August 2, 2019

Honorable Minister Nixon
Ministry of Environment and Parks
208 Legislature Building
10800 - 97 Avenue NW
Edmonton, AB
Canada T5K 2B6

Dear Minister Nixon:

Re: Alberta Proposed Technology Innovation and Emissions Reduction System

The Canadian Energy Pipeline Association (CEPA) is pleased to comment on the proposal for Alberta’s Technology Innovation and Emissions Reduction (TIER) system. CEPA members collectively operate 119,000 kilometres of transmission pipeline in Canada. These energy highways transport approximately 1.4 billion barrels of liquid petroleum products and 5.4 trillion cubic feet of natural gas each year. Pipelines remain the safest, most efficient and least greenhouse gas (GHG) intensive means of connecting energy producing regions to consumers across Canada and to international markets.

CEPA is pleased to see the province develop a system for GHG emissions management that is solutions focused while keeping in mind competitiveness and increasing innovation. CEPA supports the government’s commitment to improving regulation in the province. However, it is important that alignment with the federal government’s carbon pricing policies is achieved and that the risk of not meeting the benchmark under the Pan-Canadian Framework on Clean Growth and Climate Change (PCF) is minimized.

CEPA has reviewed the discussion document released by the government and has the following specific comments for consideration.

Opt-in

CEPA supports the opportunity for facilities that could not opt-in to the Carbon Competitiveness Incentive Regulations (CCIR) to do so under the TIER system. Additionally, once a facility has opted in, it should not have to reapply each year, instead the TIER requirements should apply until a facility decides to provide notification and opt-out. Facilities that are already part of the CCIR should automatically transition into the TIER system. This will reduce the administrative burden, time and resources of completing activities associated with existing and opting in facilities year over year.

Review Period

CEPA is pleased to see a mandatory five-year review period for the regulations. However, we believe this review period should be expedited based on market conditions and revisited once the regulatory
burden of the TIER system is fully understood. This flexibility is critical to ensuring the competitiveness of the pipeline industry is not hindered.

Best-in-Class Facility Treatment

Every pipeline system is unique in focus and design and driven by varying market conditions often reflected in terms of pipeline capacity (i.e. Actual volume of natural gas in the pipeline versus maximum transport capacity). For example, larger diameter pipelines with sizable natural gas-fired turbine driven compressors are often forced by market conditions to operate at lower throughputs compared to their optimal design capacities. This leads us to recommend possible pathways to ameliorate such effects:

- Set the emission intensity benchmark on a company-specific basis allowing companies to compare themselves to past performance; and,
- Allow for an exemption or adjustment factor (i.e. Pipeline capacity factor based on average volume relative to maximum transport capacity) that recognizes market-driven effects, over which the pipeline company does not have control.

Benchmarks for New Facilities or Facilities that have Undergone Significant Expansion or Change

CEPA suggests the TIER regulation continue to use definitions that currently exist under the CCIR for new and significant expansion. We also propose that new facilities surpassing the 100,000 tCO₂e threshold be exempt from the federal carbon levy during the first two to three years of operations. Exemptions from the carbon levy should be provided the moment the facility surpasses the emissions threshold or volunteers into TIER.

Tightening Rate

CEPA supports the implementation of a tightening rate on the emissions intensity benchmarks to encourage facilities to become more efficient and reduce GHG emissions. However, we recommend that a tightening rate ceiling of 85 percent be adopted and criteria be developed to ensure the tightening rate corresponds with market competitiveness factors.

Additionally, CEPA requests clarity on what would be the basis for an ad hoc ministerial review of the tightening rate. We recommend that the government provide and consult on a specific criteria around what would trigger a ministerial review.

Indirect Emissions

CEPA suggests negligible emissions that account for five percent or less of the total emissions of a regulated facility not to be included in verification reporting and reintroduce the Specified Gas Emitters Regulations (SGER) de minimus and negligible source emissions.
Reporting Requirements

CEPA recommends maintaining a reporting deadline of March 31 and extending the verification and true-up deadlines to April 30. The staggering of deadlines will allow industry the required time and provide administrative relief when completing multiple reporting processes across various jurisdictions. CEPA also has concerns on resourcing constraints for qualified third-party verifiers in consideration of additional opt-in facilities and competing jurisdictional reporting and verification requirements.

Verification Requirements

The CCIR requirements for verifiers provided helpful direction and it is recommended these remain for the TIER program.

Compliance Flexibility and Fund Price

It is important that the government provide certainty for the market and ensures the value of compliance credits are recognized and maintained.

Credit Usage Limit

CEPA would suggest removing the credit use limits as credits obtained from marketers or performance credits that are generated incentivizes innovation, further credit generation and real carbon emission reductions.

TIER Fund Price

CEPA suggests a carbon price which aligns with the federal carbon price to mitigate the risk of Alberta not meeting the federal benchmark under the PCF.

Facility Definition

CEPA suggests that the definition of ‘Facility’ as described in Section 1 (q) (ii) of the CCIR Regulation be retained in the TIER.

Other

CEPA suggests a facility and its boundaries should be defined around process. Site boundaries should be limited to the process or operation taking place not the physical site boundaries of the property. Additionally, CEPA suggests the government take a risk-based approach to site visits and complete site visits for verification purposes every three years given the resourcing requirements.

Closing

CEPA believes addressing the above comments is critical to meeting the overall objective of the TIER system and encourages companies to reduce the overall carbon intensity of their operations.
CEPA and its members look forward to continuing engagement with the government on this very important issue. Please do not hesitate to contact the undersigned if you have any questions or require clarification regarding any of the comments made above.

Sincerely,

[Signature]

Jim Campbell,
Vice President, Business Environment
Canadian Energy Pipeline Association