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Canada's 2030 climate targets for oil and gas industry not feasible, government analysis says

MARIEKE WALSH
OTTAWA

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A Shell employee walks past the company's new Quest Carbon Capture and Storage facility in Fort Saskatchewan, Alta., on Oct. 7, 2021.

TODD KOROL/REUTERS

Confidential government documents show a large gap between the federal Liberals' promised target for reducing the oil and gas industry's greenhouse gas emissions and what an internal analysis says is achievable by 2030.

The documents, which include findings from officials in the Environment and Natural Resources departments, show that when Prime Minister Justin Trudeau unveiled his government’s updated emissions reduction plan in March, Ottawa’s own numbers indicated the industry could reach only about half of the 81-megatonne cut it was assigned.

The internal analysis reveals that more emissions cuts in the oil and gas sector, beyond what department officials assessed was “technically feasible,” would likely come from production cuts.

Several federal officials said the documents obtained by The Globe present an incomplete picture of how the critically important industry can reach its targets. The oil and gas sector is the biggest contributor to Canada’s greenhouse gas emissions and also the biggest driver in emissions growth. Since 2005, a government report says, emissions from the sector have risen 137 per cent.

The analysis from officials in Natural Resources and Environment says the oil and gas sector can cut emissions by as much as 43 megatonnes by the end of the decade. That is significantly lower than the 81-megatonne cut by 2030 (below 2019 levels) in the government’s climate plan, and which the Prime Minister in March said was “doable.”

Mr. Trudeau’s government has staked its reputation on achieving Canada’s climate goals – if it does, it would be the first time ever that the country met a promised emissions target. But the documents underscore the uncertainty in the climate change plans and show the leap between what government officials can detail in expected cuts and how much more it hopes to push the industry to do through incentives, new rules and higher costs.

As part of its response to questions about the internal numbers, the government gave The Globe a background briefing with officials. The Globe has agreed not to identify them. They said the findings in the documents were preliminary assessments that were never finalized and did not capture the impact that new policies in the updated March climate plan would have in driving a faster transition to new emissions-reduction technology at a larger scale.

However, one of the documents was prepared for cabinet just weeks before the plan was released. It states that about 42 megatonnes of emissions cuts by 2030 could be “technically feasible” but would require “extraordinary efforts” from industry and government. The federal government has said its planned emissions cap for the sector will not act as de facto production cap. The Alberta government has repeatedly said it’s concerned that it will.

Officials warn in a document prepared for cabinet against cutting production, as it would undermine Canada's economic interests. And they warn the government to expect a critical reaction to the March emissions plan from oil and gas producing provinces. That plan does not contemplate a production cut, but it projects that the pace of growth in production will slow because of the new policies.

A separate document, marked "draft," includes a detailed breakdown of which technologies can be used to cut emissions in the oil and gas sector and by how much they're expected to drop by 2030 – totalling up to 43 megatonnes. The document labelled almost two thirds of those potential cuts as "high risk." This is because of high costs, questions around technology readiness and the time required to build new infrastructure.

Examples of the technology the document describes as high risk include carbon capture, utilization and storage (CCUS), and replacing steam with solvents to extract oil from the oil sands.

Environment Canada spokesperson Amelie Desmarais said in an e-mailed statement that the documents provide "an incomplete picture." But after first saying it would provide The Globe with a breakdown of how that gap in emissions cuts would be covered, the Environment Department declined to late last week.

Ms. Desmarais said the documents obtained by The Globe did not incorporate "the full scale" at which emerging technologies like CCUS and direct-air capture can have in reducing emissions. "Any plan that assumes a static technology landscape will underestimate potential gains," she said.

In a separate statement, Environment Minister Steven Guilbeault maintained the near doubling in emissions cuts can be done within eight years. "Our final analysis gets us to the 81-megatonne emission reduction for the oil and gas sector," he said. And he added that, given the industry's profit margin, it has "never been better positioned to make the necessary investments."

In the technical briefing for The Globe, the officials said they stand behind the 81-megatonne cut for the oil and gas sector modelled in the federal plan, but added that since the number is based on projections, there is some uncertainty.

Achieving it is possible, but it would require "a quantum jump upward in effort from what's been done in the past," said Chris Bataille, an adjunct research fellow at the Columbia Center on Global Energy Policy. To get there, the federal and Alberta governments "have to get a lot more serious than they are," he said.

While 81 megatonnes is a stretch, there's more certainty the sector could cut 50 to 60 megatonnes at least in total greenhouse gas emissions by 2030, Dr. Bataille said. He added that 43 megatonnes is likely too low in part because steeper cuts could probably be made in areas like the sector's methane emissions, because the technology is already proven and relatively cheap.

An analysis by the Canadian Climate Institute of the Liberals' emissions plan found that Canada could expect to cut 55 to 76 megatonnes from oil and gas emissions based on announced policy. Principal economist Dave Sawyer said that given the uncertainty inherent in the projections, the range isn't far off 81 megatonnes. The institute is funded by the federal government.

Mr. Sawyer said 43 megatonnes could be viewed as the floor for what the sector could achieve in emissions cuts. He said the latest plans from Ottawa are a "stretch assignment" for every sector of the economy.

While the modelling shows the cuts are possible, achieving the short-term targets will require "serious heavy lifting" on policies from the federal Environment Department, he said.

The institute's assessment of the plan noted that many of the policies the government is relying on, in particular the promised cap on oil and gas emissions, haven't yet been implemented and so the emissions cuts are "contingent on credible policy being developed and deployed as quickly as possible."

The cap was announced during last summer's election campaign, but the government has not yet specified how it will work or what level it will be. The federal climate plan said the intent is "not to bring reductions in production that are not driven by declines in global demand."