

June 17, 2016

Environment and Climate Change Canada
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RE: Review of Related Upstream Greenhouse Gas Emissions Estimates (Trans Mountain Pipeline ULC – Trans Mountain Expansion Project) (reference #80061)

To Environment and Climate Change Canada,

Thank you for the opportunity to provide comments on the analysis Environment and Climate Change Canada (ECCC) has undertaken on the Kinder Morgan Trans Mountain Expansion (TMX) project's anticipated upstream greenhouse gas (GHG) emissions.¹

The federal government has committed to an interim review process for major natural resource projects currently under review (including TMX) that incorporates an assessment of upstream GHG emissions by ECCC. However, there is no clear indication of how this assessment will figure into the federal government's final decision to approve or reject projects or how this assessment will align with Canada's GHG reduction targets and international climate obligations.

The methodology as proposed by ECCC does not describe how the assessment of upstream GHG emissions would adhere to a projected market analysis that is consistent with global demand forecasts in line with the international agreement reached in Paris to limit global temperature rise to well below 2 degrees Celsius (°C) and strive for 1.5°C. The proposed methodology also fails to meet a credible, robust climate test that provides decision-makers with the tools necessary to ensure they are able to position the Canadian economy to thrive in a global market that is transitioning to clean energy in a climate-safe future.

At the Paris climate summit, countries committed to the long-term goal of limiting global temperature rise to 2°C and Canada actively advocated for a more aggressive goal of 1.5°C. Under the United Nations Framework Convention on Climate Change, Canada committed to a target of reducing GHG emissions 30 per cent below 2005 levels by 2030. The 30 per cent reduction target translates as 523 megatonnes (MT) of emissions in 2030, yet ECCC acknowledges that existing policies will result in 815 MT, with the growth in emissions driven largely by growth in the upstream oil and gas sector and, in particular, from the oil sands.²

This leaves a huge gap that must be addressed in some way by achieving dramatic reductions across the Canadian economy and/or by limiting emissions growth in the oil and gas sector. The gap grows even larger when one considers that the 30 per cent reduction target, set by the previous federal government,

¹ From Environment and Climate Change Canada to the Government of Canada re: Trans Mountain Pipeline ULC - Trans Mountain Expansion - Review of Related Upstream Greenhouse Gas (GHG) Emissions Estimates.. (May 19, 2016). Retrieved from <http://www.ceaa-acee.gc.ca/050/document-eng.cfm?document=114550>.

² Environment and Climate Change Canada. (February 2016). *Canada's Second Biennial Report on Climate Change*. Retrieved from: <https://www.ec.gc.ca/GES-GHG/default.asp?lang=En&n=02D095CB-1>.

is a minimum target that the current government has committed to reviewing with an eye to increasing the level of ambition.³

Yet there is no attempt in ECCC's proposed methodology to reconcile the projected rise in GHG emissions from the oil sands with the need for dramatic emissions reductions in line with Canada's international climate commitments. The proposed upstream GHG assessment therefore fails to explain how the TMX expansion, and associated rise in emissions, is consistent with the Paris climate agreement and Canada's international obligations.

This inconsistency is also manifest in the NEB's oil market forecast, which assumes that global demand for oil will continue to increase and that if oil production were to not occur in Canada, it would be replaced by increased production in other jurisdictions. If the world is to meet the emissions target set out in the Paris agreement, it is inaccurate to assume that oil production will increase and that oil not produced in Canada will be substituted by production elsewhere.

In a world that meets the well below 2°C target agreed to in Paris, Canada would either need to limit and then reduce emissions from the oil sands or achieve herculean GHG reductions in other sectors of its economy. Furthermore, global demand for oil would necessarily need to decrease, eliminating or severely limiting the market for oil production enabled by TMX. The GHG assessment and market analysis employed by ECCC fails to recognize either of these disconnects.

ECCC's proposed methodology also falls short in establishing a credible, robust climate test that gives Canada's decision-makers the tools to assess the economic and climate impacts of natural resource projects, particularly oil pipelines.

Firstly, ECCC's proposed test considers only upstream GHG emissions associated with oil production and disregards the downstream emissions that occur when the oil is burned. Downstream emissions constitute over 80 per cent of the emissions from a barrel of bitumen. When other countries reduce their emissions in line with the Paris agreement, demand for oil will fall and investments in high-cost oil, particularly bitumen, will in all probability become stranded.

Secondly, the proposed methodology uses a baseline scenario that oilsands production will increase regardless of whether TMX is built, assuming that the oil would otherwise be transported by rail. The assumption that transport of bitumen by rail leads to a comparable level of production as TMX is highly debatable. A baseline scenario that assumes TMX will result in expanded production results in increased GHG emissions equivalent to adding two millions cars to Canada's roads.⁴ ECCC's proposed methodology does not clarify which scenario is to be used.

Thirdly, the proposed methodology does not specify how the federal government will consider the increase in national emissions from any single project in relation to Canada's climate target. If TMX were to be approved, in theory other projects that increase GHG emissions would need to be rejected. The climate test for TMX does not consider what other projects would need to be rejected or cancelled to allow for the emissions created by TMX, or the environmental and economic impacts of other projects.

³ Jason Fekete (November 9, 2015). "Liberals' climate-change targets will be tougher than Tory version, McKenna vows". *Ottawa Citizen*. Retrieved from: <http://ottawacitizen.com/news/politics/liberals-climate-change-targets-will-be-tougher-than-tory-version-mckenna-vows>.

⁴ Kathryn Harrison (May 4, 2016). "Ottawa must clarify climate test". *Vancouver Sun*. Retrieved from: <http://vancouversun.com/opinion/ottawa-must-clarify-climate-test>.

To address this problem a coalition of environmental organizations, including Environmental Defence Canada, established a set of principles for a climate test that is intended to more accurately assess the economic and environmental impacts of major project and permit decisions:

- **Energy decisions must be guided by climate science.** According to the IPCC's most recent analysis, global greenhouse emissions must be reduced dramatically by mid-century in order to limit global temperature rise to 2°C. Achieving the 1.5°C limit agreed to in Paris will require greater and more immediate reductions. Globally, these reductions will require the majority of fossil fuel reserves to remain unexploited. Within this context, it is imperative that decision-makers are provided with the tools they need to assess how energy projects and policies fit within a climate safe energy future.
- **Decision-makers must develop and consider models that are consistent with a global economic transition away from high-carbon fossil fuels.** It is essential that the United States and Canada have a clear roadmap for global energy supply and demand based on 1.5°C and below 2°C limits. This roadmap will require U.S. and Canadian energy information agencies to construct robust models for global energy markets that are consistent with these climate scenarios.
- **Environmental review processes must assess the need for projects and policies in the context of global energy supply and demand scenarios consistent with international climate goals.** Any environmental review should take the aforementioned data and analysis and apply it to existing projects and policies under federal review to determine the economic and environmental viability of those proposals.
- **Environmental review processes must assess a project or policy's greenhouse gas emissions.** In addition to assessing the need for a project or policy in a scenario consistent with international climate goals, decision-makers should evaluate the greenhouse gas emissions associated with a project, assess the environmental impact of those emissions and evaluate their effect on national and international efforts to meet long term carbon reduction targets. In assessing the carbon pollution from any proposed project, the government should be able to show how that upward pressure is accounted for in their plan to meet their targets in the medium and long term.⁵

ECCC's proposed methodology's does not demonstrate how the assessment of upstream GHG emissions from the TMX is consistent with global oil demand forecasts and the GHG reductions required to achieve the targets set out in the Paris agreement. It also fails to provide the federal cabinet with the tools needed for Canada to prosper in a low-carbon economy and a climate-safe future. ECCC's draft GHG methodology for TMX and future natural resource projects should be revised to align with the four principles above and establish a robust, credible climate test.

Sincerely,

<signature removed>

Tim Gray
Executive Director
Environmental Defence

⁵ For more detail, see www.climatetest.org.