

# Oilsands and Climate Change

**How Canada's oilsands are standing in the way of  
effective climate action**

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# Executive Summary

In recent years, the climate change implications of Canada's oilsands have drawn the attention of the international community. The increasing dialogue on this issue is a positive step; however, much of the dialogue has been based on simplistic and often overly optimistic information. The follow briefing report strives to provide accurate information and context on the oilsands industry's greenhouse gas (GHG) emissions and the climate policies affecting the oilsands at the provincial and federal levels.

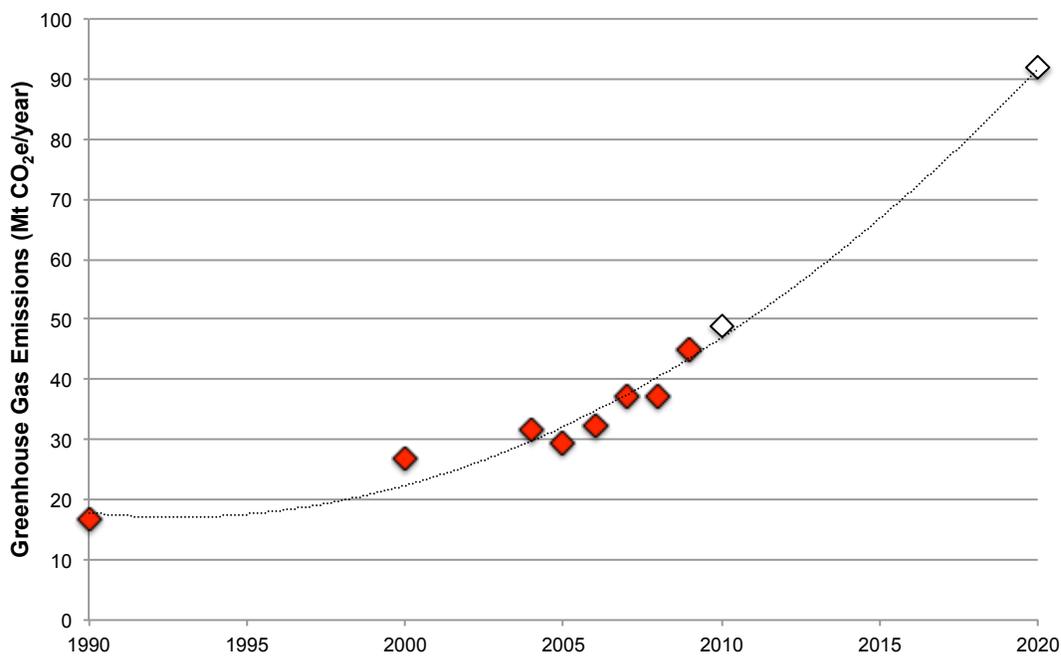
Oilsands are a major and growing source of GHG emissions. Neither the Government of Canada nor the Government of Alberta have climate policies in place that will counter the fast growth of GHG emissions from oilsands.

- **Alberta's climate targets are weak.** The targets allow for significantly higher emissions than would be consistent with climate science. With a GHG target of 16% **above** the 1990 level by 2050, Alberta is committed to an emissions **growth** plan over the long term, in contrast to many other industrialized nations and scientific consensus.
- **Alberta's climate plan is likely to achieve as little as one-fifth of the emissions reductions the plan calls for by 2020 (relative to a business-as-usual level).** This is due to weaknesses in the policies and accounting for emissions reductions. As a result, the plan will fail to halt the growth in Alberta's absolute GHG emissions.
- **Meeting Canada's 2020 climate target would require a tenfold increase in the federal government's climate change effort.** The projected increase in Canada's GHG emissions between 2005 and 2020 will come almost solely from the oilsands, but Canada's and Alberta's current efforts to constrain these emissions are completely out of step with Canada's climate commitments.
- **Carbon capture and storage (CCS) is unlikely to significantly reduce emissions in the oilsands in the next 20 years.** Without a meaningful and effective price on carbon, the cost of capturing emissions from most sources will be prohibitive.

# Oilsands are a major and growing source of greenhouse gas emissions

## Oilsands are the fastest growing source of greenhouse gas pollution in Canada

Over the last two decades, oilsands greenhouse gas emissions have more than doubled.<sup>1</sup> In 2009, oilsands operations in Canada emitted 45 million tonnes (Mt) of greenhouse gases (GHGs), an increase of 22 million tonnes over 2000 levels. According to recent projections from the Government of Canada, in a business-as-usual oilsands scenario, this emissions growth will continue with the total annual emissions from the oilsands doubling from 2009 to 2020.<sup>2</sup>



**Figure 1: Annual total oilsands greenhouse gas emissions.**

Source: Data from 1990 to 2009<sup>3</sup> are actual measured values, while 2010 to 2020<sup>4</sup> represent Environment Canada's forecast values.

<sup>1</sup> Oilsands emissions have grown from 17 Mt in 1990 to 45 Mt in 2009. Source: *National Inventory Report 1990–2008: Greenhouse Gas Sources and Sinks in Canada, Part 1* (Gatineau, QC: Environment Canada, 2010), 86. Available at <http://www.ec.gc.ca/Publications/default.asp?lang=En&xml=492D914C-2EAB-47AB-A045-C62B2CDACC29>. Note: the value for 2009 was provided in an e-mail communication from Environment Canada officials.

<sup>2</sup> *Canada's Emissions Trends* (Gatineau, QC: Environment Canada, 2011), 25. Available at <http://www.ec.gc.ca/Publications/E197D5E7-1AE3-4A06-B4FC-CB74EAAAA60F/CanadasEmissionsTrends.pdf>.

<sup>3</sup> *National Inventory Report 1990–2008: Greenhouse Gas Sources and Sinks in Canada, Part 1*, 86.

<sup>4</sup> *Canada's Emissions Trends*, 25.

The rapid growth rate of oilsands GHG pollution is even more evident when compared with the projected emissions from other economic sub-sectors in Canada. As shown in Figure 2, GHG emissions are growing faster in the oilsands than any other sub-sector in Canada.

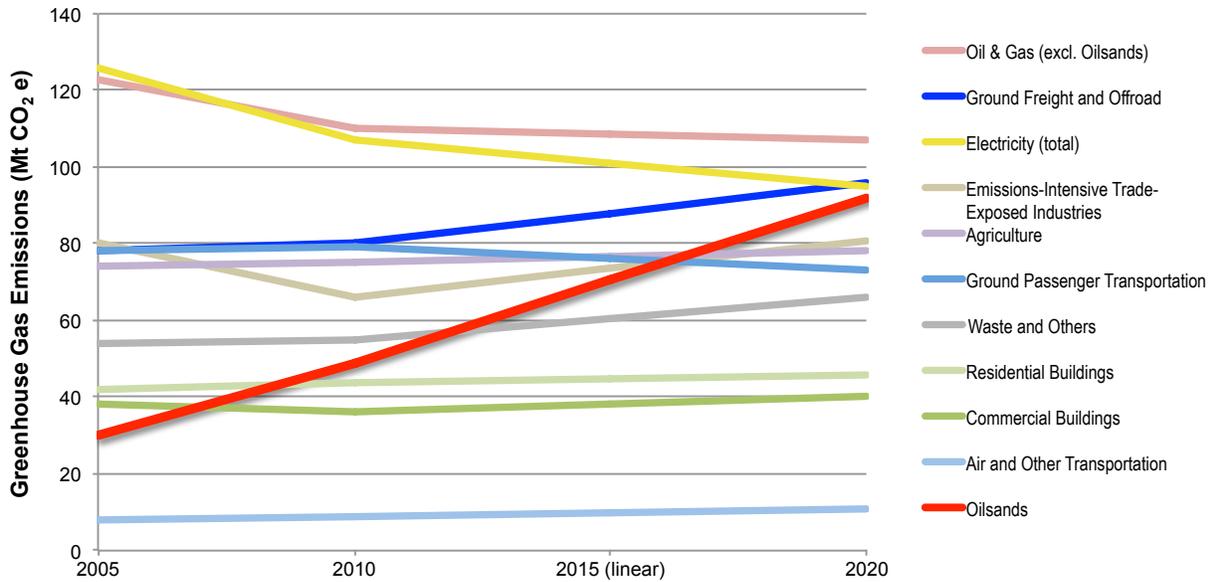


Figure 2. Projected annual greenhouse gas emissions by economic sub-sector

Figure produced from Environment Canada data<sup>5</sup>

### Extracting and upgrading synthetic crude from the oilsands is a very emissions-intensive means of producing transportation fuel

In comparison to conventional sources of crude, producing transportation fuels from the oilsands is a very energy-intensive process. The vast quantities of natural gas burned to power the oilsands industry result in unusually high GHG pollution. Numerous studies have compared the GHG intensity of oilsands with a variety of conventional crudes and other heavy or non-conventional fuel sources, and have shown oilsands at or near the top of the list of the most emissions-intensive commercial sources to date. Industry-wide average GHG emissions for oilsands extraction and upgrading are estimated to be 3.2 to 4.5 times greater per barrel than for conventional crude oil produced in Canada or the United States.<sup>6</sup>

The Royal Society of Canada Expert Panel on the Environmental and Health Impacts of Canada’s Oil Sands Industry noted, “In summary, comparisons of GHG emissions from oil sands with other petroleum sources is very dependent on the petroleum source that is used for

<sup>5</sup> Ibid.

<sup>6</sup> Calculated using an average value of 111 kg of CO<sub>2</sub> equivalent emissions for producing one barrel of synthetic crude oil from oilsands. The GHG emissions from individual projects vary considerably because of differences in technologies, practices and oilsands quality from project to project. Average emissions per barrel for conventional crude oil production are 35.2 kg of CO<sub>2</sub> equivalent in Canada and 24.5 kg of CO<sub>2</sub> equivalent in the U.S. Source: *Development of Baseline Data and Analysis of Life Cycle Greenhouse Gas Emissions of Petroleum-Based Fuels* (Washington, DC: National Energy Technology Laboratory, 2008), 12. Available at <http://www.netl.doe.gov/energy-analyses/pubs/NETL%20LCA%20Petroleum-Based%20Fuels%20Nov%202008.pdf>.

comparison and the specific details concerning the processing of bitumen. Nonetheless, life-cycle GHG emissions from oil sands are in the upper part or at the top of range of all petroleum sources. In situ bitumen recovery is the highest for GHG emissions and its proportion of bitumen production is increasing.<sup>7</sup>

## Oilsands intensity improvements will not compensate for absolute oilsands growth

Environment Canada's most recent figures show that, from 1990 to 2009, oilsands GHG intensity (emissions per barrel produced) declined by 29%.<sup>8,9</sup> Industry advocates often use this statistic to imply that substantial intensity improvements will continue in the future. However, this is not likely to be the case.

While past technology and process improvements resulted in increased efficiency, a significant component of the intensity reductions from the past two decades were made possible by fuel switching from coke to natural gas<sup>10</sup> and by increased use of cogeneration of heat and electricity.<sup>11</sup> These one-time advances have been widely adopted across the industry and so are not likely to result in further significant GHG intensity reductions in the future.<sup>12</sup> While new technologies are being researched that could potentially lead to future GHG intensity reductions, the long lag time between research, piloting and commercial deployment means that any significant benefits from the technologies are likely 15 to 20 years away.<sup>13</sup> In fact, as illustrated in Figure 3, the historical decline in GHG intensity now appears to have ended with intensity levelling off and increasing somewhat over the past four years.

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<sup>7</sup> Pierre Gosselin et al., *The Royal Society of Canada Expert Panel: Environmental and Health Impacts of Canada's Oil Sands Industry Report* (Ottawa, ON: The Royal Society of Canada, 2010), 92–93, Available at [http://www.rsc-src.ca/documents/expert/RSC\\_report\\_complete\\_secured\\_9Mb.pdf](http://www.rsc-src.ca/documents/expert/RSC_report_complete_secured_9Mb.pdf).

<sup>8</sup> See Figure 3 [source provided in footnote to figure caption]

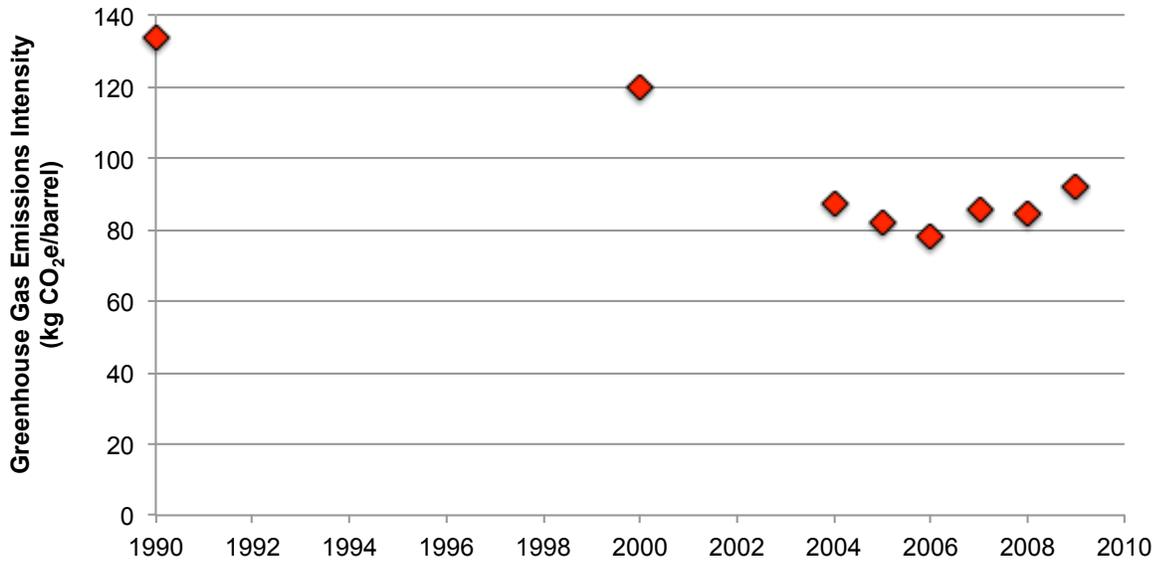
<sup>9</sup> Note: due to revisions of historical data made by Environment Canada, intensity improvements are 29% rather than the 39% figure that was previously cited widely.

<sup>10</sup> Petroleum coke is a very carbon-intensive fossil fuel compared to natural gas.

<sup>11</sup> *Oil Sands Technology: Past, Present, and Future — Special Report* (Cambridge, MA: IHS CERA, 2011), 9. Available at [http://www2.cera.com/cos\\_form/](http://www2.cera.com/cos_form/).

<sup>12</sup> For more information, refer to: Danielle Droitsch, Marc Huot, and P.J. Partington, *Canadian Oil Sands and Greenhouse Gas Emissions: The Facts in Perspective* (Drayton Valley, AB: The Pembina Institute, 2010). Available at <http://www.oilsandswatch.org/pub/2057>

<sup>13</sup> *Oil Sands Technology: Past, Present, and Future — Special Report*, “Summary of Key Insights of IHS CERA's Analysis.”



**Figure 3. Industry-wide greenhouse gas emissions intensity trends for oilsands**

Source: Emissions data from Environment Canada<sup>14</sup> and production data from Statistics Canada<sup>15</sup>

In addition, new intensity reductions brought by future technologies may be diminished or cancelled out by other changes to the industry. For example, current projects tend to start where the best bitumen reservoirs are located, but future oilsands operations are likely to be located at reservoirs that are less easily accessible, therefore requiring more energy and producing relatively higher GHG emissions.<sup>16</sup> Furthermore, in situ oilsands extraction — a significantly more GHG-intensive means of production (on average 2.5 times more intensive than mining)<sup>17</sup> — is expected to become a major portion of overall oilsands production over the next decade.<sup>18</sup> Such a shift would increase the industry-wide GHG intensity.

### Carbon capture and storage is not likely to result in significant emissions reductions in the oilsands for at least the next two decades

Much attention has been paid to the potential role that carbon capture and storage (CCS) could play in limiting GHG emissions from Canada’s oilsands. This is partly because Alberta’s climate change plan assumes that CCS alone will provide 139 Mt of a planned 200 Mt reduction (approximately 70%) in annual emissions below the business as usual level by 2050,<sup>19</sup> and much of Alberta’s emissions growth is expected to happen in the oilsands sector. Yet often this

<sup>14</sup> *National Inventory Report 1990–2008: Greenhouse Gas Sources and Sinks in Canada, Part 1*, 86. Note: the value for 2009 oilsands total emissions was provided in e-mail communication from Environment Canada officials.

<sup>15</sup> *Table 126-0001 — Supply and disposition of crude oil and equivalent, monthly (cubic meters)*, (CANSIM database), Statistics Canada, (accessed July 22, 2010).

<sup>16</sup> *The Royal Society of Canada Expert Panel: Environmental and Health Impacts of Canada’s Oil Sands Industry Report*, 89.

<sup>17</sup> Based on 2007 operational data. Source: Marc Huot and Simon Dyer, *Mining vs In Situ Factsheet* (Drayton Valley, AB: The Pembina Institute, 2010). Available at <http://www.oilsandswatch.org/pub/2017>.

<sup>18</sup> *Ibid.*

<sup>19</sup> *Alberta’s 2008 Climate Change Strategy: Responsibility / Leadership / Action* (Edmonton, AB: Alberta Environment, 2008). Available at <http://environment.gov.ab.ca/info/library/7894.pdf>

attention understates both the slow and limited deployment of CCS and the significant challenges in applying this technology to the oilsands sector.

To date there are no operating CCS projects in the oilsands. One planned integrated project, Shell's Quest project, will capture 35% of the emissions from the Scotford Upgrader.<sup>20</sup> This project will receive \$865 million in subsidies from the federal and provincial governments.<sup>21</sup> A second planned project, the Alberta Carbon Trunk Line, proposes to transport CO<sub>2</sub> from an oilsands upgrader and other industrial facilities in central Alberta to oil fields for enhanced oil recovery.<sup>22</sup> At \$558 million, federal and provincial subsidies will cover 47% of this project's costs.<sup>23</sup> These two projects are currently expected to store 2.8 Mt of CO<sub>2</sub> annually.<sup>24</sup>

While in principle CCS could be applied at several different stages in the bitumen extraction and upgrading phases, the cost of capturing emissions from many of the sources will be prohibitive unless governments are willing to implement carbon prices an order of magnitude higher than they have contemplated to date. In general, CO<sub>2</sub> emissions associated with hydrogen production at oilsands upgraders have lower capture costs for oilsands, estimated at \$75 to \$155/tonne.<sup>25</sup> These costs are within the range of other relatively low-cost capture sources like coal-fired electricity production and oil refining. However, CO<sub>2</sub> streams from in situ oilsands have among the highest capture costs, estimated at \$175 to \$230/tonne.<sup>26</sup>

In Alberta, the effective carbon price is set at \$15/tonne of CO<sub>2</sub> — the charge that large emitters can pay into the province's Climate Change and Emissions Management Fund in order to comply with Alberta's Specified Gas Emitter Regulation, which mandates a 12% emission intensity reduction for heavy industry in the province.<sup>27</sup> At this price level, and in the absence of further massive public subsidies, there is very little (if any) financial incentive for oilsands producers to pursue CCS projects.

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<sup>20</sup> Shell Canada, *Oilsands: Shell's Quest*, [http://www.shell.ca/home/content/can-en/aboutshell/our\\_business/business\\_in\\_canada/upstream/oil\\_sands/quest/](http://www.shell.ca/home/content/can-en/aboutshell/our_business/business_in_canada/upstream/oil_sands/quest/) (Accessed March 1, 2011).

<sup>21</sup> The Alberta government will provide \$745 million and the Canadian government will provide \$120 million. Source: Shell Canada, "Shell, governments agree funding for Canadian CO<sub>2</sub> storage project", news release, June 24, 2011. Available at [http://www.shell.ca/home/content/can-en/aboutshell/media\\_centre/news\\_and\\_media\\_releases/2011/0624ccs.html](http://www.shell.ca/home/content/can-en/aboutshell/media_centre/news_and_media_releases/2011/0624ccs.html).

<sup>22</sup> Initial design will transport 4,600 to 5,100 tonnes of CO<sub>2</sub> per day from two sites: the North West Upgrading Inc. oilsands upgrader and Agrium Inc. Redwater complex. Source: Enhance Energy, *Alberta Carbon Trunk Line*, [http://www.enhanceenergy.com/co2\\_pipeline/index.html](http://www.enhanceenergy.com/co2_pipeline/index.html) (Accessed March 1, 2011).

<sup>23</sup> Enhance Energy, *Alberta Carbon Trunk Line, Q & A*, [http://www.enhanceenergy.com/q\\_a](http://www.enhanceenergy.com/q_a) (Accessed September 5, 2011).

<sup>24</sup> Under its initial design, The Alberta Carbon Trunk Line will transport in the range of 1.8Mt of CO<sub>2</sub> annually. Source: *The ACTL Pipeline Project*, Enhance Energy, <http://www.enhanceenergy.com/actl/> (accessed September 13, 2011). The Shell Quest project aims to capture and store 1 Mt of CO<sub>2</sub> annually. Source: Shell Canada, *About Quest*, [http://www.shell.ca/home/content/can-en/aboutshell/our\\_business/business\\_in\\_canada/upstream/oil\\_sands/quest/](http://www.shell.ca/home/content/can-en/aboutshell/our_business/business_in_canada/upstream/oil_sands/quest/) (Accessed September 13, 2011).

<sup>25</sup> Note: CO<sub>2</sub> capture from coal power generation is the lowest cost at \$60–130 per tonne. *ICO<sub>2</sub>N GHG Alternatives Report* (Ottawa, ON: The Delphi Group, 2009), 79, Available at [http://delphi.ca/images/uploads/IC02N\\_GHG\\_Alternatives\\_Report.pdf](http://delphi.ca/images/uploads/IC02N_GHG_Alternatives_Report.pdf).

<sup>26</sup> Ibid.

<sup>27</sup> *Technical Guidance for Completing Specified Gas Baseline Emission Intensity Applications, Version 3.2* (Edmonton, AB: Alberta Environment, 2010), 4.8. Available at <http://environment.alberta.ca/documents/Technical-Guidance-for-Completing-Specified-Gas-Baseline-Emission-Intensity-Applications.pdf>.

IHS CERA noted that capturing CO<sub>2</sub> at upgraders presents the best opportunity for CCS implementation in the oilsands and could lead to a net decrease in emissions intensities of 11 to 14% for bitumen production and upgrading (well-to-tank).<sup>28</sup> According to the forecast scenario described in the report, CCS implementation in the oilsands will begin around 2020 and, as it expands, will lead to industry-wide reductions in annual GHG emissions of approximately 6 Mt from business as usual by 2035.<sup>29</sup> While CCS reductions may occur in other industries, at this rate Alberta will be required to dramatically increase its implementation of CCS to achieve its target of 139 Mt of reductions by 2050.

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<sup>28</sup> The net intensity decrease is based on a 40% reduction for the upgrading portion of the synthetic crude production but also takes into consideration a 30% loss of efficiency that results from adding CO<sub>2</sub> capture to an upgrader. Source: *Oil Sands Technology: Past, Present, and Future — Special Report*, 20.

<sup>29</sup> The Scenario forecasts 30% reductions (approximately 18 Mt), one third of which resulting from CCS. Source: *Oil Sands Technology: Past, Present, and Future — Special Report*, 31–32, Figure 10.

# Alberta's climate regulations are weak and will not counteract the growing GHG emissions from the oilsands sector

While the Alberta government makes bold claims<sup>30</sup> about its actions to curb GHG emissions, both its mid-term and long-term targets are weak relative to other jurisdictions and its actual performance is lagging far behind even those targets. In the near term, scientific consensus is that industrialized countries' combined GHG emissions should fall to 25 to 40% below 1990 levels by 2020 to avoid dangerous climate change.<sup>31</sup> Some major jurisdictions have made reduction commitments within this range, for example, the UK,<sup>32</sup> Norway<sup>33</sup> and Japan.<sup>34</sup> Alberta's 2008 climate plan, by contrast, assumes an approximate 65% growth in emissions between 1990 and 2020<sup>35</sup>, making it one of the few industrialized jurisdictions to commit to emissions increases rather than decreases. The 2008 plan also included a target to reduce annual GHG emissions by 20 Mt below the business-as-usual level by 2010 — a target the province failed to even come close to meeting.

Over the long term, many industrialized countries have committed to 80% or greater reductions in GHG emissions by 2050. For example, the U.S. is targeting an 83% reduction below the 2005 level by 2050.<sup>36</sup> In stark contrast, Alberta's long-term climate target is a mere 14% reduction below the 2005 level by 2050<sup>37</sup> (equivalent to 16% above the 1990 level<sup>38</sup>).

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<sup>30</sup> According to provincial Environment Minister Rob Renner, "We're taking tremendous steps forward on climate change. We're setting achievable targets and laying out ways we will get there. The world is looking for leadership on climate change. The opportunity is there for the taking. Alberta is taking it." From: Rob Renner, *Climate Change (speech in Washington, DC, March 30, 2009)*, <http://environment.alberta.ca/documents/Climate-Change-Was-NY-speech-Mar-30-31-2009.pdf>.

<sup>31</sup> Matthew Bramley, Pierre Sadik and Dale Marshall, *Climate Leadership, Economic Prosperity: Final Report on an Economic Study of Greenhouse Gas Targets and Policies for Canada* (The Pembina Institute and the David Suzuki Foundation, 2009), 14–15. Available at <http://www.pembina.org/pub/1909>.

<sup>32</sup> Department of Energy and Climate Change, *Carbon Budgets*, [http://www.decc.gov.uk/en/content/cms/emissions/carbon\\_budgets/carbon\\_budgets.aspx](http://www.decc.gov.uk/en/content/cms/emissions/carbon_budgets/carbon_budgets.aspx) (accessed Oct 14, 2011).

<sup>33</sup> Ministry of the Environment, *Climate*, <http://www.regjeringen.no/en/dep/md/Selected-topics/climate.html?id=1307> (accessed Oct 14, 2011).

<sup>34</sup> Ministry of the Environment, *Overview of the Bill of the Basic Act on Global Warming Countermeasures (Provisional Translation)*, Government of Japan, [http://www.env.go.jp/en/earth/cc/bagwc/overview\\_bill.pdf](http://www.env.go.jp/en/earth/cc/bagwc/overview_bill.pdf) (accessed Oct 14, 2011).

<sup>35</sup> Alberta's emissions grew by 35% between 1990 and 2005. Source: *National Inventory Report 1990–2009: Greenhouse Gas Sources and Sinks in Canada, Part 3* (Gatineau, QC: Environment Canada, 2011), 95. Available at [http://unfccc.int/national\\_reports/annex\\_i\\_ghg\\_inventories/national\\_inventories\\_submissions/items/5888.php](http://unfccc.int/national_reports/annex_i_ghg_inventories/national_inventories_submissions/items/5888.php). Alberta's plan assumes emissions will grow by approximately a further 22% between 2005 and 2020. Source: *Alberta's 2008 Climate Change Strategy: Responsibility / Leadership / Action*, 24. A 35% increase compounded by a 22% increase gives a total 65% increase.

<sup>36</sup> *Copenhagen Accord, Appendix I — Quantified economy-wide emissions targets for 2020. U.S. Submission* (United States Department of State, Office of the Special Envoy for Climate Change, 2010). Available at [http://unfccc.int/files/meetings/cop\\_15/copenhagen\\_accord/application/pdf/unitedstatescphaccord\\_app.1.pdf](http://unfccc.int/files/meetings/cop_15/copenhagen_accord/application/pdf/unitedstatescphaccord_app.1.pdf).

<sup>37</sup> *Alberta's 2008 Climate Change Strategy: Responsibility / Leadership / Action*, 7.

<sup>38</sup> *National Inventory Report 1990–2009: Greenhouse Gas Sources and Sinks in Canada, Part 3*, 95.

While the Alberta plan commits to a number of specific policy actions, it makes no attempt to show that the policies will be strong enough to achieve the objectives. Due to weaknesses in the policies and the accounting for emissions reductions, the Pembina Institute estimates that the government's current GHG initiatives could result in at most about a 14 Mt reduction by 2020 compared to business-as-usual annual emissions; the reduction could possibly be less than 10 Mt by 2020.<sup>39</sup> This will fall far short of halting the growth in Alberta's GHG emissions, let alone achieving absolute reductions.

With weak climate targets and some very significant shortcomings in the provincial climate change policies, claims that Alberta is demonstrating international leadership on climate appear disingenuous at best, misleading at worst.

### **Specified Gas Emitters Regulation (SGER)**

This Alberta regulation requires all facilities emitting more than 100,000 tonnes of CO<sub>2</sub> equivalent per year to reduce their emissions intensities by 12% (for new facilities the requirement is phased in over several years).<sup>40</sup> However, these are in large part reductions on paper only, since facilities can comply by making payments of \$15/tonne CO<sub>2</sub>e into the Climate Change and Emissions Management Fund and by purchasing offset credits from projects in Alberta — credits that in many cases do not represent incremental emission reductions (see below). While it is true that Alberta does have a price on carbon, this price is only applicable to 12% of the emissions from new large facilities, such as those being built in the oilsands. Furthermore, the \$15/tonne compliance option essentially caps the price on carbon in the province at a rate far lower than the cost of achieving on-site reductions through CCS and other technologies, thereby failing to provide an incentive to implement those technologies.

### **Alberta's offset program**

Alberta's carbon offset program provides carbon credits to reductions made by projects that would already have taken place without any policy action. A Pembina Institute analysis of Alberta's offset registry revealed that more than 82% of credits used for compliance with the SGER during 2008 to 2010 came from projects that started before the policy was announced in 2007.<sup>41</sup> It is clear that the reductions associated with these projects cannot be attributed to the SGER and should not be awarded offset credits. When projects such as these do receive offset credits, the result is that SGER achieves even fewer real GHG reductions than it would otherwise.

### **Climate Change and Emissions Management Fund (CCEMF)**

As noted above, large emitters can make \$15/tonne payments into Alberta's CCEMF to meet the Specified Gas Emitters Regulation intensity targets rather than making on-site emission

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<sup>39</sup> Further details will be provided in a forthcoming report from the Pembina Institute that will provide an in-depth assessment of Alberta's GHG reduction policies (anticipated release Fall 2011).

<sup>40</sup> *Specified Gas Emitters Regulation*, available at [http://www.qp.alberta.ca/574.cfm?page=2007\\_139.cfm&leg\\_type=Regs&isbncln=9780779758791&display=html](http://www.qp.alberta.ca/574.cfm?page=2007_139.cfm&leg_type=Regs&isbncln=9780779758791&display=html).

<sup>41</sup> Calculation based on an analysis of data publicly available at <http://www.carbonoffsetsolutions.ca/aeor/>. Further details will be provided in a forthcoming report from the Pembina Institute that will provide an in-depth assessment of Alberta's GHG reduction policies (anticipated release Fall 2011).

reductions. The funds are reinvested in a wide range of emission reduction projects. In the period 2007 to 2010, \$256 million was paid into the CCEMF;<sup>42</sup> to date \$126 million has been committed to approved projects.<sup>43</sup> It is too early to know by how much these projects will reduce emissions. However, it is clear that the emission reductions in the near term (e.g., by 2020) will be much smaller than the “reductions” for which Alberta’s large emitters are given credit by making payments into the CCEMF.

### **CCS Subsidies**

Alberta has committed \$2 billion to support large-scale CCS projects in the province, including two in the oilsands (see above).<sup>44</sup> However, a recent proposal by the government to provide double offset credits for certain CCS projects may completely undermine any emission reductions made under this program.<sup>45</sup> Even providing one credit for every tonne reduced would diminish the net emission reductions from CCS because each credit created allows the company receiving or purchasing that credit to emit an extra tonne (or avoid payments into the CCEMF). But when two credits are provided for every one tonne of reduction, the total allowed GHG emissions resulting from the CCS subsidies and offset system are higher still.

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<sup>42</sup> Alberta Environment, *Greenhouse Gas Reduction Program*, <http://environment.alberta.ca/01838.html> (Accessed August 17, 2011).

<sup>43</sup> Climate Change Emissions Management Corporation, *Funded Projects*, <http://ccemc.ca/funded-projects>. (Accessed August 17, 2011).

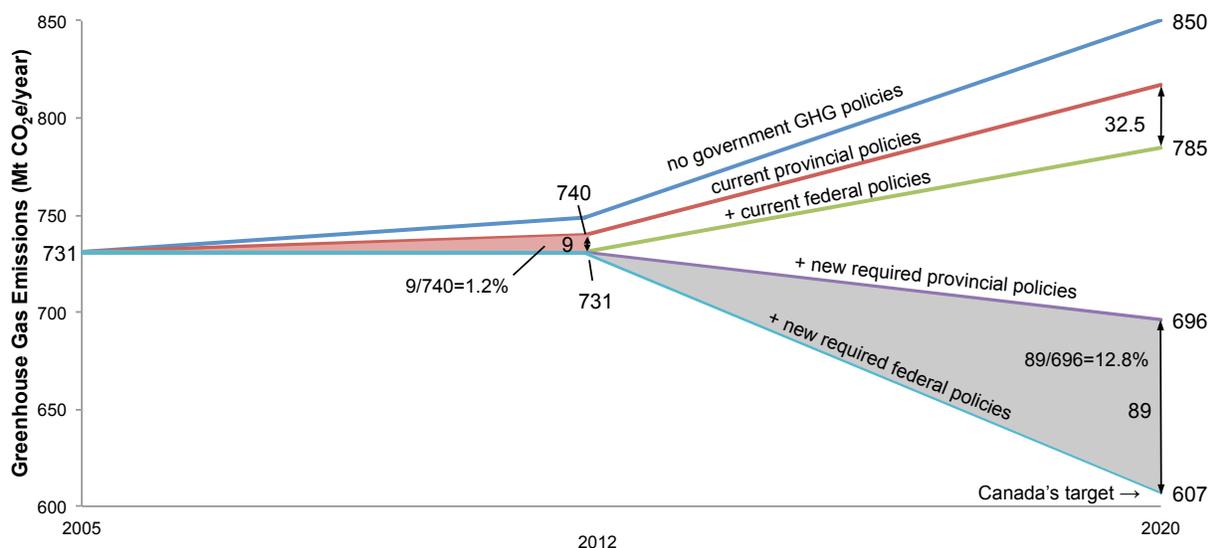
<sup>44</sup> Alberta Energy, *CCS Major Initiatives*, <http://www.energy.alberta.ca/Initiatives/1897.asp> (accessed August 29, 2011).

<sup>45</sup> Chris Severson-Baker, *Bonus credits for CCS weaken Alberta’s greenhouse gas regulations*, <http://www.pembina.org/blog/552> (accessed August 29, 2011).

# Federal climate policies will fail to meet the country's 17% emissions reduction target unless the government increases its effort tenfold

Current federal and provincial policies put Canada's GHG emissions on a trajectory to be 7% above the 2005 level by 2020, not 17% below it as the government has promised

Environment Canada's latest projections show that in the absence of any government policies to curtail emissions, and with mid-range assumptions about economic growth and the price of oil, Canada's annual GHG emissions would reach 850 Mt in 2020, compared to 731 Mt in 2005. When taking into account all currently announced federal and provincial climate policies, just one-quarter of the gap between our projected 2020 emissions and our 2020 target (17% below the 2005 level) will be closed, meaning that Canada's 2020 emissions would be 785 Mt.<sup>46</sup>



**Figure 4: Canada's greenhouse gas emissions 2005-2020**

Source: Pembina Institute presentation of data from Environment Canada<sup>47</sup>

The left-hand red shaded area in Figure 4, which depicts numbers published by Environment Canada, shows that during the Harper government's first seven years in office (2006–2012

<sup>46</sup> This pledge has been inscribed in the Copenhagen Accord but with the caveat that it may change based on developments in the U.S. See *Copenhagen Accord: Appendix I — Quantified economy-wide emissions targets for 2020*, Canada submission (Government of Canada, 2010) Available at [http://unfccc.int/files/meetings/cop\\_15/copenhagen\\_accord/application/pdf/canadacphaccord\\_app1.pdf](http://unfccc.int/files/meetings/cop_15/copenhagen_accord/application/pdf/canadacphaccord_app1.pdf)

<sup>47</sup> *Canada's Emissions Trends*, 22, Table 3; *A Climate Change Plan for the Purposes of the Kyoto Protocol Implementation Act* (Gatineau, QC: Environment Canada, 2011). Available at [http://www.climatechange.gc.ca/Content/4/0/4/4044AEA7-3ED0-4897-A73E-D11C62D954FD/COM1410\\_KPIA%202011\\_e%20-%20May%2031%20v2.pdf](http://www.climatechange.gc.ca/Content/4/0/4/4044AEA7-3ED0-4897-A73E-D11C62D954FD/COM1410_KPIA%202011_e%20-%20May%2031%20v2.pdf).

inclusive), its efforts will have reduced Canada's annual emissions by 9 Mt or 1.2%, equivalent to 0.17% per year. The grey shaded area in the figure shows that during the subsequent eight years (2013–2020 inclusive), federal policies would have to reduce annual emissions by 89 Mt, or 12.8%, in order to meet Canada's 2020 target. Meeting this target is equivalent to 1.7% reductions per year. This indicates that a tenfold increase is required in the current federal policy implementation effort from now on.<sup>48</sup>

Overall, Canada's annual GHG emissions are projected to increase by 54 Mt between 2005 and 2020, under currently announced federal and provincial policies.<sup>49</sup> Emissions from the oilsands (including emissions from upgrading) are projected to grow by 62 Mt over the same period.<sup>50</sup> Because the ups and downs in emissions in other sectors largely cancel each other out, essentially the entire projected increase in Canada's emissions between 2005 and 2020 will come from the oilsands.

### New climate policies fail to raise the bar

The federal government is implementing new policies intended to slow the future growth in Canada's GHG emissions. The most significant of these include regulated emission standards for cars and trucks based on the U.S. regulations, stronger efficiency standards for energy-using equipment, and public investment in four industrial-scale CCS projects (two in the oilsands — see above). The government is also proposing to regulate GHG emissions from coal-fired electricity generation, starting in 2015.

However, the effectiveness of these initiatives is questionable. Loopholes in the car regulations, and the fact that Canada's fleet is historically more efficient than the U.S. fleet, may allow automakers to simply continue with business as usual in Canada until as late as the 2016 model year.<sup>51</sup> Some of the CCS projects may not proceed, if their proponents decide they are not economically viable. The proposed regulations for coal-fired electricity will allow existing plants to operate for their full economic life (45 years) and will allow those new plants that plan to use CCS to avoid capturing the majority of their emissions until 2025. Under these regulations, about two-thirds of currently operating plants will not be required to meet the standard until after 2020, and nine will operate past 2030 without constraint.<sup>52</sup>

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<sup>48</sup> Note: It could be argued that federal emission reduction efforts only need to be increased fourfold, because the 32.5 Mt impact of current federal policies in 2020 needs to be increased to  $32.5 + 89 = 121.5$  Mt to meet Canada's target (see the numbers at the right-hand side of Figure 4). But to make a fair comparison of the effort entailed in two sets of policies, it is important to compare their impact on emissions over similar time periods. This is because policies generally have a bigger impact on emissions over a longer time period, without any extra effort by government (the key government effort is at the beginning in getting the policies adopted and implemented). Current federal policies that have not yet begun to impact emissions are recognized in our tenfold calculation because they shrink the emission-reduction effort needed in the 2013–2020 period.

<sup>49</sup> *Canada's Emissions Trends*, 22, Table 3.

<sup>50</sup> *Ibid.*, 25, Table 5.

<sup>51</sup> Matthew Bramley and P.J. Partington, *Pembina Institute Comments on Canada's Proposed Passenger Automobile and Light Truck Greenhouse Gas Emission Regulations*, (Drayton Valley, AB: The Pembina Institute, 2010). Available at <http://www.pembina.org/pub/2055>.

<sup>52</sup> Tim Weis, "Pembina reacts to new federal regulations for coal-fired electricity", news release, August 19, 2011. Available at <http://www.pembina.org/media-release/2255>.

## Canadian targets could be met with no negative impact to job creation

While a far more significant federal commitment to manage oilsands GHG emissions would be required for Canada to meet its emissions target in 2020, a recent study<sup>53</sup> by M.K. Jaccard and Associates, a leading economic modelling firm, concluded that Canada could sharply reduce its emissions between 2010 and 2020 with only a slight slowing of economic growth, and with no negative impact on job creation. The study also showed that Canada could surpass the federal government's GHG target for 2020 while still expanding the oilsands industry and allowing Alberta to continue having the fastest growing economy in the country.<sup>54</sup> This would, however, require massive and urgent deployment of CCS in the oilsands.

## Canada is a climate follower, not a climate leader

Since the election of Barack Obama, the Government of Canada has consistently emphasized a commitment to harmonize its climate change action with that of the U.S.<sup>55</sup> Doubts over the Harper government's sincerity about this harmonization are fuelled however by Canada's failure to match its southern neighbour on key climate policies. In the 2010–2011 fiscal year, the Obama administration proposed 18 times more new spending on renewable energy, per capita, than the Government of Canada did.<sup>56</sup> The Obama administration also began regulating GHG emissions from some industrial facilities in January 2011, under the Clean Air Act, but Canada's federal government is still at the stage of talking about such regulations,<sup>57</sup> not implementing them. (Even the proposed coal regulations that the Government of Canada published in August 2011 are not yet finalized and would not take effect until 2015, while the Environmental Protection Agency has been enforcing GHG performance standards for all new facilities and major expansions since January 2011.) In the meantime, this leaves the oilsands sector without any federal GHG regulations or limits.

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<sup>53</sup> Chris Bataille et al., *Exploration of two Canadian greenhouse gas emissions targets: 25% below 1990 and 20% below 2006 levels by 2020* (report for the Pembina Institute and the David Suzuki Foundation) (Vancouver, BC: M.K. Jaccard and Associates, 2009). Available at <http://www.pembina.org/pub/1910>.

<sup>54</sup> Matthew Bramley, Pierre Sadik and Dale Marshall, *Climate Leadership, Economic Prosperity: Final Report on an Economic Study of Greenhouse Gas Targets and Policies for Canada* (The Pembina Institute and the David Suzuki Foundation, 2009), 5. Available at <http://www.pembina.org/pub/1909>.

<sup>55</sup> For example, when signing the Copenhagen Accord, the federal government announced "The Government of Canada has consistently emphasized the importance of harmonizing our approach to climate change with that of the United States." Source: Office of the Minister of the Environment, "Canada Lists Emissions Target under the Copenhagen Accord," news release, February 2010. Available at <http://www.ec.gc.ca/default.asp?lang=En&n=714D9AAE-1&news=EAF552A3-D287-4AC0-ACB8-A6FEA697ACD6>.

<sup>56</sup> Tim Weis, *Comparing U.S. and Canadian investments in sustainable energy in 2010* (Drayton Valley, AB: The Pembina Institute, 2010). <http://www.pembina.org/pub/1979>.

<sup>57</sup> A proposal for federal regulations is expected within the next year for the oil and gas sector; proposed regulations for other sectors may follow.