CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS

Canada's Oil and Natural Gas Producers

June 30, 2016

Mark Cauchi
Executive Director
Oil, Gas and Alternate Energy Division
Environment and Climate Change Canada
351 Saint-Joseph Boulevard
Gatineau, Quebec K1A 0H3
(via email to: *ec.egesa-ughga.ec@canada.ca)*

Dear Mr. Cauchi:

Re: NOVA Gas Transmission Ltd. – 2017 NGTL System Expansion Project: Review of Related Upstream Greenhouse Gas Emissions Estimates

The Canadian Association of Petroleum Producers (CAPP) appreciates the opportunity to review and comment on Environment and Climate Change Canada's (ECCC) draft upstream greenhouse gas (GHG) emissions estimates for the 2017 NOVA Gas Transmission Ltd. (NGTL) System Expansion Project.

On April 18, 2016, CAPP submitted comments to ECCC's draft methodology for assessing the upstream GHG emissions from projects undergoing federal assessments, which was published to the Canada Gazette Notice Part 1 on March 19, 2016. We note that the NGTL System Expansion Project's upstream GHG assessment recognizes the evolving and leading nature of climate policies in Canada, which will result in further emissions reductions from domestic upstream oil and gas production.

This project's upstream GHG estimates found in this draft report were made using Part A of ECCC's methodology. ECCC did not undertake an incremental GHG assessment using Part B of the methodology. We believe this project's upstream GHG emissions estimate report should be placed in market context, and submit the following for consideration.

Market Context

The NGTL 2017 System Expansion Project responds to changing patterns of supply and demand with supply growth now in northeast British Columbia (BC) and northwest Alberta and growth in regional demand, particularly in the oil sands in northeast Alberta.

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NGTL must constantly add supply to the system just to maintain current demand for natural gas in the markets it currently serves. This is because supply connected to NGTL naturally declines by about two billion cubic feet per day on an annual basis. With the major supply growth in northeast BC and northwest Alberta, and overall production declines elsewhere in Alberta, this requires new pipeline capacity even without overall supply and demand growth.

Supply growth in northeast BC and northwest Alberta has outstripped the available pipeline capacity of this area. Prices are depressed due to pipeline constraints. Without new pipeline facilities, the people of BC and Alberta – who own the resource – will not receive the true value of the resource and royalties and taxes will be less than they should. Producers will also suffer from this loss of value.

If Canadian production is not able to get to market then market demand will be served by other fuels or producing regions including increased imports of natural gas from the United States. While Canadian natural gas is subject to stringent environmental standards and carbon policies, including carbon taxes, imports are not subject to the same standards and costs.

Canadian natural gas seeks to meet a demand for cleaner burning fuels, with environmentally responsible methods of production, while generating the royalties, taxes, and jobs that are needed to sustain Canadian prosperity.

Thank you for enabling the opportunity to comment on the NGTL System Expansion Project's GHG emissions assessment. While ECCC's upstream GHG methodology applied to this project is inclusive and transparent, we believe that the market realities facing Canada's oil and natural gas industry are important considerations in this project's evaluation.

Sincerely,

<signature removed>

Krista Phillips
Manager, Climate & Environment Policy