



canadian energy pipeline association  
association canadienne de pipelines d'énergie



May 12, 2021

Ms. Katherine Teeple  
Director, Industrial GHG Emissions Management  
Programs Directorate and Carbon Markets Bureau  
Environment and Climate Change Canada  
200 Sacré-Coeur Blvd  
Gatineau, QC  
K1A 0H3

**RE: Input Opportunity for Output-Based Pricing System (OBPS) Programming**

Dear Ms. Teeple:

The Canadian Energy Pipeline Association (CEPA) and the Canadian Gas Association (CGA) would like to share our views and considerations on ways in which federal programming for OBPS proceeds return could support registered facilities' climate action. 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 5.6 trillion cubic feet of natural gas each year. CGA members deliver 36% of Canada's energy end use needs to 20 million Canadians. That energy is delivered everyday through nearly 570,000 kilometers of underground pipeline infrastructure. 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 and CGA agree with the overall objective of the OBPS to encourage companies to reduce the overall emissions intensity of their operations through switching to less GHG-intensive fuels as well as developing and adopting innovative technologies. The use of funds from the OBPS can support this objective if it is focused on investments in innovation and clean technology while also protecting competitiveness and minimizing the regulatory burden on covered sectors. An economically robust energy sector is foundational to generating the innovation and investment necessary to finding effective emission reduction solutions.

As Environment and Climate Change Canada continues to refine federal programming for OBPS proceeds return, we offer the following recommendations for consideration.

**Use CleanBC's Industrial Incentive Program's framework as a model for federal programming.**

OBPS proceeds should be invested based on the following priorities: encouraging companies to reduce the overall emissions intensity of their operations; protecting competitiveness; and minimizing the regulatory burden on covered sectors. The Clean BC Industrial Incentive Program (CIIP) is one such program that aims to meet this objective and should be considered by the federal government. Under the BC CIIP, the government would provide incentive payments to industry based on operations'



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emissions intensities compared to a performance benchmark. The program has the potential to support competitiveness and facilitate emissions reductions by using funds collected from the carbon tax that industry pays.

**All funds raised under the OBPS should be used to address the challenges faced by OBPS covered facilities.**

Similar to the BC CIIP, only covered sectors (i.e., companies with facilities directly regulated under the OBPS) should be eligible to receive funding. Making the proceeds from the OBPS available to covered facilities creates a financial incentive to make additional investments aimed at further reducing GHG emissions. This could come in the form of pro-rating funds in accordance with the amount of incremental charge levied on a particular company, ensuring as much money as possible is returned directly to the company for GHG reduction initiatives. Furthermore, a company that is no longer subject to the OBPS due to the standing down of federal regulations when a provincial program is deemed adequate should still be eligible for funding based on the charges levied when the company was under the OBPS.

Further to the above, emissions-intensive trade-exposed industries may be disproportionately impacted by the OBPS and the government should pursue a revenue neutral policy for such sectors. Funds should be disbursed directly to each company based on its compliance obligation as reported through the federal Greenhouse Gas Reporting Program.

**Key features of an OBPS revenue recycling program need to include simplicity, certainty, and transparency.**

Application processes need to be streamlined and ensure a timely return of funds. The timeframe must be transparent, consistent and consider investment cycles and regulatory timelines (especially for a sector as highly regulated as the energy sector).

Reporting requirements associated with receiving funding should rely on current federal GHG reporting requirements to reduce the administrative burden of the program and ensure consistency in information collected. Use of the Greenhouse Gas Reporting Program, which collects information on GHG emissions from facilities across Canada, is recommended by CEPA and CGA. It is a mandatory program for those who meet the requirements, has collected data from facilities every year since 2004, and is designed to contribute to policies and strategies related to climate change, industrial activities and energy use.

**Closing**

CEPA and CGA support prioritizing the use of proceeds from the OBPS to help covered facilities 'continuously improve' as opposed to 'subsidizing' programs in other sectors not covered by the OBPS. This will help ensure that funds from the OBPS support the overall objective of the OBPS to encourage companies to reduce the overall emissions intensity of their operations through switching to less GHG-intensive fuels as well as developing and adopting innovative technologies.



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Thank you for taking the time to consider the above comments. If you have any questions or concerns, please do not hesitate to contact the undersigned.

Yours sincerely,

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