TRANSITION
INITIATIVE KENORA
Moving Beyond Fossil Fuels

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Environment and Climate Change Canada
12th Floor, 351 Saint-Joseph Boulevard
Gatineau, Quebec K1A 0H3
Via email ec.egesa-ughga.ec@canada.ca

Dear Environment and Climate Change Canada,

Thank you for the opportunity to provide comments on the analysis Environment and Climate Change Canada ("ECCC") has completed on the Enbridge Line 3 ("Line 3") expansion project's anticipated upstream greenhouse gas ("GHG") emissions.

We have some general comments that pertain to the methodology, following which I will list comments specific to each section of the analysis.

First, the methodology as it was proposed earlier this year, and as it has been applied to the Line 3 project, does not resolve the question of how the assessment will fit into the statutory review processes under the Canadian Environmental Assessment Act, 2012 ("CEAA") and the National Energy Board Act ("NEBA").

While the Line 3 upstream GHG emissions analysis has been conducted within the overall National Energy Board ("NEB") review for the project, it remains unclear how decision makers might assess the significance of Line 3's upstream GHG emissions and whether they are justified.

Second, the methodology as it was proposed and applied does not describe how the assessment would adhere to a projected markets analysis that is consistent with established global demand forecasts in line with internationally agreed targets on climate change (i.e. how would it fit within the Paris target of a global temperature rise of no more than 1.5C?). While such forecasts are described in the report, without a federal carbon

budget, it is impossible for ECCC to evaluate the significance of its emissions calculations. Cabinet should defer its decision until after a national carbon budget, climate plan and a climate test for pipelines is in place.

Third, as we have previously commented to ECCC in our April 19, 2016 submission regarding the then-proposed upstream GHG emissions analysis methodology, when developing new analytical methodology, the Government of Canada should adopt as a best practice consultation with Indigenous groups, Inuit, Métis, environmental non-governmental organizations and other relevant stakeholders to ensure the most comprehensive approach is followed for assessing GHG impacts. This, of course, has not been an element of the Line 3 upstream emissions assessement.

Finally, the methodology, of course, does not consider downstream GHG emissions and as such, fails to provide a measure of the true lifecycle impacts of the project. Downstream GHG emissions must be considered if Canada is to understand the lifecycle impacts of the projects under its regulatory authority.

Comments on Part A

1. GHG estimates should take into account indirect emissions resulting from the activities that produce the oil and gas in question. This includes land-use changes, grid electricity, and the use or production of fuels such as natural gas that are used in an oilsands facility. Upstream transportation emissions, including upstream transportation emissions for domestic diluent, related to moving product to the Line 3 loading facility should be included in the analysis.
2. ECCC should compel the project proponent to disclose data necessary to properly assess upstream GHG emissions, including their supply contracts that describe the source and quantity of specific grades of petroleum products that will fill the pipeline.
3. Although ECCC removed imported diluents from its emissions projections, a more robust analysis would also require ECCC obtain the supply contracts for domestic diluent and other processing components.
4. This analysis only considers GHG reduction policy instruments in place as of September 2015 (the current measures reference scenario) and does not include highly relevant policy developments that have happened since that time. At the very least, the project's emissions should be assessed within the context of the Alberta Climate Leadership Plan and the international Paris Agreement.
5. Similarly, the modeling looks only as far as 2030, ostensibly because this is the end of the current federal climate policy timeline. Pipeline infrastructure exists on a much longer (50-year and longer) time horizon, and so the emissions analysis should be projected for the entire lifetime of the proposed project, not just to the end of the current federal climate policy timeline. As the Paris Agreement demands that global carbon emissions shrink approaching 2050, accordingly, any pipeline infrastructure project locked in now will demand an ever-increasing share of the global carbon budget going forward.
6. For each scenario of the various crude oil mixtures that might be transported in the pipeline, the report should indicate cumulative emissions, not just annual

average emissions as a range. The annual emissions range from 19.3 Mt to 26.1 Mt, but cumulatively, no scenario results in emissions that are consistently at the low end of that range, whereas one of the four scenarios does nearly match emissions resulting from a consistent, year-on-year average in the upper end of the range.

7. ECCC should disclose its emissions factors calculations. Without seeing the source data for specific crude oil grades' emissions intensities, it is unclear how the values presented in Table 3 were derived.

Comments on Part B

1. ECCC's analysis looked only at the 370,000 bbl/d of new capacity, because it was assumed that the existing 390,000 bbl/d would not trigger incremental production or incremental emissions. However, the emissions profile of existing production is not necessarily static over time. For example, as existing production becomes more marginal over time, the emissions intensity related to obtaining that resource might increase. In this case, there could be incremental emissions tied to existing production, and ECCC should take this into account in its analysis.
2. ECCC should compel proponents to disclose supply contracts in order to obtain the most accurate forecast of what might fill this pipeline.
3. ECCC's analysis is predicated on the *NEB Futures* report, which assumes that the end market for the product that could fill Line 3 is PADD III. There is no consideration given to Asian markets for Canadian crude, and what impacts this market might have on the NEB forecasts upon which ECCC relied for this analysis. Although Line 3 would not service an Asian export market directly, ECCC should consider the impacts to the Line 3 project from other pipelines that might enable Asian market access.
4. In the section "Canadian Climate Change Commitments and Oil Sands Production", ECCC notes, "Over time, new technologies and policies will be developed that will change the emissions intensity and economic feasibility of oil production both in Canada and globally, as well as act to change the attractiveness of alternatives to oil." We caution that the hope for emerging technology to solve emissions problems should not overshadow the very real need for concrete and decisive policy action to effect emissions reductions.
5. In the "Incremental Emissions" discussion, Scenario 1 assumes the NEB's forecast for 576,000 bbl/d of proposed new production to come online by 2019 is correct and absolves from Line 3 the responsibility for incremental emissions tied to this new growth. If, however, some of these projects should be delayed such that they come online after the in-service date for Line 3, the case for incremental emissions tied to Line 3 may exist.
6. In the "Incremental Emissions" discussion, there are numerous flawed assumptions around the applicability and equivalency of rail and pipelines.

a. First, in the baseline scenario, if there are no new pipelines it does not automatically mean that rail can or would rapidly scale up to cover the capacity shortage. In fact, rail may prove too costly or may offer insufficient capacity, and oil production shut-in could result.
b. Second, it is also a flaw to assume that under scenario 2 crude-by-rail would necessarily be eliminated. There may well be applications for which rail is a more practical option, irrespective of higher tolls (e.g. to service ephemeral shale wells), in which case it would remain part of the Canadian crude oil transportation mix.
c. Rail and pipelines are not completely interchangeable. Rail cannot always readily substitute for pipelines, and while it showed incredible ability to rapidly scale up between 2011-2014, it did so at great cost and physical risk to communities and the natural environment, as evidenced through numerous derailments including two at Gogama, ON in early 2015, and the infamous Lac Mégantic disaster in July 2013. Rail has proven itself a politically unpalatable option for crude oil transportation.
d. Moreover, to bring online an equivalent volume of rail capacity to meet the deficit left by an unapproved pipeline would be logistically challenging, if not impossible given capacity constraints on the existing rail network, as well as at loading and offloading terminals. The rail industry currently appears to have little appetite for investing in the expansion of rail infrastructure on a scale that would be need to meet the demands of a growing oil sector, on the chance that industry might find itself constrained by a lack of pipelines in a few years.
e. ECCC makes no comment on whether incremental emissions might be tied to rail expansion. This should be discussed in this analysis, given the arguments being made around the equivalency of rail to meet pipeline capacity gaps.

7. ECCC has not considered the impacts that the addition of new pipeline infrastructure would have on transportation tolls. Overbuilt pipeline capacity could drive transportation tolls up, making rail competitive and / or leading to shutting in production.
8. In the discussion on "Global Oil Consumption and Upstream GHGs" it is important to remember that while current dollar costs related to producing alternative global crude oil might be equivalent, life cycle cumulative costs do differ. Emissions intensity of production, socio-political costs, and total cumulative environmental impacts all differ from project to project, region to region, country to country. If development costs are equivalent across jurisdictions, these other evaluations metrics are more relevant for determining a project's viability or likelihood of development. Cost does become relevant, however, if global climate goals of 1.5C or 2C are considered. In this case, it may be that the global carbon budget requires global demand to drop,

resulting in no heavy crude production anywhere as we get closer to 2050. Lower demand means lower supply and the highest-cost, most carbon-intensive production sources will be the first to go. Canada's consideration of whether to develop its resource or not rests on our country having a firm national climate policy, a national carbon budget, and a robust environmental assessment framework.

It is encouraging to see ECCC taking a role in assessing upstream GHG emissions from projects under federal review, and we thank you for the opportunity to provide comment on this analysis. If the results of such assessments are to carry due weight and provide strong evidence for Cabinet to use in its decision making process, is vitally important that the methodology employed in these reviews is robust and credible. We believe that addressing the comments we have provided will improve ECCC's analysis and help Cabinet to make good, evidence-based decisions about the projects it reviews.

Sincerely,
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Teika Newton
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