They can blunt incentives to move toward energy transition and, of course, they can violate the "polluter pays" principle.

To help ensure that Canadian taxpayer dollars don't create those kinds of undesirable outcomes, IISD has developed some basic principles, some of which have strong relevance to the ERF. These are in part derived and adapted from a set of guiding principles and recommendations on green spending in the COVID recovery plan, our "Green Strings" report. This was submitted to the government in 2021 with the support of 12 other Canadian environmental organizations.

Of particular relevance here is the principle that no support should be offered that lowers the cost of production for gas and oil installations. No support should be offered to comply with existing or pending regulations. Supports should only go to applicants with credible plans for net zero by 2050. Finally, support must be accompanied by clear signalling on Canada's vision for the future of the sector and meaningful commitment to just transition for affected workers and communities.

Given the pitfalls inherent in subsidies, which we know in some depth, our clear preference would be for strong, effective regulations that reduce methane emissions in the oil and gas sectors. But we don't currently have those, and it may take years to get them, so as a second-best solution we see a role for programs like ERF.

We're happy to see improvements in the ERF in the third intake. Some of them are aligned with the principles I just described. We're particularly happy with the principles that projects have to fully eliminate all continuous sources of intentional routine venting and flaring, that projects must exceed the regulatory requirements, pending and current, and that projects must show a detailed financial case for additionality of the emissions reductions they claim to be financing. All of that is good.

Unfortunately, we predict that the increased stringency is going to mean very few applicants, so very little methane is going to be reduced in the third intake, which is a problem. Other witnesses have stressed the urgency of reducing methane emissions. There are immediate and cheap reductions. We know that from the ERF's experience in this area, and we know that from other international experience. Where does that leave us? I come back to it. It leaves us with strong and effective methane regulations with two primary objectives: eliminating completely intentional venting and flaring; and better accounting for, and reducing, leakage.

The pneumatic gas-actuated controllers, the main source of intentional emissions, have technological substitutes available, and they are cheap. These should be regulated out of existence. All other sources of known intentional emissions should be metered. As it is, we don't know the scale of the problem, so how can we address it? How can we make credible commitments? We need more frequently mandated surveys to find and fix leaks. Those unintentional emissions are a big part of the discrepancy that we see again and again with measured and reported emissions.

• (1635)

In closing, the first best option is strong regulation in this sector. The second best option, until that first best happens, is to make room for the kind of strong regulations that will reduce methane emissions, but this is strictly second best. To deal with the problems of that second best, refer to our principles on how to administer subsidies and support to sectors like oil and gas.

Thank you for your time.

The Chair: Thank you for your opening statement.

We will now move to Mr. Gorski with the Pembina Institute for five minutes, please.

Mr. Jan Gorski: Good afternoon, Mr. Chair and members of the committee.

My name is Jan Gorski and I'm the director of the oil and gas program at the Pembina Institute. My colleague Chris Severson-Baker is the Alberta regional director.

The Pembina Institute is a non-profit think tank that advocates for strong, effective policies to support Canada's clean energy transition. We've advocated for methane regulations at the provincial and federal levels since before 2015, and we've informed their development and implementation since then. We've also provided recommendations to Natural Resources Canada on the design of the emissions reduction fund, which were adopted. Pembina has a long history of working on environmental issues in the oil and gas sector, having done this for close to four decades.

In 2021, we saw significant momentum building on reducing methane emissions, both in Canada and globally. Reports from the International Energy Agency, the United Nations Environment Programme and the Intergovernmental Panel on Climate Change all highlighted the urgent need to address methane emissions in 2021. Over 100 countries, including Canada, signed on to the global methane pledge at COP26. This was a clear signal of impending global action.

Recent research confirms that we need to act fast on methane. Cutting global methane emissions from all human sources—including oil and gas, agriculture, waste and others—in half by 2030 would avoid an additional half a degree increase in global temperatures by 2100. This is equivalent to slowing down global warming by almost [*Technical difficulty—Editor*]. That's a large amount.

The need to act now is made more urgent by the fact that actual methane emissions are much higher than current government estimates. Studies in Canada and the U.S. consistently show that methane emissions from oil and gas could be as much as twice as high as current government estimates show.

Canada needs to get as close as possible to eliminating methane emissions from the oil and gas sector by the end of this decade. A 2019 study from the Canadian Energy Research Institute examined how much oil and gas methane we could eliminate using existing technology. The study found that methane emissions in 2017 could be reduced by 33 megatonnes. Based on our analysis of this report, this translates to almost a 90% reduction from 2012 levels, at a cost of less than \$25 a tonne. This is very inexpensive when compared to the carbon price, which will be rising to \$170 a tonne.

What this shows is that we have the technologies to drastically cut methane emissions, and they're commercially available and economically feasible.

The federal government has recently set a new target to reduce oil and gas methane emissions by at least 75% by 2030 and is well placed to be a leader in addressing methane, but they must now act quickly to implement policy to meet and exceed that target. Such action must include strong regulations, but they also must address challenges with methane data and infrastructure barriers. There is a lot of uncertainty in the amount of methane emitted by oil and gas operations, as I mentioned, so we need to improve methane data and continue to address the kind of infrastructure barriers that the emissions reduction fund has been addressing.

The fund was implemented during the pandemic to create jobs and economic benefits within the oil and gas sector, while at the same time reducing emissions. At that time, the government's own modelling showed that Canada's regulations were falling short of our 2025 methane reduction target of 40%. The fund was also meant to help bridge the gap to meeting our 2025 target.

As Pembina recommended, the fund was designed to go beyond incremental reductions and to encourage the complete elimination of methane emissions, which is something that's not required by current regulations. Setting this ambitious target was the only way the fund would achieve reductions above and beyond current regulations. In that respect, the fund was successful, in that 97% of the money went to projects that eliminated methane.

Given the urgency of the climate crisis and the need to act quickly on methane, the fund should be kept for the remainder of 2022 to eliminate as much methane as possible.

● (1640)

We are also still in the dark about progress towards Canada's 2025 methane reduction target, because the federal government's recent progress report has not included promised updates to the national inventory or the most recently available data on the real levels of methane emissions. There's a need to calculate what reductions from the fund were on top of regulations, meaning that they went above and beyond regulatory requirements. This information is key to evaluating Canada's progress towards the 2025 target.

The federal government also needs to publicly release more detailed information from the ERF showing the types of projects, costs and emissions reductions that were funded. This data will help inform future policy design.

To wrap up, Canada has an opportunity to be a leader in addressing methane. Doing so is critical to addressing emissions from the oil and gas sector. The government must waste no time and act quickly to implement policy to exceed our 2030 methane target.

Thank you very much.

● (1645)

The Chair: Thank you for those opening comments.

We'll jump right into the opening statement from Whitecap Resources.

Mr. Kitchin, it's over to you for five minutes.

Mr. Patrick Kitchin (Director, Regulatory and Environmental Sustainability, Whitecap Resources Inc.): Thank you, Mr. Chair, for the opportunity to speak with your committee today about Natural Resources Canada's emissions reduction fund.

As you mentioned, I am the director of regulatory and environmental sustainability here at Whitecap Resources, an oil and gas producer with assets across the four western provinces. We are the operator and majority owner of Canada's largest carbon dioxide sequestration project, the Weyburn Unit, which has permanently sequestered roughly 38 million tonnes of carbon dioxide to date.

Our company sits among the leaders in our industry for carbon intensity and emission reductions. Over the past few years, we have consolidated facilities, expanded pipeline networks, upgraded over 1,000 venting devices and installed solution gas capture equipment, just to name a few examples of how we're reducing the carbon footprint of our assets.

In early 2021, Natural Resources Canada approved an emission elimination project submitted under this program by Highrock Resources, a company acquired by Whitecap in July. This project eliminated the company's largest emission source through the construction of a 10-kilometre pipeline to transport previously flared solution gas for processing and sale.

The scope of the approved project did not include additional development, nor any facility upgrades, and it was completed in early December 2021 for approximately \$1.4 million. It is estimated to have eliminated 36,500 tonnes of carbon dioxide equivalent in the first 12 months, and it would not have been completed at this time without the funding, as the economics were below our internal hurdle rates.

The execution of this project, located in southeast Saskatchewan, directly benefited 19 third party service companies that we engaged for engineering work through to construction. It also directly benefited many local landowners, who were compensated financially for surface right-of-way access during construction. The \$1.4 million incurred by Whitecap helped to sustain jobs during a period of reduced activity for our sector, directly supporting those businesses and local residents.

Highrock applied for this funding because it presented an opportunity to execute a large emission reduction project that surpassed the minimum requirements of the provincial methane regulations, with a lower cost to the company during a period of significantly depressed energy markets.

As we look to the third intake period, we began building applications for multiple projects in late 2021. Following the program changes implemented in response to the findings of the audit conducted by the Office of the Auditor General of Canada, we are still moving ahead with these projects in our application.

Currently, they are all solution gas conservation projects, and the associated emission reductions are estimated to be over 250,000 tonnes of carbon dioxide equivalent in the first year. These reductions would be directly attributable to the emissions reduction fund, as the assets involved are in compliance today with provincial methane regulations.

The emissions reduction fund was released at a time when the oil and gas industry was struggling due to sharp and sustained declines to commodity prices. Service companies shouldered a significant burden, as upstream producers exercised prudence by cutting capi-

tal development programs to protect their balance sheets through the downturn.

Completion of the approved projects directly supported numerous service companies, contractors, communities and landowners during a period of uncertainty and need. Generally speaking, these projects will also lead to ongoing work with third party contractors for services such as equipment maintenance and repairs.

Overall, I believe this program has been successful in supporting progress towards our national emission reduction targets and—most notably for the first two intake rounds—supporting a sector that was in severe financial duress.

As noted in the audit findings, uptake in the first two rounds was lower than expected, likely due to a short application window that was very difficult for most companies to meet. With a much longer application window for intake three, I would expect there to be many more projects submitted and an opportunity for the federal government to continue progress towards its climate targets and exceed reductions attributed to existing policy frameworks.

While the economy is recovering and commodity prices today are stronger, the emissions reduction fund can still provide a substantial benefit to Canadians by enabling even deeper emission reductions earlier than they would have been achieved otherwise.

Thank you again, Mr. Chair, for the opportunity to speak with your committee today and share our experience with Natural Resources Canada's emissions reduction fund.

• (1650)

The Chair: Excellent. We'll move on.

Thank you to each of the three of you for your opening statements.

With that, we'll move right into our round of questioning. First up, for six minutes, I have Mr. Maguire.

Mr. Maguire, it's over to you.

Mr. Larry Maguire: Thank you, Mr. Chair.

Thank you to all of our presenters today for their fine presentations in regard to the study we're doing here on the emissions reduction fund and its efficiencies.

Thank you, Mr. Cosby, for your presentation. I just want to note that I was the environment critic in Manitoba. I used to do quite a bit of work with the IISD as well. I appreciate your presentation today, too.

Mr. Kitchin, your company, as you've just pointed out, has shown that it's possible to reduce both fugitive and intentional methane gas emissions, flares and others with the funds you've received. Can you summarize a little bit for our committee what exactly your company did to reduce methane emissions? You mentioned Highrock Resources and others as well.

Mr. Patrick Kitchin: Thank you, Mr. Chair. That's a great question for us.

The project that was approved by Highrock Resources is the only project we have submitted in the first two rounds to the ERF and have executed. For that project in particular, it was completed at an oil production facility in a region of southeast Saskatchewan that currently has limited gas pipeline infrastructure in place.

Prior to completing the project, we did not have a method to economically conserve the solution gas that was being produced. It was previously venting off multiple devices at the facility, which we were routing to a flare for destruction to help limit the emissions. Our project redirected that vented solution gas into a brand new 10-kilometre pipeline so that it could be processed and utilized.

Mr. Larry Maguire: The carbon capture technology you're talking about is required for Canada to help meet our international agreements. Do you agree with that? Do you think it's very responsible to use that to help meet our international agreement targets, like the UN sustainable development goals and the Paris climate accord?

Mr. Patrick Kitchin: Yes, I absolutely agree that carbon capture is and will be a key tool for society to meet our commitments under international agreements such as the Paris Agreement. We will require society to make large and rapid emissions reductions at scales we haven't seen in the past. This is a very effective way to meet those. It's been highlighted by many institutions, such as IPCC, that in order to meet our targets, carbon capture will have to be a key part of that solution.

Mr. Larry Maguire: I got into politics as a farmer to try to expand the exports of products, but here's another industry that has great technologies. You've introduced some of them. I've long believed that Canada should be exporting best practices and even selling equipment and green technologies to countries that are less rigorous in their environmental management.

We heard earlier this week, on Monday, from Mr. Lakeman of Edmonton Global's hydrogen initiative. He noted the wide array of innovation regarding emissions reductions, including carbon capture. Are there environmental and economic opportunities, then, in carbon capture that we could seize by further developing the technology and selling it abroad?

Mr. Patrick Kitchin: Thank you, Mr. Chair. That's another great question.

I feel that we should be proud as Canadians that we have been a pioneer in carbon capture and a global leader in this space. Arguably, many of the leading experts in carbon capture are Canadian. We've seen multiple IEA and IPCC reports that state that carbon capture will be required to meet our global ambitions.

We believe our focus should be, first, on further developing this technology here in Canada to process it at lower costs, demonstrating first-hand the positive benefits it can have. It presents a great opportunity for Canada to share its experience in this space and benefit financially from sharing the knowledge and technology with international partners.

● (1655)

Mr. Larry Maguire: I think it's been great for our universities and colleges in those areas and for the industry technology, the industry effort, in that area itself. Your company has brought online a few carbon capture projects, as you mentioned. You've used the emissions reduction program to reduce methane emissions—that's proven.

Do you have any recommendations on what you'd like to see in the design of the soon-to-be-unveiled carbon capture tax credit?

Are there any thoughts you might have on that?

Mr. Patrick Kitchin: Yes, at Whitecap we believe this incentive should support emitters who face very high costs to decarbonize. We don't think it's necessary for the capital spend on carbon dioxide enhanced oil recovery, or CO₂-EOR, to attract the investment credit itself. However, it should support emitters who choose to implement carbon capture regardless of where the CO₂ is stored, as long as emissions are being reduced and the carbon is permanently sequestered.

It's important to remember that CO₂-EOR projects do target existing depleted reservoirs. The extended life of these reservoirs does help to reduce the surface environmental impacts of new exploration to meet existing and ongoing fuel demand.

While demand is strong, we do believe that Canadians are going to be proud to support the market with lower carbon intensity oil that comes from CO₂-EOR, which is estimated by the Clean Air Task Force to have 37% fewer emissions than a conventional barrel.

Mr. Larry Maguire: Yes, I think that's pretty significant with those kinds of numbers. You indicated the 250,000 metric tons to be decreased in the first year, here. I commend you for being a net-zero company, when we're talking about net zero by 2050. You've indicated in the past that the company is already there.

I think your information and answers have been invaluable in keeping with the mandate of exporting technology to help the whole world bring down our emissions.

The Chair: I'm just going to jump in there. We're out of the six minutes.

Thank you for that exchange.

We're now going to go to Ms. Dabrusin for her six minutes of questions.

Ms. Julie Dabrusin: Thank you.

Actually, I'd love to pick up from where Mr. Maguire left off, about the importance of innovation, developing Canadian technologies and being able to export them, as well.

The reason I say that is that I believe one of the panellists referred to the issue of methane leaks. In the past few weeks, we've had really great examples of how Canadian technology is at the forefront of trying to address that issue. There was a list that was put out of 100 of the top clean-tech industries in the world. Canada had 13 of those companies. One of them is GHGSat.

I wanted to mention it, because I think it's really important. They have the only satellites in the world with sufficient resolution to isolate small leaks by individual pads so that they can be fixed quickly. In fact, on a weekly basis they actually spot these leaks so that we can jump on that and address that source of methane emission.

I digress. I know we're talking about intentional venting today, but I think it's always really important to say that we're at the forefront of some amazing innovations here in our country. It fits as part of the puzzle. There are bigger pieces of the puzzle, the emissions reduction fund being one piece.

I want to get to the part about intentional venting. Perhaps I will start with the witness from the Pembina Institute, Mr. Baker.

I believe you mentioned that 97% of the projects addressed intentional venting. Is that correct? Do I have that number right?

Mr. Chris Severson-Baker (Regional Director, Alberta, The Pembina Institute): Yes, and I'll go ahead and let Jan answer that question.

• (1700)

Ms. Julie Dabrusin: If I read your letter correctly, you mentioned something about—talking about innovation in this piece—the emissions reduction fund being a driver for Canadian leadership in methane abatement technology. I was wondering if you had anything you wanted to add about that.

Mr. Jan Gorski: The statistic was that 97% of the money from the fund went to eliminate methane from intentional venting. You were correct, there.

Canada absolutely is well placed to be a leader in addressing methane. We have regulations in place right now. To capture that leadership, we need to do well on our 2030 target and now set policy and regulations to achieve even further reductions. That will drive more innovation. It will drive more economic development on the methane side in Canada.

Ms. Julie Dabrusin: I apologize. It was Mr. Gorski. I had written down the wrong name.

Picking up on that, do you see a value in continuing with the emissions reduction fund, even as the price of oil and gas has increased?

Mr. Jan Gorski: I think, given that the fund is now in place and we have new rules around how to apply to the fund, it makes sense to continue it for the next year in order to achieve further reductions. Looking past that, we really need to lean on strong regulations to send a signal for companies to start addressing methane.

Ms. Julie Dabrusin: That's fair. There's a place for regulations and then, as you mentioned, this is an incentive that goes beyond our current regulations.

Mr. Jan Gorski: Yes.

Ms. Julie Dabrusin: Okay. You mentioned in your correspondence some concerns that you had about the program. I was wondering whether you feel that the changes that were made to the third intake respond to the concerns you had raised. Are you satisfied with this third intake?

Mr. Jan Gorski: The changes to the third intake, I think, will address some of those concerns. We would still like to see Natural Resources Canada report out. We've heard the statistic that the fund has so far achieved 4.7 megatonnes of reductions, but we don't yet know what portion of that is actually above and beyond the regulations. What we need is for the government to show how much of that was incremental to what the regulations would have achieved anyway.

Ms. Julie Dabrusin: With respect to the third intake—because that's about the stats from the first and the second intake—now there have been some changes made to the program in that intake, and different rules are being stipulated for the eligibility. When you look at those, do you see that those address the concerns you'd raised?

Mr. Jan Gorski: Yes. The third intake does require applicants to provide information about how their project will surpass regulatory requirements, so that point is addressed for that intake.

Ms. Julie Dabrusin: Great. I don't have very much more time, so I was hoping to hear from Mr. Kitchin.

You spoke quite a bit about the innovation that you're putting into place. Maybe you could take a second to speak to me about how you see the role of regulations, and then incentives such as the emissions reduction fund. What do you see is the interplay between those two?

Mr. Patrick Kitchin: Yes, thank you.

I see the regulations playing a role to essentially set the minimum expectation of industry. It's to set the bar of where every producer needs to get to if they aren't there already.

Where I see incentives like the ERF coming into play is to reach beyond that, to go after project emission reductions that current regulations aren't incentivizing.

Ms. Julie Dabrusin: Okay. Thank you very much.

The Chair: Great. Thank you.

We're now going to move to Monsieur Simard. You have six minutes.

[Translation]

Mr. Mario Simard: Thank you very much, Mr. Chair.

I have a quick question for Mr. Cosbey. I hope that he can hear me clearly and that the interpretation is working. I see the signal to go ahead.

Mr. Cosby, in your presentation, you talked about reforming financial support to fossil-fuel industries and you listed some basic principles. If I understand you correctly, the support should not be offered to projects that are intended to reduce the cost of production, nor should there be support for projects that are intended to allow the industry to comply with regulations.

My impression is that the emissions reduction fund is a prime example of what you see as a bad practice in terms of funding fossil-fuel energy. Is that your perception?

• (1705)

[English]

Mr. Aaron Cosby: With the improvements that have been made in the third intake, the program comes much more closely into alignment with those principles. As has been noted, it's now mandatory for a project to demonstrate that it is going towards reduction of emissions over and above not just existing, but also pending regulations. So this does satisfy that criterion.

As to whether the support from the ERF lowers cost of production in the affected operations, that's a tricky accounting question. As far as we can tell, the requirements for extended, detailed financial additionality statements from proponents in the third intake will try to mitigate that risk. I think it's a reasonable amount of accommodation towards recognizing the principle as we've laid it out.

[Translation]

Mr. Mario Simard: Thank you.

I have a quick question for Mr. Kitchin.

Can you hear me clearly, Mr. Kitchin?

[English]

Mr. Patrick Kitchin: Yes.

[Translation]

Mr. Mario Simard: I listened to your presentation on carbon capture. When we did a study on hydrogen here, a number of people told me that carbon capture techniques are not quite ready and that we are perhaps still at a research and development stage.

Earlier, my colleague Mr. Maguire asked you whether a tax credit for carbon capture would be a good thing for your area of activity. The emissions reduction fund suggests to me right away that the oil and gas sector is not profitable. Without the support from the federal government, the products that you are trying to market with a low carbon footprint are not profitable.

Am I right in saying that you are not able to reduce CO2 emissions in the oil and gas sector on your own and that you absolutely need federal government support?

[English]

Mr. Patrick Kitchin: Thank you for the question.

There are emission reduction activities and projects that are profitable in different ways. They have varying abatement costs. I've seen in the range of \$10 to \$20 per tonne, all the way up to \$300 per tonne to reduce emissions. While the economy has been stronger and is recovering, as we've seen with commodity prices, there is still limited capital to go around. While projects may be

economic, the first focus for emission reductions is to ensure that we are achieving and exceeding established regulatory requirements and other regulations that have already been announced for the horizon. Then we need to look at other opportunities as well.

[Translation]

Mr. Mario Simard: I will try to be more clear.

A basic principle in economics is the principle of competition. To become competitive, one's costs of production must be lower than the income from the products one sells. If I understand correctly, you are not able to respond to environmental regulations on your own and you need government support. That is what the emissions reduction fund seems to be for and it is the point that my colleague raised just now when he was saying that there should be a tax credit for carbon capture. It means that, in terms of the market, you are not able to reduce the environmental footprint of the oil and gas sector without resorting to funding from the state.

If you could answer that question with a yes or a no, it would be simpler.

[English]

Mr. Patrick Kitchin: The topic of carbon capture is not an area within my expertise, so I cannot speak to it in detail. I do understand that the technology is very expensive to install and operate. It's carbon capture processing in particular that requires government incentives to help get it across the line.

• (1710)

[Translation]

Mr. Mario Simard: So, if I understand correctly, the state assumes the risks.

[English]

The Chair: All right, that takes us to the end of that round.

For the final six-minute panel, we have Mr. Angus.

Mr. Charlie Angus: Thank you.

I'd like to start by asking a general question of the Pembina Institute. People I've spoken to in the industry say it's eminently possible to get to net zero with methane. We're talking about something that is really a planet killer. I would think that if I were the head of an oil company, I'd be out front saying we're going to deal with methane.

We have drones. We have AI. We have commercially feasible technology. Is it possible to make a commitment to get to zero on methane?

Mr. Jan Gorski: We've seen evidence that it's possible to get very close to zero or to virtually eliminate it. Zero is always a hard thing to get to, but certainly addressing methane emissions is, as you said, very cost-effective. We have the technology. It's commercially available. It's currently being used by Canadian companies. We can get very close to zero.

Mr. Charlie Angus: I notice that in your letter to Minister Wilkinson in December you stated that the federal government is on track to miss the commitments it has already made.

Is that accurate?

Mr. Jan Gorski: The indication we have is that they're not on track. The government released a progress report in late December, but that report really didn't take into account the updated numbers. Therefore, we still don't have a sense whether we are on track, but as I mentioned, the indication so far from these scientific studies is that we're not on track.

Mr. Charlie Angus: The frustration for me is that if we all agreed that this is a planet killer, that it is doable to fix this....

The Prime Minister made very strong commitments in Paris, and then he made much stronger commitments in COP26. As the environment commissioner stated, what is the point of making more dramatic promises if you can't meet the targets?

In terms of the targets that we have, is it possible through the use of regulation to say, "This is what has to be met. This has to be met over five, six or 10 years"? How much can we do through regulation?

Mr. Jan Gorski: Absolutely, we can meet the targets that we have in place for 2025 and 2030 using regulations.

Mr. Charlie Angus: Thank you for that.

I ask this because I come from a mining town. Five minutes from my house is the most beautiful lake you'll ever see. I go to it every day. It has been completely poisoned. It may be another hundred years before it's not poisoned, because it was once considered okay to just dump cyanide and mercury. We have regulations to stop that. I know the mining companies howled in outrage that they had to do it, but our waters and our lakes are protected.

I'll turn now to Mr. Cosbey in terms of the issue of subsidies, because the environment commissioner was very concerned that this program had been used as a fossil fuel subsidy. He said that in terms of getting to where we need to go, using programs that we cannot verify are actually going to get us there is putting us in the wrong direction.

What do you have to say in terms of this? We've been told that under the Liberal government there has been \$100 billion in subsidies in the last five years to the oil and gas sector, and emissions have risen. Are we getting where we need to go by just giving more money without strings attached?

[Translation]

Mr. Mario Simard: I am sorry, Mr. Chair.

I don't want to cut off my colleague Mr. Angus when he is on a roll, but we have a little interpretation problem at the moment.

[English]

The Chair: Thank you for raising that. I've stopped the clock. We'll just check with interpretation and get things back up and running.

[Translation]

Mr. Mario Simard: It is working again.

Thank you.

[English]

The Chair: Mr. Angus, we'll go back to you.

• (1715)

Mr. Aaron Cosbey: In response to the honourable member's question, yes, subsidies to the oil and gas sector in general are taking us in the wrong direction. They are putting a foot on the accelerator as we head towards the cliff, instead of the brake.

On a more nuanced level, when we think about what that means in terms of the \$100 billion that has been given out, it matters what the purpose of the subsidy was. In terms of judging the effectiveness, if it's a job creator, let's judge the effectiveness of job creation. However, if we're going to say—and this is at the heart of our principles—"Let's find a way to support sectors such that we are not increasing production, lowering production costs and making more viable an industry that we know doesn't have a future in Canada past 2030", the more we support that sector, the more we risk stranding assets and the more we risk painfully dislocating workers and communities that are dependent on those sectors.

Subsidies that continue to make those sectors viable and increase production in those sectors are clearly taking us in the wrong direction.

Mr. Charlie Angus: Thank you.

I'm going to just close on that. To me, it is super important that we are investing in the energy-producing regions of our country, because again, coming from mining country, I have seen unjust transition and the brutalities. We have enormous expertise. We have enormous skill and we have enormous opportunity, yet it seems that if we're just going to be dumping money without accountability mechanisms and without real standards, we are leaving our workforce and our industries in a very difficult position, because the International Energy Agency talks about the threat of stranded assets if we don't start this transition.

Would you support investments where we could actually say, "We are going to work with the energy sector; we're going to work with the west and we're going to make sure that we create a new economy"?

Mr. Aaron Cosbey: Absolutely.

You see a whole raft of innovative activity in Alberta. For example, what they call "bitumen beyond combustion" is looking for markets for Alberta's natural resources, and expertise in finance and project management. It takes bitumen and converts it to something that doesn't involve burning it and doesn't involve climate change, by making it into carbon fibre or asphalt. You see the same kind of energy and innovation [*Technical difficulty—Editor*] in areas like geothermal energy, which is a renewable form of energy that involves many of the same technologies and skills.

That kind of investment is crucial, I think, if we're going to meet the target of getting to net zero. It's also crucial for diversifying the economies of oil-dependent and gas-dependent communities and regions, to create the kind of just transition that you rightly say we need.

Mr. Charlie Angus: Thank you.

The Chair: Great, thank you.

We're now going to go into our second round, with five minutes for questions.

Up first, we have Mrs. Goodridge.

Mrs. Laila Goodridge (Fort McMurray—Cold Lake, CPC): Thank you, Mr. Chair.

I'm very proud to be the member of Parliament for Fort McMurray—Cold Lake. As you are aware, it's an oil-producing region within our country.

I wanted to start out by asking Mr. Kitchin a question. As you are also based in Alberta—a little further south than I am—I'm wondering how familiar you are with the Alberta government's technology innovation and emissions reduction program, which is otherwise known as the TIER program.

Mr. Patrick Kitchin: Thank you.

I'm very familiar with that program.

Mrs. Laila Goodridge: All right. Fantastic.

It basically encourages innovation in reducing greenhouse gases. I was wondering if you could speak to where you see some of the best practices in that program and how you think the federal government could apply some of those best practices to its approach to greenhouse gas emissions and our industries.

Mr. Patrick Kitchin: Yes, there are numerous ways in which the TIER program is structured quite well. The federal government programs do follow a number of them quite similarly. TIER does provide standards for quantifying emissions and associated emission reductions for projects that participate in the credits and offset programs in place. Both the TIER program and the federal government emissions programs follow the World Resources Institute's GHG protocol as their overarching methodology for quantification.

Mrs. Laila Goodridge: Fantastic.

Do you think there are any strengths from the TIER program specifically that could be applied to future federal government programs to help find the innovation within our industries?

• (1720)

Mr. Patrick Kitchin: Yes, I do. The TIER program has been, I believe, instrumental in promoting the development of new technologies. The penalties paid by large emitters into that program have been redirected into targeted funding initiatives for the development of new technologies from all ranges of TRL levels. I believe we wouldn't be where we are today without the investment of those funds.

Mrs. Laila Goodridge: Thank you.

As someone who comes from Alberta, I know that often the story is that we are an oil-reliant area and we don't care about the environment. Coming from northern Alberta, I think a lot of people across Canada, unfortunately, have those same assumptions. As you were explaining some of the successes you guys have had with carbon capture and storage, it really highlighted the fact that there is a lot of innovation happening within this industry.

You highlighted earlier that this particular program helped you reach beyond current regulations in capturing methane emissions. I was wondering if you could explain a little bit further on that. I believe you were cut off as you were explaining that piece.

Mr. Patrick Kitchin: Absolutely.

The project that we executed to transport previously flared natural gas for processing and to the market [*Technical difficulty—Editor*] slightly above their emissions limit under the provincial methane regulations. The Saskatchewan provincial methane regulations are structured to focus on both venting and flaring, which is quite unique in this space. Alberta and federal methane regulations, and B.C.'s, focus specifically on venting.

Highrock Resources had extremely minimal venting. It was the flare volumes that were putting it slightly over the limit. Of the total estimated reductions, I believe, from the numbers I was able to see—and again, we only acquired this company a few months ago—roughly one quarter of the emission reductions would get the company within the provincial limits and the remainder would be attributable to the ERF funding.

Mrs. Laila Goodridge: That's wonderful.

Oh, there's the red card.

Thanks.

The Chair: I'm sorry. That took you right to the end of it.

We'll go to Ms. Jones for her five minutes.

Ms. Yvonne Jones (Labrador, Lib.): Thank you, Mr. Chair.

Hi, guests. Thank you for your presentations today. I found them very informative.

I come from eastern Canada. My riding is in Newfoundland and Labrador. It has an economy that is very highly dependent on natural resources. Like every other Canadian, we want to get to climate transition and we want to do it with minimal impact on jobs and the economy in our province, just like the people of Alberta and Saskatchewan. Therefore, I certainly understand where my colleagues are coming from.

As the minister said in his opening remarks, we must accelerate what we need to do to mitigate climate change. Of course, we know that goes beyond regulation and just the regulatory process. It also includes incentive-driven programs. It includes new technology and investments. It includes innovation. That's what I'm hearing from each of you today, and how this program in emissions reduction has helped you do some of that transition in your part of the country and the businesses you're in.

There were some really good recommendations in the report from the Commissioner of the Environment and Sustainable Development. I just wish they would have taken that report a step further and looked at the businesses that received the funding, the work you're doing and how it is having a broader impact on reducing methane in Canada but also creating a very innovative workforce and very technically skilled businesses in a field where we're going to be crying out for people as we continue to move through this transition.

I have many questions, but I'm going to try to narrow it down to this one, because I really believe ERF is a necessary program. While there's lots of room for improvement, it is incentives, not just regulations, that are going to help Canadians transition without harsh mitigation, and as a government, we have to be cognizant of that as well.

Mr. Kitchin, why don't I start with you? I was very interested in the fact that, as you said, even with the project you inherited when you bought out the company, Highrock Resources, you were still able to help landowners and 19 third party companies. You were able to support jobs of local residents that would have disappeared; not only that, you've reduced millions of tonnes of methane.

Why don't you tell me who these people are? How did you retain those jobs? How did you keep those 19 companies supported in this process? That's what I'm really interested in. Also, how much methane did you sequester under the program? Are we moving in the right direction here in the third phase? Is this a program that we could tweak to really help the oil and gas sector transition in a different way, building on skill and innovation and still being able to reduce methane?

• (1725)

Mr. Patrick Kitchin: Thank you.

There are a number of questions in there. I will do my best to answer all of them for you.

Yes, this was a \$1.4-million project. Unfortunately, I don't have the information in front of me to know all of the different 19 service companies that we directly supported. For the \$1.4 million and the portion that was supplemented by the ERF program, all that money flowed right through our company out to those service companies and landowners. None of that was used to pay for any salaries of Whitecap employees or bonuses or anything like that, and 100% of that went out to local communities, individuals and companies.

Overall, the project did eliminate an estimated 36,500 tonnes of emissions. We are measuring these reductions with custody-grade meters on the project so that we can accurately determine exactly what emissions were captured and reduced as a result of this program. We do have reporting obligations to Natural Resources Canada with this data so that, at the end of the 12 months, they can document exactly what the reduction was in comparison to what the estimate was.

Ms. Yvonne Jones: Mr. Gorski, if there's time, I'd like to hear your response as well.

The Chair: We're right at the end of the time.

[Translation]

Mr. Mario Simard: I don't think we have any time left.

Do you have two minutes left for me, Mr. Chair?

[English]

The Chair: I'm just looking. We're at 5:28.

[Translation]

Mr. Mario Simard: I do have some time left. Is that right?

I have a quick question for Mr. Gorski.

[English]

The Chair: We'll go to Mr. Simard for two minutes, and then we'll wrap up.

[Translation]

Mr. Mario Simard: Thank you, Mr. Chair.

Mr. Gorski—

[English]

Mr. Charlie Angus: I have a point of order.

The Chair: What's your point of order?

Mr. Charlie Angus: Well, if you're going to give my colleague from the Bloc his two minutes, but then you're not going to give it to me, I don't think that's fair.

The Chair: Okay, would you rather go with the extra two minutes, or stop now?

Mr. Charlie Angus: We'll go with two minutes. I think it's fair if we're going to finish off a round.

The Chair: Is everybody good to finish off the round?

[Translation]

Mr. Mario Simard: That's fine.

[English]

The Chair: Okay.

[Translation]

Mr. Mario Simard: I will ask a very quick question so that Mr. Angus has a chance to speak.

Mr. Gorski, you said that you have made some recommendations to Natural Resources Canada and, in your opinion, the emissions reduction fund has achieved some of its objectives.

That does not really fit with what the commissioner of the environment and sustainable development told us, and for one simple reason. My impression is that, if we want to reduce methane emissions, the first thing we have to do is not increase oil and gas production.

According to the commissioner's report, more than two-thirds of the projects that were accepted, 27 projects out of 40, would result in increased production. So I do not see how the objectives of the program can have been achieved if oil and gas production increased, since that goes hand-in-hand with an increase in methane emissions. Could you explain those nuances to me?

• (1730)

[English]

Mr. Aaron Cosby: I think the objectives of the ERF, as I understand them—and I'm not here to apologize for the ERF or support it in some blanket form—were to decrease methane emissions, so I'm judging it on its effectiveness in doing that.

The covered operations may well have increased—

[Translation]

Mr. Mario Simard: I am sorry, Mr. Cosby. The question was for Mr. Gorski and was about his presentation.

[English]

Mr. Aaron Cosby: That's what I thought, okay.

[Translation]

Mr. Mario Simard: I am sorry, Mr. Cosby.

[English]

The Chair: We'll go to Mr. Gorski.

Mr. Jan Gorski: Apologies, I was on mute.

To follow up on what Mr. Cosby was saying, you know the program was designed to reduce methane emissions. I don't think there's ample evidence in the commissioner's report that the program itself was what led to increased production. Therefore, really we should be judging the program on whether it reduced methane emissions above and beyond the regulations. The information we've seen so far is that over 97% of the funds went to eliminating methane, which is more than the regulations require.

The Chair: We're going to stop there and go over to Mr. Angus for his last couple of minutes.

Mr. Charlie Angus: Thank you.

I want to congratulate you, Chair, on being such an excellent and fair chair. In light of that, I'm going to invite my colleague next to me to take my question.

Mr. Mike Morrice (Kitchener Centre, GP): Thank you.

My question is for Mr. Cosby, specifically with respect to the additionality that the commissioner calls out in his report. If we're going to talk about reducing methane emissions, it needs to be net new emissions that are above and beyond what would have already happened.

Mr. Cosby, could you just restate this for the record? Comparing investing more funds—which the last time around weren't proven to be additional to what would have already happened—to increasing regulations, which is a more effective way to reduce methane?

Mr. Aaron Cosby: As I said, the ideal solution is strong regulation. Then you don't have to worry about additionality. You don't

have to worry about the lines of causation that run from your funding to emissions reductions. Reductions happen.

In the absence of those strong regulations, we see a role for a program like the ERF, but of course there are risks that it will go to funding projects that would have happened anyway or to supporting reductions that would have been taken to comply with existing regulations.

We see that the third intake has, in our view, made brave attempts to deal with those two risks. I think it has done so in a way that meets the reasonable standard of expectations.

Mr. Mike Morrice: Thank you to the chair for his fairness, and to my colleague for the chance to get a question in. I appreciate that.

I would again articulate the need to invest funds in the just transition for workers.

Thank you.

The Chair: Thank you, everybody.

Mr. Charlie Angus: I have a point of order, Chair, before we end.

I believe this is the end of our meetings, which I think were excellent. Will we be able to have time in one of the upcoming meetings for committee business just to talk about the report?

The Chair: The plan is that after the meeting on Monday, we're going to have a one-hour subcommittee meeting to actually have a discussion and see where we want to go. I was also going to send an email to each member of the subcommittee to get some thoughts to bring to that meeting. We will be talking about that on Monday.

Before we conclude, I also want to say that at the next meeting, on Monday, we're going to begin our next study, which is a study of the greenhouse gas emissions cap for the oil and gas sector. Witnesses have all been confirmed. The notice of meeting has been posted and all of you should have seen that.

I would like to thank the witnesses today: Mr. Cosby from the International Institute for Sustainable Development, Mr. Severson-Baker and Mr. Gorski from The Pembina Institute, and Mr. Kitchin from Whitecap Resources. Your testimony has been very interesting and useful.

With that, I'd like to thank all the members for the good questions today.

Stay safe out there. Have a great rest of the week. We will see you on Monday.

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