

February 14th, 2024

RE: Comments on Proposed Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Proposed Regulations)

Dear Minister Guilbeault:

We the undersigned financial institutions, representing more than CAD 1 trillion in assets under management/advice appreciate the opportunity to submit comments in support of Environment and Climate Change Canada's (ECCC) proposed regulations. As prudent fiduciaries, we recognize that reducing methane emissions will prepare the Canadian economy and the oil and gas industry for the low-carbon future, while protecting the health of Canadian people and addressing the economy-wide risks and opportunities of climate change. With this in mind, we commend ECCC's efforts to adopt cost-effective regulations to achieve at least a 75% reduction in oil and gas methane emissions by 2030 from a 2012 baseline and urge you to move swiftly to adopt comprehensive final standards.

Climate change poses systemic risk to the economy and the financial system in Canada and globally. Canada's oil and gas facilities are the largest industrial emitters of methane in Canada, releasing about half of national methane emissions. These emissions accelerate climate risk and represent reputational risk. Methane emissions are wasted natural resources, present safety risk, and show a failure to monetize a product that would otherwise add value to the oil and gas value chain companies in investment portfolios.

Ambitious action to address oil and gas methane emissions is critical to help investors meet climate targets, understand and reduce our exposure to climate risk, and avert the worst consequences of climate change on the financial system.

According to the International Energy Agency, addressing methane emissions is one of the fastest, most cost-effective means of limiting global warming in the near term. An analysis released in 2023 confirmed that at a cost of \$11/tCO₂eq (GWP-100) reducing methane emissions from Canada's oil and gas facilities is one of the most cost-effective actions that Canada can take to reduce its contribution to climate change.ⁱ According to the Canadian Climate Institute, strong methane regulations also make the oil and gas emissions cap easier and cheaper to achieve.ⁱⁱ However, action on methane requires improved measurement of the level and source of emissions. Studies continue to show that methane emissions are significantly underestimated,ⁱⁱⁱ and current standards for methane emissions reporting do not provide assurances of accuracy to external stakeholders and to support mitigation efforts.

While we acknowledge corporate sustainability goals and voluntary efforts from leading members of the oil and gas industry to curb methane waste, comprehensive and durable federal regulations are needed to set a baseline of performance across the industry, provide long-term regulatory certainty, and help mitigate climate-related risks for investors. Other

jurisdictions, such as Colorado and New Mexico, have set standards that are considered best practices, which Canada should match.

The draft regulations released by ECCC on December 4, 2023 offer a solid foundation for robust methane reduction policy in Canada. We urge your department to swiftly finalize the proposed regulations with the following specific enhancements:

- Accelerate the effective dates of the rules to ensure achievement of the 75% reduction goal by 2030.
 - To allow sufficient time for implementation and ensure that these reductions are achieved by 2030, Canada's draft regulations should be revised to align with best practices found in the US and EU. For new sources, Canada's regulation should be brought into alignment with US EPA's rule to reduce methane and other harmful pollution from oil and natural gas operations.^{iv} For existing sources, Canada's regulations should be brought into alignment with EU's methane regulation.^v
- Narrow exceptions to the prohibitions on venting and flaring of natural gas.
 - The open-ended exception which would allow operators to vent if the use of gas destruction or conservation equipment "would prolong an interruption of the hydrocarbon gas supply to the public" is too vague in nature and could result in significant emissions. Consistent with regulations in the US and EU, venting should be restricted to only those circumstances where flaring is not technically feasible due to safety concerns, or leads to a worse environmental outcome in terms of emissions. ECCC (or a province which retains the same exceptions in their regulations under an equivalency agreement) would be the arbiter of these criteria based on their review of an annual operator certification.
- Require all operators to comply with the monitoring and screening inspection provisions, and remove the opt-out provision for operators that deploy continuous monitors, given that continuous monitoring technology is unproven.^{vi}

We urge swift implementation of these regulations. Additionally, the draft amendments should be updated to ensure equivalency agreements include accountability and transparency measures, so Canadians can easily verify whether an agreement is effective and truly in line with federal requirements.

We also urge the establishment of the Methane Centre of Excellence. Setting up a measurement-based monitoring system, which should be based on international best practices for methane emissions measurement, monitoring, reporting and verification such as the Oil and Gas Methane Partnership 2.0, is essential to ensure compliance, transparency, and accountability for the new regulations in Canada.

Through these actions, the Canadian government can achieve valuable greenhouse gas emissions reductions while helping to ensure that Canadian companies remain competitive in global markets and more resilient in the energy transition.

To further limit climate change and reduce systemic risk in our portfolios, we encourage ECCC to build on the progress in the proposed regulations and finalize comprehensive standards that significantly reduce, and even eliminate methane emissions from flaring, venting and fugitive sources.

Thank you for the opportunity to submit these comments.

Addenda Capital
Bâtirente
Impax Asset Management
LGIM America
Mackenzie Investments
Miller/Howard Investments, Inc.
NEI Investments
Nordea Investment Management AB
The Shareholder Association for Research and Education
University Pension Plan

ⁱ Dunskey Energy + Climate Advisors, Abatement Opportunity: A Marginal Abatement Cost Curve for Methane Emissions in Canada's Upstream Oil and Gas Sector (2023). <https://www.dunskey.com/methane-abatement-opportunities-in-the-oil-gas-extraction-sector/>

ⁱⁱ Kanduth, A., & Griffin, B., Strong Methane Regulations Make the Oil and Gas Emissions Cap Easier and Cheaper (2023). <https://440megatonnes.ca/insight/strong-methane-regulations-make-the-oil-and-gas-emissions-cap-easier-and-cheaper/>

ⁱⁱⁱ Conrad, B.M. *et al.* A measurement-based upstream oil and gas methane inventory for Alberta, Canada reveals higher emissions and different sources than official estimates. *Commun Earth Environ* 4, 416 (2023). <https://doi.org/10.1038/s43247-023-01081-0>
MacKay, K. *et al.* Methane emissions from upstream oil and gas production in Canada are underestimated. *Sci. Rep.* 11, 8041 (2021). <https://www.nature.com/articles/s41598-021-87610-3>
Chan, E. *et al.* Eight-Year Estimates of Methane Emissions from Oil and Gas Operations in Western Canada Are Nearly Twice Those Reported in Inventories. *Environ. Sci. Technol.* 54, 14899–14909 (2020). <https://pubs.acs.org/doi/10.1021/acs.est.0c04117>

^{iv} This would mean new sources would need to comply with most provisions within 60 days of official publication, with an additional phase-in period for the process controller provisions (one year) and the flaring provisions (two years).

^v This would mean existing sources would need to comply with most provisions within five months of official publication, and the first LDAR inspection would be required within 12 months, unless an operator can demonstrate a reason for delay, such as unavailability of equipment.

^{vi} Bell, C. *et al.* Performance of Continuous Emissions Monitoring Solutions under a Single-Blind Controlled Testing Protocol. *Environ. Sci. Technol.* 57, 14, 5794-5805 (2023). <https://pubs.acs.org/doi/10.1021/acs.est.2c09235>. Noting that “The large variability in performance between CM solutions, coupled with highly uncertain detection, detection limit, and quantification results, indicates that the performance of individual CM solutions should be well understood before relying on results for internal emissions mitigation programs or regulatory reporting.”