

Check against delivery / L'allocution fait foi

## **Opening Remarks (Bilingual)**

### **INTRODUCTION**

- Good afternoon. Bonjour.
- Je m'appelle Tracy Sletto et je suis présidente-directrice générale de la Régie de l'énergie du Canada.
- Je suis accompagnée par madame Geneviève Carr, docteure en biologie, première vice-présidente de la transparence et de la mobilisation stratégique, et par monsieur Chris Loewen, premier vice-président de la réglementation.

### **INDIGENOUS ACKNOWLEDGEMENT**

- I want to begin by acknowledging that I am on the unceded, ancestral, and traditional territory of the Algonquin Anishinaabe [Ah-nish-naw-bae] Nation, who have lived on and cared for the land now known as Ottawa since time immemorial.

### **OVERVIEW**

- Je vous remercie de me donner l'occasion de vous parler du travail de la Régie dans le cadre de votre étude du projet d'agrandissement du réseau de Trans Mountain, ou pour faire plus court, le projet de Trans Mountain.
- I will provide a brief overview of the CER's mandate, how we assess energy infrastructure projects like TMX, the project's current regulatory status, and our continued role, alongside an Indigenous Advisory and Monitoring Committee.

### **THE CER – MANDATE**

- The CER's mandate is clear: to regulate energy infrastructure in a way that prevents harm and ensures the safe, reliable, competitive and environmentally sustainable delivery of energy to Canada and the world.
- We oversee approximately 71,000 km of federally regulated pipelines and 1,500 km of power lines.
- Nous jouons un rôle économique important en ce qui concerne les droits et tarifs pipeliniers, ainsi que les exportations d'énergie.
- La Régie a aussi un mandat d'information sur l'énergie. Nous fournissons des données et des analyses qui éclairent la prise de décisions et le dialogue sur l'énergie au Canada. Notre série de rapports sur l'avenir énergétique explore divers scénarios auxquels les Canadiens pourraient faire face à long terme dans un monde carboneutre.

## **CER - ASSESSMENT OF ENERGY INFRASTRUCTURE PROJECTS AND TMX**

- When the Commission of the CER makes a recommendation as to whether or not a certificate for a pipeline should be issued by the Governor in Council, it must consider several factors: safety, economic, environmental and social. This was true in the case of TMX.
- TMX is a particularly large and complex project and the CER strived, at all times, to ensure it demonstrated a commitment to strong, responsive and inclusive regulatory practices and processes.
- The Governor in Council approved the project in June 2019, subject to 156 legally binding conditions, in addition to the regulatory requirements that apply to all companies regulated by the CER. Since then, we have been focused on ensuring the project was constructed safely, and on verifying company compliance with regulatory requirements.
- The Commission of the CER issued the final authorization for TMX to operate on April 30<sup>th</sup>, 2024. This enabled the company to begin transporting product in the new line from its Edmonton Terminal to its Westridge Marine Terminal.
- Notre rôle ne s'arrête pas maintenant que la construction est terminée. En tant qu'organisme de réglementation pendant tout le cycle de vie des installations, nous continuerons de veiller à ce que la société respecte les conditions, les règlements, les codes et les normes établis.

## **CER – TOLLS AND TARIFFS**

- The CER is also an economic regulator that oversees pipeline tolls. Toll is the fee a pipeline company charges its customers to ship products, such as oil, on its pipeline. A company can only charge tolls that have been filed with the CER.
- The Commission approved preliminary interim tolls for the expanded Trans Mountain pipeline system in November 2023.
- The next step for the Commission is the final interim tolls hearing that will continue throughout 2024 and into 2025, which will include a detailed cost review of the project.

## **CER – IAMCs and TMX**

- J'aimerais profiter de l'occasion pour souligner un autre élément clé de la surveillance réglementaire du projet de Trans Mountain.
- Lorsque le gouvernement du Canada a approuvé le projet en 2016, il s'est aussi engagé à mettre sur pied un comité consultatif et de surveillance autochtone pour le projet.
- The IAMC includes Indigenous representatives selected from among the 129 communities impacted by the project.

- Together, alongside the CER and five other federal government departments, the IAMC developed innovative approaches to Indigenous monitoring, project notification, the protection of Sites of Indigenous Significance, and new emergency management processes and protocols. Several of these improvements have since been incorporated into CER practices and regulatory requirements that apply to all companies.
- The CER will continue working with the IAMC throughout the pipeline's lifecycle.

## **CONCLUSION**

- Looking forward, the CER is committed to continual improvement as a national energy regulator, with an eye to building and maintaining trust and confidence in its work, advancing Reconciliation and implementing the UN Declaration on the Rights of Indigenous Peoples, enhancing Canada's global competitiveness through leadership in regulatory innovation and best practices, and preparing for the energy future.
- Je tiens à vous remercier de nouveau de m'avoir donné l'occasion de vous parler du travail de la Régie et de notre rôle à l'égard du projet de Trans Mountain. Je suis prête à répondre à vos questions.

## **Information Package:**

### **Preparatory documents for CER appearance before the House of Commons Standing Committee on Natural Resources (RNNR)**

Topic: “TMEP pipeline, and how the cost to the taxpayers have spiraled out of control and to get clarity on plans to divest and sell off the completed pipeline, and the implications for Canadian taxpayers; to examine how to such increases in export capacity will impact on future GHG emissions”

*Monday, 16 September 2024  
12:00-1:00 PM EST*

Location: West Block, Room 125-B

#### **Committee Meeting Monday 16 September (11:00-1:00 PM EST)**

11:00 to 12:00 PM EST

- Environmental Defence
- The Parliamentary Budget Officer (PBO)

12:00 to 13:00 PM EST

- Canada Energy Regulator

#### **Representing the CER**

Lead Witness: Tracy Sletto, Chief Executive Officer

Witness: Genevieve Carr, Executive Vice-President, Transparency & Strategic Engagement

Witness: Chris Loewen, Executive Vice-President, Regulatory

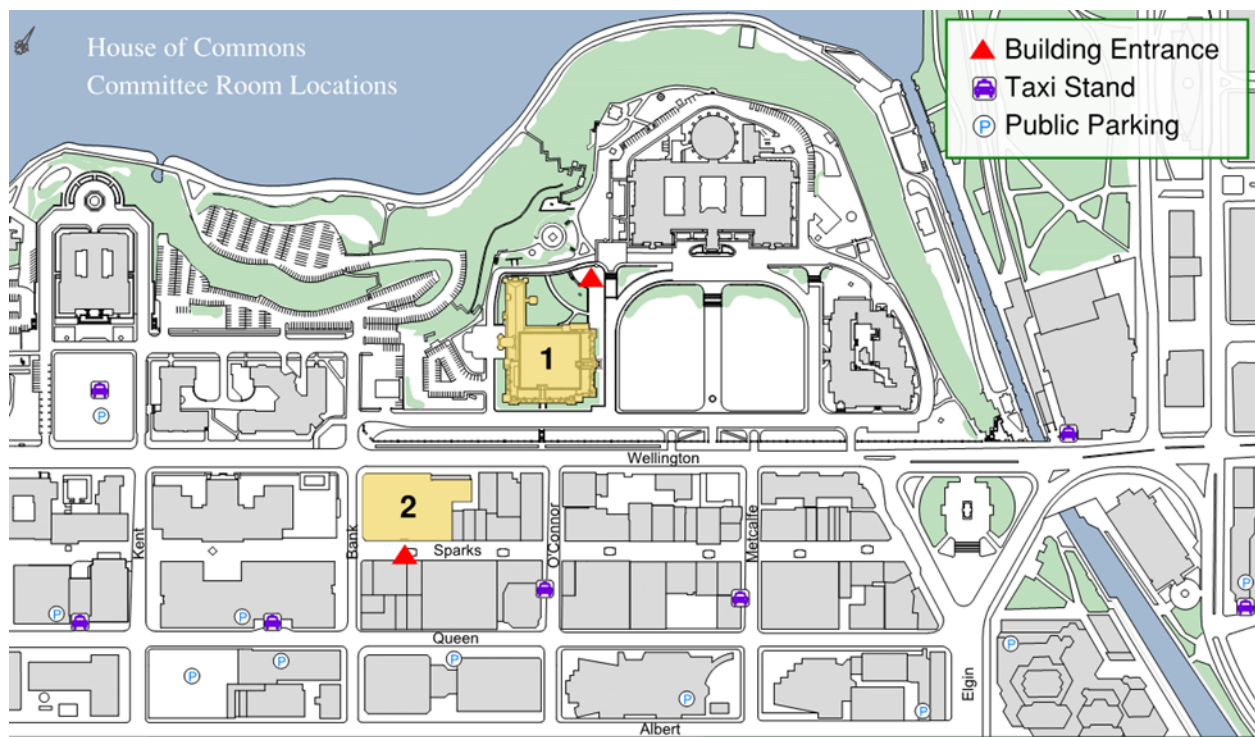
## Appearance Location

The meeting will take place in room **025-B** of the West Block (Parliament Hill, Ottawa). You can refer to the map below

Witnesses appearing in person should arrive **30 minutes** before their scheduled appearance time and with **photo ID** to pass through airport style security screening.

If you are sick, please contact the clerk of the committee about your appearance.

## CER Appearance at 12:00-1:00 PM EST



- 1 - West Block (Visitor Welcome Centre)
- 2 - Wellington Building, 197 Sparks Street

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## **SCENARIO NOTE**

### **APPEARANCE BEFORE THE HOUSE OF COMMONS STANDING COMMITTEE ON NATURAL RESOURCES (RNNR)**

**MONDAY, SEPTEMBER 16, 2024  
12:00-1:00 PM (EDT)**

**Description:** House of Commons Committee on Natural Resources (RNNR) has invited the CER to appear for its study on the Trans Mountain Expansion Project.

**Location:** West Block, Room 125-B

**Time:** 11:00 AM – 1:00 PM EST

#### **Context**

- The committee is beginning its study on the topic of the Trans Mountain Expansion Project (TMEP); specifically, the cost overruns related to the project, divestment plans, and implications on future Greenhouse Gas (GHG) emissions. The CER had been invited to attend this committee in June 2024, but the meeting was cancelled.
- Early discussions point to an interest in examining the increased production capacity and resulting impact on GHG emissions, the economic viability of the project, toll-fees, and how Canada’s regulatory framework for natural resource projects impacts our global competitiveness and national economy.
- This will be the committee’s first meeting on this study. For later meetings, the committee plans to invite the Parliamentary Budget Officer, the Deputy Prime Minister and Minister of Finance, the Minister of Energy and Natural Resources, and other experts in the economy and environment (Whether these invites have been accepted has not been confirmed yet).
- A report will be tabled at the end of this study likely in Fall of 2024, and a Government Response is to be requested.

#### **Day of Committee Appearance**

##### **First Hour: 11:00 am to 12:00pm (EST)**

##### **Environmental Defence Canada**

- Julia Levin, Senior Climate and Energy Program Manager (by videoconference)

##### **Office of the Parliamentary Budget Officer**

- Yves Giroux, Parliamentary Budget Officer
- Jason Stanton, Advisor and Analyst

##### **Second Hour: 12:00 pm to 1:00pm (EST)**

##### **Canada Energy Regulator**

- Tracy Sletto, Chief Executive Officer



- Genevieve Carr, Executive Vice-President, Transparency and Strategic Engagement
- Chris Loewen, Executive Vice-President, Regulatory

#### **Committee Procedure**

- Each organization will begin with 5 minutes of opening remarks. The committee will then proceed to questions and answers. In the House of Commons, the questioning tends to be more formal than in the Senate. Time limits are strictly enforced and Members will engage in heavy political maneuvering.
- The House of Commons has continued its hybrid sittings; however, most Members are strongly encouraged to be physically present. While it is unlikely, it is still possible one or two Members participate virtually.

#### **Committee Environment & Context**

- RNNR has a total membership of 12 Members of Parliament. The committee is composed of 6 Liberals (including the Chair), 4 Conservatives, 1 Bloc Québécois, and 1 New Democrat. A profile of the committee, with bios and intel on each member, has been provided.
- Due to the highly political nature of the topic, the tone of the debate on this motion has been quite partisan.

## **Committee Profile**

### **House of Commons Standing Committee on Natural Resources**

44<sup>th</sup> Parliament – 1<sup>st</sup> Session

Chair – George Chahal (Lib)

Vice-Chairs – Shannon Stubbs (CPC), Mario Simard (BQ)

<b>CONSERVATIVE (4)</b>	Shannon Stubbs (Lakeland, AB) Ted Falk (Provencher, MB) Earl Dreeshen (Red Deer—Mountain View, AB) Jeremy Patzer (Cypress Hills—Grasslands, SK)
<b>BLOC QUEBECOIS (1)</b>	Mario Simard (Jonquière, QC)
<b>NEW DEMOCRATIC PARTY (1)</b>	Charlie Angus (Timmins—James Bay, ON)
<b>LIBERAL (6)</b>	George Chahal (Calgary Skyview, AB) Majid Jowhari (Richmond Hill, ON) Julie Dabrusin (Toronto—Danforth, ON) Yvonne Jones (Labrador, NL) Viviane Lapointe (Sudbury, ON) Peter Schiefke (Vaudreuil—Soulanges, QC)



## Shannon Stubbs

**Riding:** Lakeland, AB

**Political Party:** [Conservative](#)

**Profession:** Public Servant, MLA

**Elected to Parliament:** October 2015

**[Shadow Minister for Natural Resources \(Critic\)](#)**

### **General Information:**

Ms. Stubbs graduated with Honours/B.A. in Political Science and English from the University of Alberta. She interned in Ottawa for the Leader of the Official Opposition, Preston Manning, and worked in the constituency office of MP Deborah Grey. Ms. Stubbs worked in the field of public relations, where she advocated on behalf of not-for-profit organizations, charities, educational institutions, pharmaceutical companies, and the oil and gas sector. She worked in the Oil Sands Business Unit of the Alberta Ministry of Energy, and she eventually moved on to the International Offices and Trade Division of the Ministry of Economic Development. She provided policy development, research and communications support, led the organization of a series of public-private workshops on transportation infrastructure, labour needs, royalties and taxation, First Nations relations, and environmental stewardship in Alberta's oil sands regions, and hydrocarbon upgrading development. Additionally, she co-led an international marketing and advocacy project for the oil sands and heavy oil technology, supply and services businesses.

Ms. Stubbs ran unsuccessfully as a Wildrose candidate in the 2004 and 2011 Alberta elections. She served as Danielle Smith's Chief of Staff from 2010–12 and the party's Director of Legislative Affairs from 2012–14. Ms. Stubbs has served as the federal MP for Lakehead since October 2015. She served as both the Shadow Minister and Deputy Critic for Natural Resources from 2015-19. Prior to her re-appointment to the Natural Resources critic role, she held the CPC critic roles for Rural Economic Development and Rural Broadband, and Public Safety and Emergency Preparedness. Ms. Stubbs has sat on numerous parliamentary committees and was the Vice Chair of the Standing Committees on Natural Resources, Public Safety and National Security, and the Special Select Standing Committee for Pay Equity.

### **Relevant Public Statements on TMEP:**

Ms. Stubbs has focused many of her questions during Question Period on jobs in the energy sector. At RNNR, she has focused heavily on Canada's regulatory system, and perceived delays in getting energy projects built. She is a vocal advocate for building more pipelines and supporting the oil and gas industry in Canada, and has argued that the oil and gas sector is a pivotal player in developing alternative and renewable energy technologies and the fuels of the future.

Ms. Stubbs strongly opposed Bill C-69 when it was before Parliament. She has called on the government to drop the bill, and use its power to get pipelines built – including TMX. She continues to criticize the Impact Assessment Act and the Canadian Energy Regulator Act, which came in to effect following the C-69's Royal Assent, for the same reasons.

Top Issues: regulatory efficiency, energy project approval, support for the oil and gas sector, support for Canadian LNG, energy sector jobs, energy affordability, energy security.



## Ted Falk

**Riding:** Provencher

**Political Party:** [Conservative](#)

**Profession:** Businessman

**Elected to Parliament:** November 2013

### **General Information:**

Prior to politics, Ted Falk was the owner of a heavy construction company that employs more than 75 people. He also served as President and Board Chair of the Steinbach Credit Union, the largest credit union in Manitoba with more than \$4 billion in assets.

Mr. Falk was first elected in 2013 and has served on several parliamentary committees including Natural Resources, Public Safety and National Security, Justice and Human Rights, and Finance. He has also served as the Conservative Party's Deputy Shadow Minister for Employment, Workforce Development and Labour and as a member of the National Security and Intelligence Committee of Parliamentarians. Currently, Ted sits on the Shadow committee for Agriculture.

### **Relevant Public Statements on TMEP:**

In committee, Mr. Falk has previously focused on the export of products (forest products, electricity, etc), value-added processing in Canada and the negative impacts of regulations and building codes. Mr. Falk has raised concern over the impact new regulations and policies such as the carbon tax will have on oil and gas producers and argued that they have resulted in investors and companies leaving Canada for US markets.

Mr. Falk is supportive of pipeline infrastructure and strongly opposed Bill C-69 prior to it receiving Royal Assent. He argued that the Bill lacks clarity, predictability, and transparency and will impact Canada's global competitiveness. Additionally, he argued that it would allow for political interference in the consultation process when approving new projects and would allow foreign entities to participate in public hearings. More recently, he has questioned the impact bill C-69 has on developing the infrastructure and energy required to meet the government's net-zero objectives.

**Top Issues: regulatory efficiency, project approvals, energy infrastructure, Canadian competitiveness**



## Earl Dreeshen

**Riding:** Red Deer—Mountain View

**Political Party:** [Conservative](#)

**Profession:** Farmer, Teacher

**Elected to Parliament:** 2008

### General Information:

Prior to politics, Mr. Dreeshen was fourth-generation farmer and a retired high school math teacher. He and his wife still manage their family farm. He was elected to the Elnora Hospital Board, serving for many years as chair. He also served as chair of the Eltrohills Health Advisory Committee, working toward improved health care standards in the Three Hills, Trochu, and Elnora communities.

Mr. Dreeshen was first elected in 2008 and has been a member of several committees including Health, Public Accounts, Ethics, Aboriginal Affairs, International Trade, and Agriculture. He has also served as a Canadian delegate for the ParlAmericas and as the Deputy Shadow Critic for Industry and Economic Development. He has held the vice-chairmanship of the Industry, Science and Technology Committee, and the Environment and Sustainable Development Committee.

### Relevant Public Statements on TMEP:

In committee, Mr. Dreeshen often asks about the “life cycle” impacts/emissions of various energy resources, especially for wind and solar energy, and argues we need to measure the impact “from the first shovel” as compared to the energy sources we currently use. He has compared the environmental impact of producing batteries to that of extracting oil and gas and questioned if Canada, and Canadian companies have plans for decommissioning and reclamation to deal with material at its end of life. Mr. Dreeshen has called on responsible departments to conduct a full life cycle analysis of all types of energy technology.

“We need to talk about electrical power transmission lines and hydrocarbon pipelines, and from flooded valleys for hydro dams to abandoned oil wells and to procurement, through to mineral exploration in our own backyard and the importation of products from countries with little regard for the environment or human rights.”

During ENVI’s study on Fossil Fuel Subsidies, Mr. Dreeshen brought up the issue of provincial jurisdiction for natural resources and questioned whether the federal government is properly engaging them. He has called the government’s commitment to ending fossil fuel subsidies “aggressive” in comparison to other G20 countries, and questioned the definition of a subsidy.

**Top issues:** agriculture sector, carbon tax, global energy security, lifecycle impacts of energy projects



## Jeremy Patzer

Riding: Cypress Hills—Grasslands

Political Party: [Conservative](#)

Profession: Telecommunications

Elected to Parliament: October 2019

### General Information:

Jeremy Patzer was born and raised on a grain farm in Frontier, Saskatchewan. He worked in the telecommunications industry for 10 years, in business and residential settings for both rural and urban areas. During this time, he remained active in politics, serving on the Board of Directors for the Conservative Party Constituency Association since 2015.

Mr. Patzer was first elected in 2019 and has served as a member of several committees including Natural Resources, Industry, Science and Technology, International Trade, and Public Accounts.

### Relevant Public Statements on TMEP:

During his time on RNNR, Mr. Patzer has focused many of his questions on the impact of environmental policies on rural communities and argued that policies such as the carbon tax or Clean Fuel Standard have a disproportionate impact on rural Canadians and the elderly. He regularly discusses the issue of grid capacity and Canada's ability to "double capacity" to meet the increased electricity demand as the country moves to net-zero by 2030.

**Top Issues:** just transition, rural communities, grid capacity, carbon tax, streamlining regulations, energy affordability

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## Mario Simard

**Riding:** Jonquière, QC

**Political Party:** Bloc Québécois

**Profession:** University Lecturer

**Elected to Parliament:** October 2019

**Natural Resources Critic**

### **General Information:**

Mario Simard has been a lecturer in political science and social work at the Université du Québec à Chicoutimi since 2005. He holds a bachelor's and master's degree in political science. Mr. Simard was a political attaché from 2011 to 2015 for the former member for Jonquière – Alma, Claude Patry, who was elected as NDP before transferring to the Bloc Québécois during his mandate. Mr. Simard was elected to the House of Commons in 2019.

Mr. Simard has been the Bloc's critic of natural resources and a member of the House Committee on Natural Resources since the start of the 43rd Parliament. He has served as the vice-chair of RNNR since 2020.

### **Relevant Public Statements on TMEP:**

Mr. Simard has been vocal in urging the government to divest itself from fossil fuels and support green energy and the ecological transition through green finance. One of his most discussed issues in both the House and at committee is the elimination of fossil fuel subsidies, and phasing out the oil and gas sector. He has frequently questioned the government's progress on its commitment to eliminating fossil fuel subsidies by 2023 and has pressed the government to formally define "subsidy." He believes that continued federal funding and subsidization of the fossil fuel industry represents overt alignment with Western Canadian interests and results in "greenwashing" of federal climate commitments.

Recent interventions by Mr. Simard in the House include criticisms of federal investments in the oil and gas sector – especially the TMX pipeline and investments in CCUS, with stronger calls for the government to cease all fossil fuel subsidies and instead "fund the victims of fuel prices and the energy transition".

Top Issues: fossil fuel subsidies, forest sector support, phasing out oil and gas, supportive of carbon pricing, support for aluminum industry, Western interests, green hydrogen, Quebec's clean energy, SWL

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## Charlie Angus

**Riding:** Timmins—James Bay, Ontario

**Political Party:** **New Democratic Party**

**Profession:** **Writer, Activist, Musician**

**Elected to Parliament:** June 2004

**Natural Resources, Jobs and Just Transition, Critic**

### **General Information:**

Born in Timmins Ontario, Mr. Angus began political activism through music in the punk rock band L'Étranger. Mr. Angus was a community activist in Toronto with various Catholic organizations working on poverty issues during the 1980s and later returned to Northern Ontario in the 1990s. He has authored several books and served as a trustee on the Northeastern Catholic District School Board starting in 2000 before being elected to the House in 2004. In 2017, Mr. Angus ran for leadership of the federal NDP and placed second.

Mr. Angus has held many critic roles during his extensive career in federal politics with portfolios in agriculture, heritage, Indigenous and northern affairs, and ethics. He has extensive committee experience, having held membership in several committees throughout his career. In the previous Parliament, he was a member of the Standing Committee on Access to Information, Privacy and Ethics (ETHI) and the Standing Committee on Official Languages. Mr. Angus has also held the Vice-Chairmanship of several committees.

Mr. Angus is currently the NDP's Critic on Natural Resources Jobs and Just Transition. This is a new portfolio created by the NDP, and functions alongside the Deputy Critic of Natural Resources that continues to be held by NDP MP Richard Cannings. This new role will focus on issues related to jobs and skills transition from oil and gas to other economic sectors, emphasizing that any closures in the traditional energy industry must cushion or improve prospects for affected workers.

### **Relevant Public Statements on TMEP:**

Mr. Angus has focused on Indigenous issues throughout his career, and in particular Indigenous issues related to natural resources development. His statements in Parliament include criticisms of economic supports for the oil and gas sector, as well as the government's approach to jobs regarding Keystone XL, the opposition to the Coastal GasLink project, and subsequent rail blockades in February 2020. His interventions have also included support for Indigenous Treaty recognition for natural resource projects.

Mr. Angus has frequently intervened in Committee and in the House on the issue of oil and gas lobbying. He has been openly critical of the number of meetings that oil and gas companies have had with both the Minister of Natural Resources and the Minister of the Environment.

Mr. Angus has also been critical of the plan to increase Canada's oil and gas production, especially the approval of the Bay du Nord project and further investments in the TMX pipeline. He has cited the Canada Energy Regulator's Energy Future reports and questioned how increasing production would impact Canada's ability to meet its climate objectives and reduce emissions.

**Top Issues:** just transition, support for workers, energy transition, U.S. IRA, Indigenous participation in natural resources, oil and gas lobbying, clean energy investments, oil and gas production, critical minerals

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## George Chahal

Riding: Calgary Skyview, AB

Political Party: **Liberal**

Profession: Real estate developer

Elected to Parliament: September 2021

**RNNR Chair**

### **Biography:**

Harnirjodh "George" Chahal was born and raised in Calgary. Before entering politics, he worked in construction and development and earned a BA in Economics and Masters in Environmental Design from the University of Calgary. Mr. Chahal is active among Calgary's Sikh political community, with his father previously serving as president of the Canadian branch of the World Sikh Organization and secretary of the Alberta Liberal Party. Mr. Chahal was elected to Calgary City Council representing Ward 5 in October 2017, and has been outspoken against racism, chaired Calgary's Community Based Public Safety task Force, and was appointed to Calgary's Police Commission. Mr. Chahal was elected to the House of Commons during the 2021 federal election as one of two Alberta Liberal MPs and the lone Liberal MP among Calgary ridings.

Mr. Chahal sat as a member of RNNR and the Transport, Infrastructure and Communities (TRAN) committee since December 2021. In October 2023, Mr. Chahal was voted in as Chair of RNNR.

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## Majid Jowhari

**Riding:** Richmond Hill, BC

**Political Party:** Liberal

**Profession:** Large Business Transition and Transformation Specialist

**Elected to Parliament:** October 2015, September 2021

### General Information:

Majid Jowhari was first elected as the Member of Parliament for Richmond Hill in 2015 and was re-elected in 2019. As a proud resident of Richmond Hill for over 20 years, Majid has been a passionate advocate for its residents and bringing years of expertise to cultivate a strong and vibrant community in Richmond Hill. Majid takes exceptional pride in being the voice in Ottawa representing Richmond Hill and Markham by promoting fiscal responsibility, accountability, and social progressiveness.

Currently, he also holds roles in Industry, Science and Technology, and Government Operations and Estimates Committee. He is also the Vice-Chair of the Canada-China Legislative Association and holds membership in the Canada NATO Parliamentary Association. During the COVID-19 pandemic, he was also a member of the special COVID-19 committee.

During the 43rd Parliament, he tabled the Private Member's Motion, Motion-36, which calls to designate August 1st as Emancipation Day in Canada to honor the important contributions of the Canadians of African and Caribbean descent. This recognizes the abolition of slavery that occurred within the British empire on August 1st, 1834, acknowledging the history of slavery in Canada and other commonwealth countries. It further recognizes the significance this date holds as a historic celebration of freedom among abolitionists and emancipated settlers in Canada.

Majid notably founded the all-party Mental Health Caucus in 2017, advocating for mental health initiatives on Parliament Hill. As the chair of the caucus, he works with Parliamentarians from all parties to bring mental health to the forefront of the discussion. This all-party caucus continues to drive its priorities in the current parliamentary mandate.

The Canadian Alliance on Mental Illness and Mental Health (CAMIMH) named Majid Jowhari as a Parliamentary Mental Health Champion of 2018. He was given this award for his first Private Member's Bill C-375: An Act to Amend the Criminal Code, on October 19th, 2017. This Bill introduced legislation to amend the Criminal Code to mandate that pre-sentence reports include relevant information relating to the offender's mental health, which currently includes information such as character, attitude, behavior, and willingness to change, also include relevant information relating to the offender's mental health. Majid continues to work with the CAMIMH to advocate for mental health initiatives and practices on the Hill and his constituents.

Prior to entering politics, Majid specialized in large business transition and transformation enabled by technology. He advised fortune 500 companies on strategy and extending value chain business process re-engineering supply chain optimization. This experience has helped bridge to his role as the federal representative, where he helps businesses and organizations in the community flourish and further facilitating community and business forums.

Majid came to Canada in 1979 as an international student from Iran. He has made Canada his home over the past 41 years by establishing roots with his wife Homeira and his two children, Nickta and Meilaud. He is passionate about his family and cares about the environment he will leave behind.

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## Yvonne Jones

**Riding:** Labrador, NL

**Political Party:** Liberal

**Profession:** Journalist and Entrepreneur

**Elected to Parliament:** 2013

### General Information:

Ms. Jones is the Parliamentary Secretary to the Minister of Natural Resources and Parliamentary Secretary to the Minister of Northern Affairs. She has previously served as the Parliamentary Secretary to the Minister of Crown-Indigenous Relations and Northern Affairs. While serving in opposition, Yvonne was the Liberal Critic responsible for Northern Development and the Canadian Northern Economic Development Agency, ACOA, as well as Search and Rescue. Prior to her election to the House of Commons in May 2013, Yvonne was the Liberal MHA for Cartwright-L'anse au Clair since 1996. During her time as an MHA she served as the Parliamentary Secretary to the Department of Works, Services and Transportation and to the Department of Health. In 2003, Yvonne Jones was the first female in the province to be appointed Minister of Fisheries & Aquaculture. She was also the Minister Responsible for the Status of Women. Yvonne Jones was appointed Interim Leader of the Liberal Party of Newfoundland and Labrador and Leader of the Official Opposition on November 15th, 2007. On July 30, 2010, Yvonne became the official Leader of the Liberal Party of Newfoundland and Labrador.

A graduate of West Viking College, Yvonne began her career as a journalist and has worked throughout the province as a news reporter. She also carried out contract work as a researcher with Memorial University and as a Resource Employment Counselor with Human Resources Development Canada. Yvonne is also an entrepreneur and has owned and operated small businesses in Labrador in both the transportation and tourism sectors. Her first foray into politics was as Mayor of her hometown, Mary's Harbour, Labrador, in 1991. Through her volunteer work with the Battle Harbour Development Corporation, the Combined Councils of Labrador, the NunatuKavut and various literacy groups and councils, Yvonne played a significant role in improving the quality of life not only for the people of her district, but for the people of Newfoundland and Labrador.

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## Julie Dabrusin

Riding: Toronto—Danforth, ON

Political Party: **Liberal**

Profession: Attorney

Elected to Parliament: October 2015

### **Biography:**

Julie Dabrusin was born in Montreal and has lived in the Danforth neighbourhood of Toronto since 1998. Dabrusin earned university degrees in law and Middle Eastern studies. She then spent 13 years as an attorney with Rogers Partners LLP, as well as a year as commission counsel to an inquiry into government procurement. In 2011, she left her legal career to focus on raising her two daughters and participating in various community organizing and charitable activities aimed at promoting and preserving Toronto's public parks. In 2013, she was a recipient of the Queen Elizabeth II Diamond Jubilee Medal.

Ms. Dabrusin was nominated as the Liberal Party candidate in Toronto—Danforth for the 2015 federal election. Dabrusin won the election, unseating NDP incumbent Craig Scott. Toronto—Danforth was previously held by NDP leader Jack Layton.

Ms. Dabrusin has held a number of roles since first being elected to the 42<sup>nd</sup> Parliament. She has previously chaired the Standing Committee on Canadian Heritage (CHPC) as well as its subcommittee on agenda and procedure. She has also previously been a member on committees for Physician-Assisted Dying, Public Safety and National Security, as well as Foreign Affairs and International Development.

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## Viviane Lapointe

Riding: Sudbury, ON

Political Party: **Liberal**

Profession: Provincial government, Executive Director

Elected to Parliament: September 2021

### Biography:

Viviane Lapointe was born and raised in Sudbury. Prior to entering politics, Mrs. Lapointe worked for the Ontario Ministry of Northern Development and Mines before later becoming executive director of Community Living Greater Sudbury, a group centre for individuals with developmental disabilities.

Ms. Lapointe ran in the 2021 federal election in the riding of Sudbury. After successfully winning the nomination, she went on to win her riding in the 2021 election with 34% of the vote.

In addition to sitting as a member of RNNR, Ms. Lapointe is also a member of the committee on Industry and Technology (INDU).

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## Peter Scheifke

**Riding:** Vaudreuil—Soulanges, QC

**Political Party:** Liberal

**Profession:** Sustainable Development Executive

**Elected to Parliament:** October 2015

### **Biography:**

Peter was first elected as a Member of Parliament by the citizens of Vaudreuil-Soulanges in October 2015. Shortly thereafter he was appointed as the Parliamentary Secretary for Youth by Prime Minister Trudeau and in 2018 was given the additional responsibilities of Parliamentary Secretary to the Minister of Border Security and Organized Crime Reduction. In 2019 Peter was re-elected and was shortly thereafter appointed as the Parliamentary Secretary to the Minister of the Environment and Climate Change. In March 2021, Prime Minister Justin Trudeau asked him to take on the role of Parliamentary Secretary to the Minister of Immigration, Refugees and Citizenship.

Prior to entering into politics Peter worked in numerous capacities lending his expertise in sustainable development to both domestic and international causes. His passion for positive social change inspired his work as the Director and Co-Founder of Youth Action Canada, the CEED Program based in Uganda, East Africa and his work as the National Director of Climate Reality Canada, an organization founded by former US Vice-President and Nobel Laureate Al Gore. For his work he has been awarded a Federal Minister's Commendation, the YMCA Peace Prize and the Forces Avenir Award for Peace Justice and Humanitarian Aid.

Peter holds a Bachelor of Arts in Political Science from Concordia University as well as a Master of Science in Renewable Resources from McGill University and currently lives with his wife and two children in his riding of Vaudreuil-Soulanges, Quebec.

In addition to sitting on RNNR, Mr. Scheifke is also Chair of the House Committee on Transport, Infrastructure and Communities (TRAN).

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## **Recent MP Correspondence – MP Peter Julian**

*Note: MP Peter Julian is not a member of the RNNR, but could decide to sit in.*

On April 24, 2024, Peter Julian, MP, filed a notice of motion ([C29310](#)) that referenced the horizontal directional drill (HDD) crossing of the Fraser River for the Trans Mountain Expansion Project. Specifically, he requested the following (reproduced verbatim):

- 1) An order to request the TMEP project for an immediate stop of construction activities and spending public funds until [Canada Energy Regulator (CER)] certifies that the Fraser River HDD crossing is safe, and pipeline structural risks are acceptable, considering the undisclosed, deviated, and higher bending angle of the pipeline in this crossing.
- 2) That previous feasibility studies for the Fraser River HDD crossing are updated with the new routing, and that those studies are certified by CER engineer licensed by [Engineers and Geoscientists British Columbia].

On April 26, 2024, the Commission responded ([C29396](#)), stating the Commission was not able to accept this as a motion in its current form.

On May 5, 2024, Peter Julian, MP, re-filed his previous submission ([C29527](#)).

On June 3, 2024, the Commission responded ([C29871](#)), stating that the requests are not properly before the Commission, as there is no active proceeding to which the letter and requests relate. The requests were made in relation to a route deviation at the Fraser River that the Commission previously assessed and for which it issued a decision on January 28, 2022. Further, one of the requests was for an immediate stop to construction, when the TMEP is currently operating. Because of these above-noted procedural flaws, the Commission stated that it still could not consider the requests or make a ruling on them.

The June 3, 2024 letter also provided some relevant information on the leave to open process and the Commission's resulting assessments and detailed decisions, in order to understand the measures taken to ensure that the pipeline could be safely opened.

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## **Key Messages**

### **CER's Role in Tolls and Tariffs**

- The CER's role is to ensure that where market power exists, it is not abused and that tolls for pipeline services are just and reasonable, and that there is no unjust discrimination.
- With respect to detailed costs of the project, one of the issues in the hearing is whether costs were reasonably and necessarily incurred.
  - Accordingly, the public hearing record already includes thousands of pages of detailed cost information from Trans Mountain. In the coming months, shippers and other intervenors can also file evidence.

### **CER's Role in Energy Transition**

- The need for up-to-date analysis of energy trends in Canada is needed more than ever.
- The CER produces timely, fact-based, and relevant energy analysis to inform the energy conversation in Canada.
- The CER's flagship series, Canada's Energy Future, has also been expanded to include modelling consistent with Canada's commitment to achieve net-zero by 2050 (as requested by the Honourable Jonathan Wilkinson, Minister of Natural Resources, in December 2021).

### **Role of Indigenous Advisory and Monitoring Committees**

- In 2016, the Government of Canada announced the creation of Indigenous Advisory and Monitoring Committees (IAMCs) for both the Trans Mountain Expansion Project and the Enbridge Line 3 Replacement Program;
- The TMX-IAMC brings together 13 Indigenous and six senior federal representatives to provide advice to regulators, as well as to monitor the TMX Project and the existing pipeline. The IAMC includes Indigenous representatives selected from among the 129 communities impacted by the project;
- The IAMCs allow for Indigenous participation in project oversight, to help ensure projects are built and operated in a manner that respects and incorporates Indigenous Peoples' knowledge, perspectives and relationship with the land. They reflect Canada's commitments to Indigenous Peoples, and their involvement improves safety and environmental outcomes on the project.
- IAMC involvement enhances competitiveness, because they are part of a coherent, predictable and transparent operating environment.
- The involvement of the TMX IAMC supports the CER's strategic priority of Trust of Confidence in the regulatory oversight of the TMX project and by extension in the natural resource sector and its management in Canada.

## **CER's Role in GHG Emissions**

- The CER does not directly regulate GHG emissions. Rather, it regulates energy infrastructure itself.
- Releases of methane and other GHG emissions from CER-regulated facilities are subject to ECCC and provincial regulations.
- The Commission considers the potential GHG emissions of new energy infrastructure when assessing projects under the CER Act.
  - These assessments are guided by the CER Filing Manual, which reflects the principles and objectives of ECCC's Strategic Assessment of Climate Change; notably the new requirement for proponents to provide a credible plan to achieve net-zero emissions by 2050.
- Throughout operations, the CER verifies compliance with requirements for companies to develop, implement and maintain an Integrity Management Program, which leads to decreased nonplanned emissions.
- The CER works closely with other federal government departments (such as ECCC) in implementing regulations that are applicable to GHGs.

## **The CER and net-zero requirements**

- The CER's Filing Manual requires companies to develop and implement a net-zero plan which aligns with Canada's commitment to reach net-zero by 2050.
  - As part of the decision-making, the Commission makes a determination of whether the project contributes or hinders Canada's climate change commitments and obligations.
- We expect our regulated companies to implement the regulations and policies as set by Environmental and Climate Change Canada and other government departments.

## **CER's Role in the economic feasibility assessment of TMEP**

- The NEB undertook a detailed assessment of the economic feasibility of TMX as part of the hearing process on the project.
- Because the contractual support for the project was an important element that demonstrated its economic feasibility, the NEB did not allow Trans Mountain to start construction until it confirmed that all the contractual off-ramp provisions had lapsed, and that at least 60 per cent of the system's total capacity remained under contract. Trans Mountain did so in 2017, and indicated contracts equaled 80 per cent of capacity.
- Beyond that, we do not review the ongoing economic feasibility of a pipeline as it is being constructed.

## **CER's role in assessing utilization of TMEP**

- There are different elements to the question of how much Trans Mountain will be utilized.

- One is that 80% of the system's expanded capacity is under contract for the next 15 to 20 years. It will be very attractive for shippers to use this share of capacity, because they would have to pay most of the toll even if they did not actually use the contracted capacity.
- For the remaining 20% of capacity that will be available on a monthly basis, the degree of utilization may be more susceptible to fluctuating market forces.
- Of note, the market impacts of Trans Mountain's tolls are being considered in the tolls hearing.

### **The Government of Canada's purchase of TMEP**

- The CER was not involved, in any way, in the Government's decisions to purchase the Trans Mountain Pipeline System; nor was its predecessor the NEB.
- The transaction did not trigger the need for NEB or CER approval of the sale, so we did not assess the deal.

### **CER's Role in Any Potential Sale of TMEP**

- Depending on the nature of any eventual Trans Mountain sale, CER approval may or may not be required.
- In instances where only ownership shares are transferred, but the operator remains the same, CER approval may only be required for any changes to the company's financial resource plan, as was the case with the transfer from Kinder Morgan to the Government of Canada.
- If there is a new TMEP operator, the new operator would be required to demonstrate to the CER that it can operate the pipeline safely, that it has management systems in place to ensure it can meet the CER's regulatory requirements.
- Also, the new operator would have to demonstrate that it has plans in place to fund both pipeline abandonment and financial resources.

### **CER and TMEP GHGs**

- TMEP's construction-related GHGs were assessed, and two regulatory conditions were required as mitigation beyond existing federal or provincial regulatory requirements:
  - To provide a more accurate estimate of the direct greenhouse gas emissions that are required to be offset, Trans Mountain is required to quantify the total direct greenhouse gas emissions after all construction activities are complete.
  - Given the substantial amount of anticipated direct emissions that would be generated by Project construction, the CER requires Trans Mountain to develop an offset plan for the Project's entire direct construction-related greenhouse gas emissions determined post-construction. The intent of offset plan is to confirm that there are no net greenhouse gas emissions from Project construction.
- Greenhouse gas emissions during Project operations are expected to be relatively low compared to construction-related emissions and are guided by the applicable provincial and national regulations.

- Trans Mountain recently filed a post-construction assessment report pursuant to Condition 140. Trans Mountain submitted that the total calculated direct emissions from construction and land clearing is 1,125,033 tonnes carbon dioxide equivalent (CO<sub>2</sub>e). This is approximately 10% increase as compared to the predicted emissions. Last week, the Commission approved Part 1 of the Condition 140 filing. Note that Trans Mountain will submit the GHG emissions Offset Plan by 31 December 2024. (Condition 142 filing).

### **TMEP's Regulatory timeliness and the CER**

- Both the NEB Act and the CER Act impose time limits for the consideration of projects.
- The project application was filed with the NEB in 2013 and was initially approved in 2016;
  - there was a pause in project assessment after Trans Mountain changed project routing to go through Burnaby Mountain. After the initial approval, a legal challenge followed, triggering a Reconsideration process.
- In 2019, the NEB published its reconsideration report, which recommended that the project was in the public interest and should be approved with conditions. The GIC reapproved the project and a certificate was issued shortly thereafter.
- The CER's expert advice on safe design, construction, and operation of pipelines, as well as its comprehensive analysis of projects, supports its recommendations as to whether a project is or is not in the public interest.
- Issuance of a certificate does not end regulatory proceedings.
  - For example, Trans Mountain faced numerous challenges, resulting in 39 detailed route hearings, the assessment of 121 right of entry applications and 63 route deviation decisions by the Commission.
- The CER is a lifecycle regulator overseeing the construction of the project and ensuring compliance with certificate conditions.
  - Of TMEP's 156 certificate conditions, 133 have been either partially or fully assessed. TMX must file or continue to file responses to approximately 27 conditions, as those conditions are ongoing.
  - Between August 2019 and May 2024, the Commission issued a total of 275 Letter Reports and Decisions on matters related to condition compliance.

## **Key Briefings**

### **TMEP – Overview of Review Process**

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- The Trans Mountain Expansion Project came before the National Energy Board in December 2013 and was initially approved by the Governor in Council in late 2016.

#### *Federal Court of Appeal Decision*

- On August 30, 2018, the Federal Court of Appeal released a decision that quashed the Order in Council approving the Project, and nullified the Certificate issued by the NEB for the Project.<sup>1</sup> Shortly thereafter, the NEB cancelled all ongoing detailed route hearings and advised Trans Mountain to safely cease all construction activity in a manner that minimizes environmental impact.

#### *Reconsideration Report*

- In February 2019 the NEB delivered its Reconsideration Report to the Government, with an overall recommendation that the Project was in the Canadian public interest and should be approved with conditions.
- The NEB imposed 156 conditions and made 16 new recommendations to the Government of Canada. The recommendations related to matters that fell outside of the NEB's regulatory mandate, but within the authority of the Government of Canada.
- In June 2019, after consideration of the Reconsideration Report and the Crown Consultation and Accommodation Report, Governor in Council approved TMEP, subject to 156 conditions.
- The TMEP is subject to 156 project conditions related to environmental protection, pipeline and facility integrity, safety, Indigenous relations, socio-economic matters, emergency management, worker accommodations, and financial assurances, among other things.
- On July 19, 2019, the NEB decided how regulatory processes for the Project would continue, including detailed route and condition compliance processes.
- Construction, which was paused in September 2018, resumed in July 2019.

### **TMEP – Key Facts**

- Line 1 was constructed in 1953. Line 2 Expansion application submitted in December 2013 to expand capacity from 300,000 bbl/d to 890,000 bbl/d.

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<sup>1</sup>The August 2018 FCA ruling quashed the government's approval of the project on two grounds: the NEB had erred in its decision to exclude consideration of the environmental impact of project-related marine shipping; and the government had failed to properly execute its legal duty to consult with Indigenous peoples.

- Project includes 983 kilometres of pipeline (7 spreads), 4 terminal expansions, Burnaby tunnel, and 12 pump stations
- 156 conditions.
  - To-date, approximately 133 conditions have been either partially or fully assessed.
  - All prior to commencing operations conditions have been satisfied.
  - Approximately 27 conditions, or sections thereof, remain to be filed or continue to be under assessment.
- Approximately 130 variances and relief requests related to condition compliance
- 180 compliance verification activities (inspections) to date, 142 with Indigenous Monitors
- 20 emergency response exercises, all with Indigenous Monitors
- 36,900+ people worked on the Project, 100+ million hours worked
- 1,643 watercourse crossings, 199 highway crossings, 50 railroad crossings
- 584,495 m<sup>3</sup> of Grade Rock Blasting
- 101 km through urban areas
- 1.56 million amphibians salvaged and relocated
- 255,000+ artifacts recovered

### **TMEP – Current Status of Project**

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- The CER issued the final authorization for the TMEP pipeline to operate on April 30, 2024, and authorized it to carry crude oil from Trans Mountain's Edmonton Terminal, located in Strathcona County, AB, to its Westridge Marine Terminal, located in Burnaby, BC, in Western Canada.

#### *Line Fill and Commencing Operations*

- All prior to commencing operations conditions have been satisfied.
- Line Fill for the new pipeline took place over 23 days, from April 16 to May 9, 2024.
- The volume filled at Burnaby Terminal was 4,002,000 bbl (636,00 m<sup>3</sup>).
- Line 2 entered commercial service on May 1, 2024. The tankers began taking Project oil from Westridge in late May (first docking window was May 20-22, second was May 22-24).

### *Leave to Open (LTO)*

- Before a pipeline can go into service, a company must apply for and be granted leave to open.
- In a leave to open application, a company must demonstrate that the section of the pipeline is safe to operate.
- Leave to open applications are extensive and require the company to submit detailed engineering information on hydrotesting results and pipeline integrity.
- Trans Mountain submitted 42 LTO applications. The status of these are on the CER website.
- The final LTO application for the pipeline was approved on April 30, 2024. Tanks 96 and 98 at Burnaby Terminal remain as the only facilities left needing LTO.

### *Toll and Tariff*

- The Commission approved preliminary interim tolls for the expanded Trans Mountain pipeline system in November 2023. This decision allowed the company to charge new tolls for pipeline services once expanded operations began in May of this year. Interim tolls are subject to adjustment.
- The next step in the interim tolling process is the final interim tolls hearing that will continue throughout 2024 and into 2025, which will include a detailed cost review of the project. Following a determination on final interim tolls, a final tolls decision will follow.
- The tolls hearing is currently at the stage where the Commission and intervenors are asking Trans Mountain for more information in follow up to the evidence that Trans Mountain has filed.
- Going forward, key steps in the hearing are currently scheduled as follows:
  - Intervenor evidence and Letters of Comment: December 2024
  - Trans Mountain's Reply Evidence: April 2025
  - Oral cross examination starts: May 2025<sup>2</sup>

### *Compensation Hearing Applications*

- To date, the CER has received 17 compensation hearing applications involving the Project. The majority have been withdrawn, or are on hold due to negotiations between the parties.
- The claims primarily involve compensation for the acquisition or lease of lands, and for damages due to construction.

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<sup>2</sup> The above dates are here: [C30800-1](#). The hearing timelines have been extended more than once, including in response to a joint request from Trans Mountain and shippers to provide more time for certain steps.

### *CER Oversight in 2024/2025*

- Final clean up and reclamation work will be ongoing along portions of B.C. pipeline. Compliance verification activities to oversee this work will continue through 2024/2025.
- Trans Mountain is required to undertake five emergency response exercises within five years after commencing operations.
- Post construction monitoring reports will arrive starting in January and will continue over several years.

### **TMEP - Purchase / Sale to Canada**

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- The CER was not involved, in any way, in the Government's decisions to purchase the Trans Mountain Pipeline System; nor was its predecessor the NEB.
- The NEB review of the TMX Project assessed the economic feasibility of the Project and found that TMX was in the public interest. No further economic analysis was conducted by the NEB related to the Government's decision to purchase the Trans Mountain.

### *Government of Canada's purchase*

- On May 29, 2018, the Government of Canada and Kinder Morgan announced they had reached an agreement for the Government of Canada to acquire the Trans Mountain Pipeline system and the expansion project for Canadian \$4.5 billion.
  - Under the Share and Unit Purchase Agreement (Agreement), the Government of Canada would purchase the shares and units of all the entities that own and operate the existing Trans Mountain Pipeline system, and the company that was authorized to construct and operate the Trans Mountain Expansion Project.
- On August 30, 2018, Kinder Morgan Canada shareholders voted to approve the transaction.
- The CER Act requires companies to apply for approval to sell or purchase pipeline assets.
  - This ensures that if the pipeline operator changes, the new operator must demonstrate to the CER that it can operate the pipeline safely, and that it has management systems in place to ensure it can meet the CER's regulatory requirements.
- When the Government of Canada acquired Trans Mountain, it was a share transaction, meaning the pipeline operator didn't change – Trans Mountain Pipeline ULC continued to own and operate the pipeline, but the owner of Trans Mountain Pipeline ULC changed. Accordingly, the CER did not need to review a new set of management systems, and approval from the CER was not required in order for the transaction to occur.



- However, the CER did need to re-evaluate Trans Mountain’s financial resources, given the change to the parent company.
  - As a major oil pipeline company, Trans Mountain Pipeline ULC is required by the CER Act to maintain \$1 billion (CAD) in financial resources. This did not change after the acquisition (though the requirement grew to \$1.1 billion once TMEP commenced operations, pursuant to Condition 121 from the TMEP Certificate).
  - On August 8, 2019, Trans Mountain applied to replace its Financial Resources Requirement Plan as a result of the Agreement. Trans Mountain proposed it would meet the \$1 billion requirement via a combination of \$500 million in insurance, and a \$500 million Line of Credit backstop from Canada TMP Finance Ltd. (a federal Crown corporation wholly-owned by Canada Development Investment Corporation).
  - After seeking public comments, the [NEB approved](#) the new Financial Resources Requirement Plan on March, 20 2019.

### **TMEP - Potential Sale and Role of the CER**

- Depending on the nature of any eventual Trans Mountain sale, CER approval may or may not be required.
- The Commission’s leave is required under section 181 of the CER Act if a company intends to sell, purchase, transfer or lease pipeline facilities or assets that are regulated by the CER.
- The new operator must demonstrate to the CER that it can operate the pipeline safely, that it has management systems in place to ensure it can meet the CER’s regulatory requirements.
- Also, the new operator must demonstrate that it has plans in place to fund both pipeline abandonment and financial resources.
- In instances where only the shares are transferred, but the operator remains the same, CER approval may only be required for any changes to the company’s financial resource plan, as was the case with the transfer from Kinder Morgan to the Government of Canada.
- Valuation/sale price:
  - In normal course of business, companies and assets tend to sell at multiples to their earnings.
  - Accordingly, we recognize that Trans Mountain’s future revenues, and hence earnings, will be impacted by the Commission’s tolls decision. The Commission has an obligation to ensure tolls are just and reasonable and not unjustly discriminatory. That is what the Commission is in the process of doing.

### *CER's Regulatory Oversight Responsibilities*

- As an independent regulator, the CER treats all projects and project proponents the same, whether they are a Crown Corporation or a publicly held company.
- The owner must comply with all CER regulatory requirements and TMX certificate conditions (unless it applies to vary those conditions).

### **TMEP - Unique Elements**

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- Given the complex nature of the project and the natural environment in which it is installed, the company's inherent planning needed to be equally complex.

### *Construction*

- The CER is aware that a number of unique elements that contributed to construction delays. The following information is intended be overview in nature. There currently is a Trans Mountain toll hearing before the Commission of the CER where one of the issues to be determined is whether a wide range of construction costs were reasonably and necessarily incurred. No conclusions have yet been reached.
- In enacting its own oversight of its project, the company's management had to appropriately plan and execute various applications or requests throughout its construction (e.g., variances in design and routing). These were necessary to uphold rights to Indigenous peoples, affected landowners, and for continued protection of the environment and safety of people.
- Trans Mountain's filings in the ongoing tolls hearing before the Commission state in part that construction was intermittently impacted by external factors including:
  - **Two wildfire seasons** which impacted the ability to progress construction in affected areas.
  - **Major flooding in B.C.**, due to an atmospheric river event which occurred in November 2021, flooding impacted the right of way that was under construction, as well as limited access and ease of worker movement to/from work areas and likely required the re-establishment of access roads.
  - **The COVID-19 pandemic**, which caused most industry activities in Canada to come to a stop or slow. Specific impacts included:
    - limitations on construction execution (number of workers having access concurrently to work areas; worker transportation would have needed expansion, etc.);
    - changes to procedures and reporting (worker time lost due to illness; provincial/federal health reporting);
    - procurement challenges (supply chain impacts; purchase of new/unforeseen PPE such as masks, additional sanitization).
  - Certain legal and regulatory requirements were beyond what Trans Mountain had assumed when developing its early estimates (time for detailed route hearings, right of

entry applications and leave to application applications was not included in Trans Mountain's 2013 application).

- The costs to accommodate and protect Indigenous rights and the archaeological heritage of Indigenous nations were significantly higher than anticipated.
- We are providing this overview information from Trans Mountain to be responsive to the Committee questions. The specific extent to which these and other factors may have contributed to cost overruns has not yet been determined. There currently is an ongoing hearing before the Commission of the CER where the issue of whether costs were reasonably and necessarily incurred will be determined. At this stage no conclusions have been reached.

## **TMEP - Regulatory Requirements and Timing**

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### *Regulatory Requirements*

- While Canadians mostly hear about the CER's involvement at the beginning of a project, we regulate federal energy infrastructure throughout its entire lifecycle.
- We do not simply make a decision on a project and walk away.
- When approved projects are being built and operated, we inspect and audit them.
- When a pipeline has reached the end of its usefulness, the CER ensures that it is abandoned in a safe and environmentally responsible manner.
- In other words, the CER regulates from "start to finish", which can span the course of many decades. And we hold pipeline companies responsible for the full lifecycle of the pipelines they operate.

### *Condition Compliance*

- The degree of regulatory oversight is proportional to a project's complexity and scale. This ensures that larger and more multifaceted projects have the necessary monitoring and guidance to meet the conditions set for a project.
- We use the necessary enforcement tools to ensure companies are following our regulations and workers are kept safe.
- Safety is always our top priority, including all workers and contractors on job sites.
- We confidently enforce some of the strictest safety and environmental standards in the world.
- During the project's lifecycle, compliance with conditions set by the CER is crucial. If the CER identifies an issue during compliance activities, it can affect the project, including its construction timeline.

### *Time Limits*

- The CER Act mandates that all applications and proceedings before the Commission must be dealt with as expeditiously as the circumstances and procedural fairness and natural justice permit, and within the time limit provided for in the CER Act.
- The time limit must not exceed the legislated number of days from the day which the company/applicant has provided a complete application, as decided by the Commission. The Commission must complete its assessment and make its recommendation or decision within this time limit.
- The Lead Commissioner of the CER Commission will set time limits for certain types of applications and ensure these time limits are met.
- The CER has always strived for efficiency in our hearing and application processes. The time limits maintain this efficiency and enhance certainty and predictability for all parties involved.
- Our commitment to conducting fair and efficient processes, including meeting the time limits, has not changed since becoming the CER and will not change.
- Project applications are categorized as small, medium, or large, with processing times under the CER Act varying based on complexity, potential information requests, and expected third-party interest.
  - Small projects (less than 40km of new right of way) are assessed within 10 months.
  - Medium projects (more than 40km but less than 75km of new right of way) are assessed within 15 months.
  - Large projects (75km or more of new right of way) will have assessments that range from 10 to 20 months.
  - Large projects will go through an integrated review led by the new Impact Assessment Agency with support from the CER.
- The Commission's expert advice on safe design, construction and operation of pipelines, as well as its comprehensive analysis of any project, will support the recommendation it makes as to whether or not a project is in the public interest.
- The CER's report on a project will include conditions to be attached to any certificate issued. Cabinet may refer back to the Commission its approval or denial or add or revise conditions, but the CER makes the final decision as to what its recommendation will be.
- This recommendation is published and provided to the Governor in Council for a final decision.

### *TMEP Specific Information – Regulatory Requirements and Timing*

- TMEP application was assessed under the NEB Act in which the legislation called for fixed beginning-to-end time limits of 18 months for most NEB applications. This was broken down

into 15 months from the date the Board determined an application was complete until the Board completed its assessment with the issuance of a Decision or Recommendation to Governor in Council.

- There was a pause in the NEB process after Trans Mountain changed project routing to go through Burnaby Mountain. Trans Mountain was required to file studies for the new routing on the public record.
- TMEP came before the NEB in 2013 and was initially approved in 2016. The project encountered a legal challenge in 2018, leading to a Reconsideration process.
- In 2019, the NEB published its Reconsideration Report, which recommended that the TMEP was in the public interest and should be approved with conditions.
- Since the Governor in Council approved TMEP in 2016 and then again in 2019, the CER has been actively monitoring the project's construction and ensuring compliance with regulatory requirements.
- The TMEP is subject to 156 project conditions related to environmental protection, pipeline and facility integrity, safety, Indigenous relations, socio-economic matters, emergency management, worker accommodations, and financial assurances, among other things.

#### Adjudicative Processes

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- At the time of the TMEP application, there were several outstanding aspects yet to have been completed and/or which would have been unknowns, such as detailed design, detailed route, and engineering assessment of the portions of the existing facilities that were to be reactivated.
- Trans Mountain faced numerous challenges post-approval that resulted in additional regulatory processes required by legislation, including with respect to reaching land agreements and obstacles encountered during construction that required project design and route revisions.
  - **96 Statements of Opposition** were received post-certificate, resulting in **39 detailed route hearings** (20 new hearings, and 19 previous hearings resumed), a process which spanned 20 months. In the end, 26 Statements of Opposition were withdrawn, and decisions were issued in relation to 14. Construction was not able to occur on these sections of land until detailed route decisions were issued.
  - **121 Right of Entry applications** were required to access lands for which Trans Mountain could not come to an agreement with landowners.
  - **63 Route Deviation decisions** were made.
- There were significant number of Information Requests during the hearing:
  - First hearing – 6 official rounds, plus 5 additional significant packages on specific filings
  - Reconsideration – 2 official rounds
  - The NEB also asked many IRs of intervenors and government departments.

### Conditions and construction oversight

- Should the Commission identify a risk during the review of an application, they may ask a company to meet a number of conditions specific to the project. Conditions are imposed to reduce risks, prevent harm, promote safety, and protect the environment.
- During the adjudicative phase, proposed conditions were floated, offering fair opportunity for Trans Mountain to comment, and to raise concerns regarding the content and/or timing of these proposed requirements.
- Many of the conditions ultimately imposed pertained to commitments made by the company through the proceeding, or to demonstrate compliance with current standards (i.e., they would have had to do them regardless of whether there had been a condition or not).
- To-date, approximately 133 of the 156 conditions have been either partially or fully assessed. Approximately 27 conditions, or sections thereof, remain to be filed or continue to be under assessment.
- Between August 2017 and August 2018 there were 22 Condition Compliance letter reports issued by the NEB. When the Project was recommended in July 2018, these decisions were adopted (reassessment of these conditions was not required post-reconsideration which led to some efficiencies).
- Between August 2019 and May 2024, the Commission issued a total of 275 Letter Reports and Decisions on matters related to condition compliance. 177 Information Requests were also issued on condition compliance matters.
- In 2022-2023 alone, the TEMP filed 828 Post-Approval Compliance documents.

### Inspection Officer Orders

- A total of 12 Inspection Officer Orders (IOOs) were issued to Trans Mountain following project approval in 2019, five of which included stop work orders on specific spreads for 215<sup>3</sup>, 10, 6, 13, and 43 days. All the stop-work orders impacted localized areas vs. the entire project.
- Trans Mountain reported at least 7 incidents, as required by the OPR, to the CER (e.g., serious injuries) that involved voluntary work stoppages. The length of these stoppages is unknown.

### Variances

- Routing Variances (West Alternative Route Variance Application, Chilliwack BC Hydro Route Realignment)
  - After first hearing: 7
  - After reconsideration: 3

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<sup>3</sup> Time between the date when the IOO was issued (Oct 30, 2020) and notification to the CER IO that TMEP has terminated all contracts with SA Energy for the Trans Mountain Expansion Project (June 2, 2021).

- Non-routing Variances (Mountain 3 change in pipe size, change to the no. of tanks at Edmonton terminal, change in the location of the Hargraves Trap Site)
  - After first hearing: 3
  - After reconsideration: unknown

## **TMEP - Cost Increase**

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- The estimated cost of the TMEP when the project application was first submitted to the NEB was \$5.4 billion. The latest estimate that Trans Mountain has provided in the tolls hearing is \$34.2 billion (an over 6x increase).
- In the tolls hearing that is currently unfolding, the Commission has required Trans Mountain to provide detailed information about what contributed to the increase in project costs.
- Given that the matter is before the Commission, the CER will provide only overview information about events that occurred after Trans Mountain's application was first submitted. With the issue of whether costs were reasonably and necessarily incurred before the Commission, we will not be commenting on the specific causes of the cost increases.
- While Trans Mountain has submitted much evidence in this regard, other parties in the hearing – such as shippers – have not yet submitted their evidence in response. Further, after the oral phase of the hearing, the Commission will consider all the evidence and issue its tolls decision. This is why we will not get into detailed discussion of all the various factors that contributed to the rise in costs. We have to respect the independence of the Commission's ongoing adjudicative hearing.
- One of the issues in the hearing is whether costs were reasonably and necessarily incurred. This is why we will not get into detailed discussion of all the various factors that contributed to the rise in costs.
- At a high level, Trans Mountain has pointed to a variety of factors as having contributed to the rise in costs. For example, Trans Mountain points to the following:
  - The physical conditions encountered on the ground sometimes differed significantly from what Trans Mountain assumed when developing its early estimates, which were based on assumptions developed before ground truthing could be conducted.
  - Certain legal and regulatory requirements were beyond what Trans Mountain had assumed when developing its early estimates.
  - The costs to accommodate and protect Indigenous rights and the archaeological heritage of Indigenous nations were significantly higher than anticipated.

- Other factors contributed to the rise in costs, such as extreme weather events like the atmospheric river flooding and the COVID pandemic.
- Also, the prolonged project schedule meant the company incurred more carrying charges until the project was completed.
- These are factors pointed to by Trans Mountain in its public filings and no determination has been made as to the specific impact if any of these factors on the increase in costs. As we have said, there is significant evidence yet to come to the Commission’s toll hearing and no determinations have been made.

### **TMEP - Economic Feasibility of TMEP as considered by the NEB and Commission**

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- In the initial hearing for TMEP (OH-001-2014), the NEB considered the economic feasibility of the pipeline. The cost estimate at that time was \$5.5 billion.
- The Board placed significant weight on the existence of long-term firm service agreements with shippers in determining whether the facilities were needed and likely to be well utilized over their economic life.
  - TMEP had 13 shippers with firm commitments for 15 or 20 years for 80% of the expanded system’s capacity.
- Given the importance of the contracts to the NEB’s assessment of TMEP, the Board imposed Condition 57, requiring Trans Mountain to file with the NEB 90 days prior to construction, signed confirmation that secured agreements or contracts remain in force with shippers for a minimum 60 per cent of its total capacity. Trans Mountain did so, confirming it continued to have firm commitments with 13 shippers for 80% of the expanded system’s capacity.
- The economic feasibility and the cost estimate have not been reviewed by the Board or the Commission since the initial hearing for TMEP. The report from the initial hearing was released in May 2016.
- Neither the economic feasibility of the pipeline nor the cost estimate were within the scope of the Reconsideration Report (MH-052-2018). The scope of the Reconsideration Report focused on marine shipping and Crown consultation related to TMEP.
- Following the issuance of a certificate, the Commission does not review the ongoing economic feasibility of a pipeline as it is being constructed.

### **TMEP – Cost Increase and Tolls, Utilization of Pipeline**

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- I’ll be mindful that the CER has a hearing underway on Trans Mountain’s tolls, but I can provide some background information.



- Of course, tolls are a key factor in Trans Mountain’s revenue generation, and hence tolls are an important consideration in how much Trans Mountain might sell for.
- By way of background, before Trans Mountain applied for approval of the expansion project, it received NEB approval for a toll methodology that would apply to the expansion (or more accurately, a toll methodology that would apply to the whole system post-expansion – because post-TMEP, the same tolls are charged without differentiating between service on the original and new pipe).
- The methodology had been negotiated by Trans Mountain and shippers, and was spelled out in the contracts that shippers signed for service on the expanded Trans Mountain system.
- The toll methodology divided the costs to build TMX into two buckets. One was called “Capped Costs” and the other was “Uncapped Costs”.
- The methodology stipulated that once Trans Mountain received regulatory approval for TMEP, Trans Mountain would update its project cost estimate and re-base tolls for that new estimate. From that point forward, tolls would not change to account for any escalation in Capped Costs, but they would increase by 7 cents for every \$100 million that Uncapped Costs escalated.
- Trans Mountain’s 2017 cost estimate was \$7.4 billion, and under the methodology, it was fully reflected in re-based tolls at that time.
- Fast forward to 2023, and as the project was getting closer to completion, Trans Mountain applied for the interim tolls that would apply once TMEP commenced service, based on the pre-approved toll methodology and updated project cost information.
- *According to Trans Mountain’s evidence in the tolls hearing that is underway, since the 2017 estimate of \$7.4 billion:*
  - Uncapped Costs have risen by \$8.0 Billion, and
  - Capped Costs have risen \$18.7 billion.
- In the tolls hearing, the Commission will be examining what toll numbers actually result from the toll methodology that was approved in 2013.
  - This will involve looking at whether costs have been properly split between the Capped and Uncapped buckets.
  - It will also involve examining whether all the project costs allocated to Uncapped Costs were “reasonably and necessarily incurred” – which is something stipulated in the approved methodology.

- Additionally, however, the Commission will also be considering whether the tolls that come out of the methodology approved in 2013, are still appropriate – that is, are they just and reasonable and not unjustly discriminatory.
  - This will involve considering Trans Mountain’s financial position, and considering market impacts.

[IF DESIRE TO KEEP GOING:]

- In terms of just how much Trans Mountain recovers of its costs, that is something that is being examined in the tolls hearing.
- If one is just looking at the pre-approved methodology, it may not be as straightforward as looking just at the \$18.7 billion rise in Capped Costs as a share of the \$34.2 billion total.
  - One might also need to consider factors such as how lucrative – or not – the 7 cents per \$100 million is, and how lucrative – or not – the re-based toll is that is associated with the \$7.4 billion.

Additional contextual background information:

- As an example, Trans Mountain’s project management costs were in the Capped bucket, while its consultation and accommodation costs were Uncapped. As another example, pipeline construction costs for most of the project was in the Capped Cost bucket, but a few specific segments were included in the Uncapped Cost category.

*Timeline for Final Tolls (When will final tolls be set?)*

- We don’t yet know the exact timing.
- The Commission expects that final tolls will be set in accordance with the decision it will release in the hearing that’s currently underway. As an example of this, the Commission said that final tolls might require a true up to account for the final as-built costs that Trans Mountain will record over the coming months.

*Utilization of Pipeline (Will Trans Mountain be used? Will tolls be so high nobody ships on Trans Mountain?)*

- There are different elements to this.
- One is that 80% of the system’s expanded capacity is under contract for the next 15 to 20 years. Under these contracts, shippers have to pay most of the toll even if they do **not** ship any volumes. That will make it attractive for them to ship on Trans Mountain.
- For the remaining 20% of capacity that will be available on a monthly basis, the degree of utilization may be more susceptible to changing market forces.
- I will note that one of the issues being considered by the Commission in the tolls hearing that is underway, is the market impacts of Trans Mountain’s tolls.

## **TMEP Market Impacts (What has happened with oil and refined product flows and markets since TMEP came into service?)**

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- Since the TMEP has come into service, the Trans Mountain system shipped 704,000 barrels per day in June 2024, up from the 2023 average of 346,000 barrels per day. Almost all of these June barrels were contracted volumes.
- Marine shipments from the Westridge Terminal reached 360,000 barrels per day in June, from about 50,000 prior to the start-up of the expansion. In June and July, about half of the crude oil exported by marine is destined for US destinations (California, Washington) with the remainder going to Asian countries including China, India, and South Korea.
- In June, the system shipped 43,000 barrels per day of refined petroleum products in BC markets and has capacity available to move refined products to supply BC markets as needed. (Due to the changes in how Trans Mountain reports gasoline and diesel products, public data is not yet available to indicate how shipments of gasoline and diesel have changed with TMEP in-service.)
- Crude by rail volumes have stayed between 80,000 and 100,000 barrels per day since January 2024, having been on a downward trend since reaching record highs in early 2020. It is expected that crude by rail will remain stable at roughly these levels since these crudes are being exported to destinations that are not easily accessible by pipeline or have specific formulations that make them difficult to ship via pipeline. Historically, if there is sufficient pipeline capacity, as is the case today, crude by rail has not been used for any more than necessary.
- Crude oil in storage in Alberta has decreased by 15 million barrels (20%) to 60 million barrels since the start of TMEP based on data from the Alberta Energy Regulator.
- All export pipelines from western Canada were running at close to capacity before TMEP came into service. Since May 2024, media has reported that Canada's largest oil pipeline, Enbridge Mainline has had some spare capacity and has cut tolls in response to increased competition from an expanded Trans Mountain. Keystone Pipeline remains at or near capacity.

## **TMEP – Gasoline Prices**

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- Trans Mountain has long been able to transport refined petroleum products (RPPs), like gasoline, as well as crude oil for use in refineries.
- Prior to TMEP, the pipeline had insufficient capacity to satisfy shippers' demand for transporting RPPs and crude oil. TMEP has lifted these capacity constraints. As a result, southern B.C. markets

can now acquire additional RPP supply using the TMEP's extra capacity rather than alternatives, such as rail and truck.

- However, how exactly gasoline prices in the Lower Mainland will be impacted, could depend on a number of factors.
- Due to the ongoing Trans Mountain tolls hearing, we will refrain from providing further comments on this topic.
- The hearing will consider, in part, how Trans Mountain's tolls could impact markets, generally, and there have already been submissions regarding British Columbia gasoline prices.

#### Contextual background Information - recent media coverage:

- On 13 August 2024, the C.D. Howe Institute published an e-brief, "[The Big Squeeze: Lessons from the Trans Mountain Pipeline about the Costs of Invisible Bottlenecks](#)", which discusses the costs of insufficient transportation infrastructure. It was referenced by several news agencies.
  - The report discusses Trans Mountain's past capacity constraints as well as the NEB's 2015 decision regarding Trans Mountain's procedures for verifying shippers' nominations. The report concludes that the 2015 rule change, which limited the ability of shippers to over-nominate volumes, reduced RPP shipments on Trans Mountain. This resulted in more RPPs moving from Edmonton to B.C. via higher-cost rail. According to the report, the capacity constraint added more than 10 cents per litre to B.C. Lower Mainland wholesale fuel prices since 2019, and between 20 and 30 cents per litre in 2023.
  - The report states that B.C. residents should see lower gasoline prices with the TMEP. According to the report, the increase in tolls from the TMEP is more than offset by reduced shipping costs as RPPs move back onto the Trans Mountain pipeline and away from higher-cost rail.
  - The CER staff has not verified the data and conclusions in the report. The impacts of Trans Mountain's post-expansion tolls on refined product markets, including prices, may be assessed as part of an ongoing hearing process.
- Recommended response to questions:
  - As described in the report, the TMEP will increase the amount of pipeline capacity available to transport RPPs, enabling southern B.C. to acquire a greater proportion of its RPP supply from the pipeline rather than alternatives, if it chooses.
  - However, the exact impacts on gasoline and diesel prices in B.C. could depend on a number of other factors.
  - The impacts of Trans Mountain's post-expansion tolls on refined product markets may be assessed as part of an ongoing hearing process, so we are unable to comment further.

## TMEP - Export Capacity and Emission Reduction Targets

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- Increased pipeline capacity may impact production and greenhouse gas (GHG) emissions, but global crude oil prices play a greater role;
- Estimated export pipeline capacity out of Western Canada was about 4.6 million barrels per day (MMb/d) prior to the start of operation of the Trans Mountain Expansion project.
  - This is estimated to increase to 5.2 MMb/d when TMEP is fully operating.
- The CER has previously undertaken analysis of the impact of pipeline capacity on crude oil production in its Canada's Energy Future series. Though the analysis is not specific to TMEP, in the CER's Energy Futures 2016 report, a "Reference" case with unconstrained pipeline capacity (compared to a "Constrained" case limited to 4 MMb/d of export pipeline capacity), resulted in higher prices to Canadian oil producers, increased oil project investments, higher production levels (9% higher by 2040 compared to the constrained case), and increased energy use between 2015 and 2040.
  - The report assumes that when the marginal barrel is exported from Canada via pipeline, as in the Reference case, the price of crude oil in Western Canada is higher compared to a scenario where rail provides the marginal source of transportation. Given the higher cost of transporting crude by rail, Western Canadian crude oil prices are lower. This difference in prices is the driver of different production trends in the two scenarios.
  - Although GHG emissions were not quantified, increased production and energy use would have likely led to higher upstream GHG emissions. However, moving crude via pipeline vs rail (as in the "Constrained" case) would result in lower oil transportation emissions.
  - This analysis (although dated) highlights the potential impact of pipeline capacity limits and the complexities of pipeline bottlenecks on Canada's energy system and economy.
- Environment and Climate Change Canada (ECCC) estimated that the upstream GHG emissions resulting from the production, processing, and refining of products associated with the TMEP's capacity (of 590 Mb/d) would be 13.5-17 million tonnes (Mt) of CO<sub>2</sub>e per year.
- ECCC notes that whether those emissions are truly incremental depends on the considerations such as the expected price of oil, the availability, and costs of other transportation modes (e.g., crude by rail), and whether other pipeline projects are built.
  - Note that the emission intensity of Canadian oil production has fallen steadily over the past several years, falling over 20% from 2005 to 2022 according to ECCC.
- World oil prices have a greater impact on production than the transportation method. At sustained high oil prices, new production would likely be transported by rail if pipelines are

unavailable. However, there is a price range (around \$60-80/bbl) where additional production would come online because Trans Mountain provides a cheaper option than rail.

### *Emissions Reduction Targets in Canada and the Oil and Gas (O&G) Sector*

- Canada has committed to reduce the country's GHG emissions to 40-45% below 2005's levels by 2030 (to a level of around 440 million tonnes (Mt)), and to reach net-zero GHG emissions by 2050.
- GHG emissions from upstream oil & gas (O&G) production were 186 Mt of CO<sub>2</sub>e in 2022. That is 26% of Canada's total emissions that year (of 708 Mt), and a 16% increase relative to 2005's levels.
- ECCC is currently developing a regulatory framework to cap GHG emissions from the O&G sector. This will be achieved through a cap-and-trade system that would require emissions reductions by 2030 at two levels – one at 35-38% below 2019's levels (the emissions cap), and one higher at 20-23% below 2019's levels (the legal upper bound). The gap between the two is meant to create a buffer of compliance flexibility.
  - Relative to 2022's emissions levels, this would require the O&G sector to reduce emissions by 16-35% by 2030. Since the regulatory framework is not expected to come in force until 2026, assuming emissions levels in 2025 equivalent to those in 2022, would require industry to reduce emissions by 3-7% per year between 2026 and 2030.
  - For context, the global financial crisis of 2008-09, the Fort McMurray wildfires of 2016, and the COVID-19 pandemic, were the only times in recent history when upstream O&G GHG emissions declined in that order of magnitude.
- A limit on GHG emissions from the sector doesn't equate to a limit on production – because producers can use various technology and compliance options to reduce their GHG emissions while maintaining or continuing to grow production levels. Regulations are expected to be finalized by 2025 and to come into force in 2026.

### **TMEP – Crown Consultation**

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- The Government of Canada consulted potentially impacted Indigenous communities on the TMX pipeline, first in 2016 and then again in 2018-2019, in response to the August 30, 2018 Federal Court of Appeal decision.
- In making the decision to approve the project, the government took into consideration a wide variety of information, including the NEB's (now CER) Reconsideration Report, the Crown Consultation and Accommodation Report (CCAR), the Honourable Frank Iacobucci's independent advice, evidence-based science and Indigenous knowledge.

- There are 156 conditions that the proponent must comply with and that would be transferred to a new owner.

### **TMEP – Shipper Termination Rights**

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The contracts shippers signed to use the Trans Mountain Expansion initially had termination rights, where they could cancel their contracts if certain triggers were met (for example with respect to costs). Those termination rights are now lapsed. For further detail see below points:

- The Facility Support Agreement (FSA) (Section 5.4, [A3E7D3](#)) lays out termination rights for shippers.
- The termination right following a toll adjustment could have been exercised once shippers received Trans Mountain’s toll adjustment following the receipt of the Certificate of Public Convenience and Necessity (CPCN).
- Within 60 days, Trans Mountain provided its shippers with a new cost estimate which would set out a revised toll for shippers. The fixed toll would increase by \$0.07 per barrel for every one hundred million dollar increase in the cost estimate. If the new cost estimate increased tolls beyond the Open Season Toll limit (which it did), then shippers would have the right to terminate their contracts.
- Trans Mountain received its (initial) CPCN in December 2016 ([A80871-1](#)). Trans Mountain has indicated that with the quashing and later re-issuance of the CPCN, it was not required to re-issue the cost estimate and Trans Mountain did not do so ([C01495-1](#)).
- Shippers had other termination rights in the FSA, but these were related to failure to satisfy conditions precedent (e.g., failure to obtain NEB approval of the toll methodology or other regulatory approvals), rather than the tolls.
- All termination rights have now passed.

### **TMEP – Financial Conditions**

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Prior to construction, Trans Mountain was required to file confirmation that at least 60% of the pipeline’s total capacity was underpinned with long-term contracts. The NEB approved the condition on August 3, 2017. For further detail see below points:

*Condition 57: Commercial Support for the Project*

- The Board imposed Condition 57 ([link](#)) on Trans Mountain, which required Trans Mountain to file with the Board 90 days prior to construction, signed confirmation that secured agreements or contracts remain in force with shippers for a minimum 60 per cent of its total capacity and that any rights to terminate held by shippers had lapsed and or expired because their conditions precedent have been satisfied or waived.

- On May 10 2017, Trans Mountain filed confirmation that the Project had secured 15-year and 20-year firm service commitments from 13 shippers, totaling 707,500 barrels per day representing 80 per cent of its total capacity. This exceeded the 60 per cent threshold set forth in this Condition.
- Further, as required by Condition 57 b) Trans Mountain confirmed that all shippers' rights to terminate had expired because their conditions precedent had been satisfied or waived. ([A83349-1](#)).
- On August 3, 2017, the NEB issued a letter finding that Trans Mountain had met the requirements of Condition 57 ([A85310-1](#)).
- In subsequent filings, Trans Mountain indicated that after the re-issuance of the CPCN (following the reconsideration hearing), Trans Mountain did not re-issue a new CPCN cost estimate to shippers. Accordingly, shipper termination rights were not reopened. ([C01495-1](#))

Prior to applying for leave to open the expansion, Trans Mountain was required to file a Financial Assurances plan detailing how it could access \$1.1 billion to respond to spills or incidents on the pipeline. The plan included insurance of \$550 million, and a letter of credit from TMEP Finance Canada Ltd for \$550 million. The Commission approved the plan on September 29, 2023. For further detail see below points:

*Condition 121: Financial Assurances Plan – operations phase*

- The Board imposed Condition 121 ([link](#)) on Trans Mountain, which required Trans Mountain to maintain \$1.1 billion of financial assurances to respond to spills or incidents. Trans Mountain was required to file a Financial Assurances Plan, for approval, at least 6 months prior to applying to leave to open Line 2 that would provide details on types of financial resources, including ready cash available.
- As part of Condition 121, Trans Mountain must file a letter annually signed by an officer of the company verifying that all components of the Financial Assurances Plan remain as approved. Any changes to the Financial Assurances Plan must be approved by the Commission in advance.
- On August 19, 2022, the Commission [confirmed](#) that the total requirement for Trans Mountain is \$1.1 billion. That is, the \$1 billion financial resources requirement in the CER Act for major oil pipelines and the \$1.1 billion requirement in Condition 121 of the TMEP Certificate are not additive.
- On December 21, 2022, Trans Mountain filed its Financial Assurances Plan for approval ([C22670-1](#)) and filed a report from an independent third-party, MNP LLP, that assessed Trans Mountain's Financial Assurances Plan and its key components ([C22671-1](#)).
- Trans Mountain's Financial Assurances Plan consists of a \$550 million line of credit from Canada TMP Finance Ltd. and \$550 million of third-party liability insurance coverage.
- On September 29, 2023, the Commission conditionally approved Trans Mountain's Financial Assurances Plan to become the expanded system's new Financial Resources Plan and accepted



the filing of independent third-party report ([C26371-1](#)). The Commission provided final approval of the new Financial Resources Plan for the expanded system on 23 February 2024 ([C28479-1](#)).

## **TMEP - CNRL Vapor Pressure Tariff Complaint**

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### *Key Points*

- In April of 2024, CNRL and some of Trans Mountain’s shippers complained that the Trans Mountain tariff allows for the blending of various crude oil types in a way that could harm the crude sales price for some producers.
- The Commission has regulatory oversight of pipeline tolls and tariffs, including the product specifications that are set out in pipeline tariffs.
- At the request of parties, the Commission stayed the process, and Trans Mountain and its shippers negotiated, arriving at a solution at the end of August.
  - Crude specifications have now been agreed upon, with Trans Mountain filing updated tariffs on 14 June – which revised the heavy crude specifications, and 30 August – which revised the light crude specifications; with support of the shippers, including CNRL.
  - Trans Mountain’s tariff crude specifications now largely parallel those used for the Enbridge Mainline.
  - At this time, no further process is required on the complaint.
- The CER can only provide an overview of the submissions that have been received and the process that took place. We cannot speak to the veracity of the complaint.
- To be clear, no party suggested that Trans Mountain’s crude specifications would result in any safety issues for the pipeline.

### *Further Details - CNRL Complaint about Trans Mountain’s Expanded System Tariff*

- Canadian Natural Resources Limited, with support from Suncor and Imperial Oil, filed a complaint on 12 April 2024 for the expanded system tariff.
- The complaint alleged that with expanded service taking effect on the system:
  - 1) batching of various crude types will be required, as there is insufficient tankage to keep product types separate, and the vapor pressure specifications in the tariff allow for blending with inferior grades of crude. This could result in lower realized crude sales prices.
  - 2) total acid number (TAN) specifications for low TAN diluted bitumen will harm product marketability, and potentially realized sales prices.
  - 3) the current tariff product specifications might limit which refineries are able to accept crude from the pipeline.

## Process

- On 12 April 2024 CNRL submitted a complaint to the Commission related to Trans Mountain's tariff.
- Trans Mountain filed a letter of comment on 17 May 2024 (C29697) and advised that a review process is underway and Trans Mountain is committed to working with CNRL and all other shippers to review the technical specifications in the tariff that are subject to the Complaint.
- On 24 May 2024 (C29752) in consideration of Trans Mountain being prepared to discuss this matter further, CNRL requested that the Commission hold the Complaint in abeyance for a period of 45 days to allow parties to negotiate. The Commission granted the abeyance request on 5 June 2024 and requested CNRL to provide an update on the ongoing review process by 8 July 2024.
- In the meantime, Trans Mountain filed a revised tariff on 14 June 2024 (C30039) and stated that CNRL's concerns regarding the heavy crude pools have been addressed. Following this submission, CNRL filed a request for an [additional 45-day abeyance](#) on 8 July 2024 (C30606) so that its concerns with the light crude pools could be resolved.
- On 16 July 2024 (C30703), the Commission issued a [letter](#) approving this extension until 3 September 2024.
- Trans Mountain filed on 30 August 2024 (C31220) another revised tariff in which it submitted that shippers concerns pertaining to the light crude pools specifications have been addressed and it is not aware of any shipper that intends to oppose the revisions.
- CNRL provided an update on the outcome of discussions with Trans Mountain on 3 September 2024 (C31236) and stated that its concerns have been resolved but it will continue to monitor the quality of the crudes being shipped on the TMX. With the support of Imperial and Suncor, CNRL stated that it is willing to withdraw the complaint but reserves the right to file a subsequent one should the quality of the crude pool changes.
- As of now, the PWG has been disbanded and no further process is required on this file.

## CER's Role in Regulation of GHG Emissions

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- The CER does not directly regulate GHG emissions. Rather, it regulates the infrastructure itself.
  - Releases of methane and other GHG emissions from CER-regulated facilities are subject to ECCC and provincial regulations.

- The Commission considers the potential GHG emissions of new energy infrastructure when assessing projects under the CER Act, particularly the extent to which the project would hinder or contribute to Canada's commitments in respect of climate change.
- These assessments are guided by the CER Filing Manual, which reflects the principles and objectives of ECCC's Strategic Assessment of Climate Change; notably the new requirement for proponents to provide a credible plan to achieve net-zero emissions by 2050.
- An assessment of the upstream GHG emissions (and their incrementality) will also be considered for projects above a designated threshold, currently set by the SACC at 500kt CO<sub>2</sub>e/year.
- Throughout Operations, the CER verifies compliance to *Onshore Pipeline Regulations* and CSA Z662 requirements for companies to develop, implement and maintain an Integrity Management Program. An effective Integrity Management Program will lead to decreased non-planned emissions.

### *Fugitive Emissions*

- The CER does not regulate fugitive emissions; however, the [CER is responsible](#) for verifying that companies have implemented a pipeline control system that includes a leak detection system.
- According to the most recent *National Inventory Report*, Canada's oil and gas sector accounted for 28 percent of national emissions in 2021, making it the largest contributor to Canada's emissions.
  - Unintentional fugitive releases from oil, natural gas, and CO<sub>2</sub> transmission pipelines accounted for less than 1 per cent of those emissions from Canada's oil and gas sector.
  - Around 6 percent of emissions produced by Canada's oil and gas sector were emitted from pipeline compressor stations & fugitive gas emissions. Use of electricity in powering compressor stations can reduce these emissions.
- Oil pipelines tend to use electric motors to power the pumps that pressurizes the crude oil, and therefore emit fewer GHG emissions than natural gas pipelines.
- Natural gas pipelines could reduce/eliminate GHG emissions from compressor stations that keep gas flowing over long distances & changing elevations by using to electric compressors – albeit at a cost.
- Pipeline companies are working to reduce their carbon footprint by electrifying compressor stations, improving leak detection & implementing waste heat recovery.

## TMX Unannounced Fire Response Exercise Evaluation

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### CER EM Exercise Evaluation / Évaluation de l'exercice de gestion des urgences de la Régie de l'énergie du Canada

<b>Activity # / Activité n°</b>	2021-236	<b>Date</b>	4 March 2021
	Trans Mountain Pipeline ULC (TMPU) Unannounced Fire Response Exercise Evaluation		
<b>Company / Société</b>	Trans Mountain Pipeline ULC (TMPU)		
<b>Location / Emplacement</b>	Burnaby, British Columbia		
<b>Facility / Installation</b>	Burnaby Terminal		

<b>Canadian Energy Regulator Act</b>			
<input checked="" type="checkbox"/>	<i>CER Onshore Pipeline Regulations</i> <i>Règlement sur les pipelines terrestres</i>	<input type="checkbox"/>	<i>Processing Plant Regulations</i> <i>Règlement sur les usines de traitement</i>
<input type="checkbox"/>	<i>Pipeline Crossing Regulations</i> <i>Règlement sur le croisement de pipe-lines</i>	<input checked="" type="checkbox"/>	<i>Other</i> <i>Autres</i> Trans Mountain Pipeline ULC (TMPU) Addendum Final Audit Report – Emergency Management (EM) Program Fire Preparedness Planning
<b>Canada Labour Code, Part II / Code canadien du travail, partie II</b>			
<input type="checkbox"/>	<i>Canada Occupational Health and Safety Regulations</i> <i>Règlement canadien sur la santé et la sécurité au travail</i>		

## REMARKS / COMMENTAIRES :

### **Background/Scope of Activity:**

On 4 March 2021 at 16:10 PST, the Canada Energy Regulator (CER) initiated an unannounced exercise to simulate a response to a full surface crude oil tank fire at the TMPU Burnaby Terminal. The unannounced exercise was conducted in order for TMPU to fulfill the requirement detailed in the *Trans Mountain Pipeline ULC (TMPU) Addendum Final Audit Report – Emergency Management (EM) Program, Fire Preparedness Planning* of 31 May 2019. The requirement was for TMPU to respond to a CER fire response unannounced exercise at a time and location of the CER's choosing within 12 months of TMPU establishing and integrating a four (4) hour response target, as described in the addendum letter:

*For its Burnaby and Edmonton Terminals, TMPU must establish and integrate into all fire plans and associated planning and preparedness activities, a four (4) hour response target time to initiate extinguishment of a full surface tank fire for the largest tank at each facility.*

Trans Mountain had to demonstrate that it could get the needed personnel and equipment on site and ready to extinguish a fire within four hours. This timeframe is intended to mitigate potential boil over from the tank itself. The exercise was timed to coincide with the start of rush hour traffic in the Lower Mainland as well as early evening light conditions in order to add an additional level of complexity. An unintentional complexity adding to the scenario was the rainy weather experienced during the exercise.

### **CER Evaluation:**

Two CER staff members and one Indigenous monitor attended the exercise to observe and evaluate.

### **Response Management**

#### 1. CER staff observed:

- The establishment of TMPU's on-site command post;
- First responder briefings, tactical planning and mustering;
- Onsite incident and oversight activities;
- Physical emergency response team assembly and simulated response to the full-surface tank fire, including fire response equipment deployment up to, but not including, application of water/foam to the tank surface;
- Incident Stand-down; and
- Post-exercise review.

#### 2. The following key observations were made by CER staff:

- A pre-exercise safety orientation was provided to CER staff and the Indigenous monitor. This included:
  - i. how to access first aid;
  - ii. COVID-19 safety measures;
  - iii. site emergency procedures [mustering, operational and emergency horns etc.];

- iv. site specific hazards;
- v. heavy equipment and construction activities;
- vi. traffic flow/speed limit and traffic lights/signs;
- vii. slips trips and falls; and
- viii. hot work permit for taking photographs.

- The Incident Command Post (ICP) was set up in the Maintenance Building;
- The ICP was well organized and provided an appropriate venue for management of the incident;
- Wall charts [201 – Fire Organization Chart, Trans Mountain Tank Fire Response Chart], wall maps [Burnaby Terminal Aerial Photo map and Burnaby Terminal Plot Plan] and information posters [tank #, tank level, burn rate, water level, heat layer, hours to boil over and time of advised evacuation] were effectively used to help inform the response;
- Response activities observed as per Trans Mountain’s fire pre-plan and checklists;
- A firefighting team of four firefighters was assembled by 17:32 in the Maintenance Building, with two more firefighters joining the response at 17:39 and 17:45pm and two additional firefighters arriving at 18:00 pm and 18:15pm;
- Initial briefing to the first five firefighters was conducted at 17:39 with response directions being discussed. The briefing included:
  - i. summary of the scenario (timing, tank level, hours to boil over);
  - ii. designated leader in the field;
  - iii. safety orientation and emergency response procedures for firefighters to follow;
  - iv. identification of a hot zone;
  - v. radio frequency being used for communication;
  - vi. reconnaissance of the route to take to the impacted tank;
  - vii. assess access en route and easiest position to set up equipment based on gas monitor readings [O<sub>2</sub>, LELs, H<sub>2</sub>S, CO and VOCs] and infrared tank level readings; and
  - viii. firefighters were to assume worst case scenario for product in tank [i.e., product has H<sub>2</sub>S and LELs].
- Fire equipment and firefighting team leave Maintenance Building and head to the impacted tank at 17:55;
- Firefighters in gear with truck and equipment arrive at impacted tank at 18:14;
- Firefighters begin connecting hoses to manifold and to fire foam cannon;
- Equipment (pumps, hoses, etc.) deployed and ready to flow foam or water 18:39;
- While firefighters were able to effectively and efficiently set up fire response equipment, the lighting on the upper road where equipment was being set up could have been better. However, firefighters did have personal flashlights which they did not need to use; and
- No safety or other issues noted by CER staff either in the incident command post or during field activities.

3. CER staff and Indigenous monitor observed and participated in exercise debrief held after activities (no significant deficiencies or plan deviations noted/observed). Some of the items discussed that worked well included communication and updates from the firefighters to the ICP and vice versa was adequate and staging of equipment went well. Firefighters indicated that they worked well together in spite of the rain and night conditions. Firefighters indicated that while the existing lighting did not hamper response efforts, lighting on the upper road could be improved.

The total response time from the initiation of the exercise to firefighters ready to apply foam/water to the tank surface was determined to be 2 hours and 28 minutes. This response time was well within the 4-hour response window established by the CER.

4. Indigenous Advisory Monitoring Committee (IAMC) Indigenous Monitor (IM) observations: Additional observations recorded by the IAMC IM participating in the CER compliance verification activity, are provided below verbatim. Any compliance related observations that require specific regulatory follow-up have been recorded above.

Indigenous Monitor (IM) completed site specific safety orientation and introductions to site staff.

Observed Trans Mountain's (TM) command post that was set up in their Maintenance building – this included maps and charts of designated staff and responders and other relevant information.

Fire Responders arrived, were briefed on the exercise scenario/pertinent information and initiated their deployment on site.

Observed the fire responders connect hoses to manifold and fire cannon. The outdoor lighting for this activity was dark due to the early evening nightfall – fire responders had personal flashlights on their person but didn't feel the need to use them.

The fire responders successfully completed the exercise in approximately 2 hours and 28 minutes.

TM held a debrief discussion collectively with all individuals involved – no significant deficiencies identified. A common theme of discussion was the effective communications and efficient staging of equipment.

IM has reviewed this report in its entirety and agrees with its content.

**END OF REPORT.**

## CER's Role in Financial Regulation

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- The CER's financial regulatory oversight mandate applies to several facets of pipelines under its jurisdiction, including:
  - evaluating economic feasibility of proposed pipelines when weighing whether a pipeline is in the public interest,
  - ensuring tolls and tariffs are just and reasonable,
  - requiring companies to have access to financial resources to cover potential costs of spills or unintended releases, and
  - requiring companies to save and set aside money for pipeline decommissioning and reclamation
- In considering whether to recommend that a new pipeline is in the public interest, a major consideration in the public interest test is the evaluation of a pipeline's economic feasibility. The Commission evaluates whether the pipeline has commercial support and considers whether the pipeline is likely to be used and useful over its economic life. This includes consideration of commodity supply and market demand. The Commission also considers the economic benefits a pipeline could have for the Canadian economy both during construction and once in operation.
- With respect to toll regulation: since it can be more cost effective to build one pipeline system rather than many competing pipelines, facilities under CER jurisdiction often have market power and in some instances, operate as monopolies in the markets they serve. The CER's role is to ensure that where market power exists, it is not abused and that tolls for pipeline services are just and reasonable, and non-discriminatory.
- The CER monitors how pipeline companies comply with regulatory requirements and whether they are providing services to shippers at reasonable prices (tolls). The CER monitors compliance in a variety of ways, including by: requiring regular compliance filings by companies, undertaking financial audits of companies, and soliciting shipper feedback via surveys. Parties may also file formal complaints with the CER if they are unable to resolve concerns on specific toll and tariff matters.
- Determining whether or not pipeline construction costs are reasonable (or have been prudently incurred), and the amount of costs to be included in pipeline tolls, are both subjects the Commission may consider in toll hearings.
- Although the CER conducts financial regulatory audits of companies, in accordance with the Financial Regulatory Audit Policy the audits focus more on compliance with the CER Act, verification of company financial information, examining whether cross-subsidies have occurred, and reviewing company operations. Financial regulatory audits generally don't make findings with respect to whether tolls are just and reasonable. The CER generally conducts between 1-3



financial regulatory audits per year, and the last financial regulatory audit of Trans Mountain was conducted in 2008.

## Tolls, Cost and Capacity Summary

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### 1. Tolls and cost summary

	Capped Costs (\$Bn)	Uncapped Costs (\$Bn)	Total Costs (\$Bn)	Fixed Toll (\$/bbl)
2017 CPCN Estimate	5.7	1.8	7.4	5.76
Interim Commencement Date Estimate in Application	21.8	9.1	30.9	10.88
Updated Estimate from December 2023	24.4	9.8	34.2	11.37

#### Notes:

- The fixed toll varies according to factors such as the destination, and the length and size of the shipper’s contract. The above toll is for the benchmark toll, which is for Edmonton to Burnaby service, for a shipper with a 15-year contract and a volume commitment under 75,000 barrels per day.
- On top of the Fixed Toll, shippers also pay a variable toll. Currently, the variable component of the benchmark toll is \$0.58/bbl, so the current total benchmark toll is \$11.46/bbl (\$10.88 + \$0.58).

### 2. Tolling timeline

- May 2013: NEB approval of toll methodology for TMX (application was June 2012)
- December 2013: Trans Mountain filed its application for TMX
- Q1 2017: Trans Mountain delivered the “2017 CPCN Cost Estimate” of \$7.4 Bn and revised tolls to its shippers.
- June 2023: Trans Mountain applied for approval of interim Commencement Date tolls.
- November 2023: Commission issued Preliminary Decision approving interim Commencement Date tolls.
- May 2025: Oral cross examination will commence in the Final Interim Tolls hearing.
- Date TBD: Trans Mountain will apply for final tolls based on the outcome of this hearing, as well as final costs and other potential steps such as a shipper audit.

### 3. Capacity Information

- Pre-expansion, capacity was about 300,000 b/d, while Expanded System will have a capacity of 890,000 b/d.

- Pre-expansion was mostly uncommitted capacity, with the exception of some capacity to the Westridge Dock. On the Expanded System, 80% of the total capacity is now committed under long-term contracts.
- Pre-expansion, the pipeline had a high utilization of approximately 100% of available capacity and was regularly apportioned.

## **Indigenous Advisory and Monitoring Committees and UNDA**

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### *Background – IAMCs:*

- The Government of Canada [announced its commitment](#) to the creation of IAMCs for the Line 3 and Trans Mountain Expansion projects at the time these projects were approved, and further committed to support the IAMCs over the lifecycle of the projects (50+ years) as a sustainable mechanism for engagement with impacted Indigenous Nations, governments and communities.

### *IAMC Renewal:*

- On April 16, 2024, the Government of Canada committed through Budget 2024 \$44 million over three years for the renewal of the IAMCs for the Enbridge Line 3 Replacement (Line 3) and Trans Mountain Expansion (TMX) projects (*current funding expired in March 2024*).
- The renewal included resources for the CER and other federal departments for a two-year period (2024/25 – 2025/26).
- A Treasury Board Submission has been co-developed by NRCAN, the Indigenous Caucuses of both IAMCs and other federal partners, including the CER (aiming for Fall 2024 submission).

### *What the IAMCs do:*

- Allow for Indigenous participation in project oversight, which is necessary to help ensure projects are built and operated in a manner that:
  - Respects and incorporates Indigenous peoples’ knowledge, perspectives, and the relationship Indigenous Peoples have with the land.
  - Reflects Canada’s commitments to Indigenous Peoples;
  - Advances best practices and improves safety and environmental outcomes;
  - Is part of a coherent, predictable and transparent operating environment, contributing to Canada’s global competitiveness.
- Provide for better decision-making related to the oversight of major projects, in a manner that aligns with the *United Nations Declaration on the Rights of Indigenous Peoples Act (UNDA)* to achieve the Government of Canada’s commitment to Reconciliation with Indigenous Peoples.

- Build Trust and Confidence in the regulatory oversight of the TMX and Line 3 projects, and by extension, in the natural resource sector and its management in Canada.
- Lead to a partnership-based approach to oversight among federal and Indigenous Committee members.
- Support Indigenous engagement and the provision of advice and recommendations, grounded in technical expertise, to federal regulatory bodies and decision-makers.
- Contribute resources to Indigenous Nations and communities to develop the capacity for the regulatory oversight of the TMX and L3 energy projects.
- Help foster a more predictable and transparent operating environment, which contributes to Canada's global Competitiveness.

#### *UNDA and Reconciliation*

- The CER Act creates opportunities for CER to carry out its mandate in a manner that advances Reconciliation with First Nations, Métis and Inuit communities.
  - The preamble of the CER Act references the Government of Canada's commitments to Reconciliation and the implementation of the UN Declaration on the Rights of Indigenous Peoples (UN Declaration).
  - The CER's mandate includes an obligation for it to perform its duties and functions in a manner that respects the government's commitments with respect to the rights of Indigenous Peoples.
  - One of the priorities in the CER's Strategic Plan is centered around Reconciliation and Implementing the UNDA.
  - The Government's Action Plan provides a roadmap of measures that need to be taken to implement the UNDA. Action Plan Measure #34 involves the CER, and also NRCan.

#### *Action Plan Measure (APM) 34*

##### Background:

- APM 34 was co-developed by the Indigenous Caucus of the TMX-IAMC, NRCan and the CER.
- APM 34 calls for the Government of Canada to work with in consultation and cooperation with First Nations, Métis and Inuit communities, governments, and to:
  - enhance the participation of Indigenous Peoples in; and
  - set the measures that could enable them to exercise federal regulatory authority in respect of, projects and matters that are currently regulated by the CER.

The APM contains four components:

1. Develop [regulations](#) to allow the Minister of NRCAN to enter into arrangements with Indigenous governing bodies to exercise specific powers, duties and functions related to the Canadian Energy Regulator Act.
  2. Amend the CER Onshore Pipeline Regulations (OPR) and Filing Manuals in a manner that incorporates Indigenous laws, policies and knowledge and strengthens measures to prevent and address impacts to rights and interests.
  3. Develop a systemic model to enhance Indigenous Peoples' involvement in the oversight of CER regulated infrastructure.
  4. Consult and cooperate to identify and take measures needed to support Indigenous governing bodies and/or potential establishment of new decision-making institutions to exercise regulatory authority on certain projects/matters regulated by the CER.
- Note: APM 34 is a shared responsibility with NRCAN and collaborative work with the IAMCs on APM 34 is in its early stages.

#### *Overall Progress to Date*

- In February 2024, the TMX-IAMC Indigenous Caucus, along with the Indigenous Caucus for the Line 3 IAMC facilitated a pipe ceremony in Tsuut'ina territory to guide the implementation work required under APM 34.
- The ceremony was guided by elders and involved representatives of the Indigenous Caucuses, the CER and NRCAN.
- In addition to the pipe ceremony, participants discussed how to coordinate work required under measure 34 and engaged in preliminary strategic planning regarding the development of a leadership structure to ensure accountability in implementation.
- A leadership group composed of the Indigenous Co-Chairs of the IAMCs for Line 3 and TMX, the Executive Vice President (EVP) for Transparency and Strategic Engagement of the CER, and Assistant Deputy Minister (ADM) Nòkwewashk of NRCAN has been established to oversee and lead the implementation of Action Plan Measure (APM) 34 by ensuring that the carrying out of the various identified aspects of APM 34 advances the objectives described in APM 34 of the United Nations Declaration on the Rights of Indigenous Peoples (UN Declaration) Act (UNDA) Action Plan (the Action Plan). Work is underway to co-develop a Terms of Reference to guide the work of this group.

Below is a summary of the work underway under each of the APM's elements.

### *Indigenous Ministerial Arrangement Regulations (IMARs)*

- NRCan is leading the work specific to developing the Indigenous Ministerial Arrangement Regulations (IMARs) that would provide the authority for the Minister to enter the arrangements called for under APM 34.

### *OPR & Filing Manual*

- In January 2022, the CER launched a multi-year process to improve our regulatory framework for onshore pipelines and the Filing Manual.
- In June 2023, after the launch, on behalf of the Government of Canada, the Department of Justice published the UNDA and Canada's Action Plan (the Action Plan). Measure 34 of the Action Plan includes a commitment regarding consulting and cooperating with First Nation, Métis and Inuit communities, governments, and organizations to amend the OPR and FM.
- The CER launched its second phase of engagement in June 2024, focused on technical options for improvement. This engagement will help inform the development of a regulatory proposal, which will be released for feedback in Phase 3.

### *Systemic Model to Enhance Indigenous Peoples' Involvement in Oversight:*

- The commitment to co-develop a collaborative oversight mechanism for NGTL was made alongside the CER's pledge to co-develop a broader, systemic model for Indigenous peoples' involvement in compliance and oversight of new major CER-regulated projects and existing infrastructure.
- At the time, it was acknowledged that a systemic model for Indigenous involvement in CER's regulatory oversight should incorporate learnings from the NGTL collaborative mechanism (still in co-development), from the Indigenous Advisory and Monitoring Committees for the Trans Mountain Existing Pipeline and Expansion and the Line 3 Replacement Program and seek opportunities with other federal departments and agencies.
- Later, in 2023, the CER continued to demonstrate a steadfast commitment to its goal of co-developing a systemic model by including language in Action Plan Measure 34:

[The CER will] Develop a systemic model to enhance Indigenous peoples' involvement in compliance and oversight over the lifecycle (design, construction, operation and abandonment) of CER-regulated infrastructure. The model should integrate learnings from existing structures and relationships].

- Learnings from IOF engagement will be incorporated into analysis and recommendations for APM 34, including but not limited to Element 3 (systemic model of compliance and oversight). These learnings will be drawn from a comprehensive analysis of engagement session meeting notes and the summary report, as well as direct input from CER staff involved in IOF work.

- At this stage it is too early to tell what the systemic model will be.
- We acknowledge the incredible amount of work and the long journey that is still before us. For example, we have yet to imagine how the NGTL, IAMC-TMX, and Line 3 IAMC will collectively shape the CER's systemic model for Indigenous oversight.
- One thing we know for certain is that these mechanisms are keystones for success. Together, the Indigenous oversight bodies for NGTL, Line 3 and TMX represent and will provide Indigenous oversight for approximately 37% of the pipelines we regulate in Canada. It's a start.

*Decision Making Authorities:*

- Work has yet to commence.

*Free, Prior and Informed Consent*

- The UN Declaration includes an article which imposes an obligation on the state to consult and cooperate in order to obtain FPIC from Indigenous Peoples prior to approving a project affecting their lands, territories, or resources.
- The Government of Canada has stated that meaningful engagement with Indigenous Peoples aims to secure their FPIC when Canada proposes to take actions that impact them and their rights, including their lands, territories, and resources.
- The Commission of the CER has stated that it understands the concept of FPIC is focused on parties working together in partnership and respect, and striving to achieve consensus in good faith regarding decisions that may impact the rights and interests of Indigenous Peoples.
- The Commission has also stated that it does not consider that the concept of FPIC, as articulated through the UN Declaration, to be a direct legal requirement in Canada. However, the core elements of FPIC are best practices.

**Crown Consultation – General Messages**

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- The CER is an agent of the Crown established under section 10 (2) the CER Act
- The CER's intent is to fulfill the Crown's duty to consult through the Commission's regulatory process as much as possible.
- All relevant issues and concerns brought forward by Indigenous Peoples will be considered by the Commission with the intent that issues and concerns will be mitigated, or where necessary accommodated, to the extent possible.

- For certain applications, including those that require a GIC decision (e.g., a section 183 application), the CER will act as the federal Crown Consultation Coordinator (CCC) and conduct supplemental consultations with Indigenous communities before, during, and after the Commission’s hearing process.
- During the Commission’s hearing process, the Crown Consultation Coordinator will typically file submissions, which may include recommendations, for the Commission’s consideration.
- The Crown Consultation Coordinator encourages Indigenous communities to participate directly in the hearing process.
- The Crown Consultation Coordinator seeks to work collaboratively with proponents throughout the regulatory process, including inviting proponents to consultation meetings, sharing questions/concerns for consideration and response and sharing relevant portions of its submissions to the proponent to review/validate the accuracy of the information (e.g., meetings with communities).

#### *Crown Consultation: Where We Are Now*

- Since the CER Act came into force in 2019, the Crown Consultation Coordinator has conducted supplemental consultation on two section 183 projects.
- The consultations were completed without extension to timelines on the most recent of these, Northriver NEBC Connector, for the first time since 2015. In addition, there has not been any litigation. This all supports competitiveness and predictability.
- The Crown Consultation Coordinator is currently conducting supplemental consultation on two section 183 projects, Pouce Coupé’s Taylor to Gordondale and Westcoast Energy’s Sunrise Expansion Program.

#### **Role of the Commission**

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The Commission is responsible for adjudicative decisions and operates as a quasi-judicial body that is at arm’s length from other branches of the CER’s governance structure as well as from and the Government of Canada.

- The Commission is part of the CER and, although its adjudicative role is independent, it contributes to the overall effective delivery of the CER’s mandate, the CER’s Strategic Priorities, and corporate outcomes, where applicable.
- The Commission renders decisions pursuant to its mandate as set out in the CER Act and other legislation.






- In its adjudicative role, it adheres to the purpose and provisions of the CER Act, while recognizing and respecting the rights of Indigenous Peoples protected by section 35 of the Constitution Act, 1982.
- The Commission adheres to the requirements found in Part III of the Official Languages Act, as well as the rules of natural justice and relevant jurisprudence.
- Predictability of the timeliness of application decisions is a key component of the competitiveness of the regulatory framework. In the 2022-2023 year, the Commission met all time limits for completion of its assessments and its recommendations or decisions.

## CER Stats

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### Mandate

- The CER’s mandate is set out in the CER Act, which came into force in 2019.
- The CER oversees ~71,000 km of federally regulated pipelines from project design to end of life to ensure the safe and efficient delivery of energy to Canada and the world. We also regulate ~1,500 km of power lines crossing the Canada – US border.
- We have an important economic regulatory role with respect to pipeline tolls and tariffs, as well as energy exports.
- Alongside our regulatory functions, the CER has an energy information mandate to provide data and analysis to Canadians that informs decision-making and the energy dialogue in Canada. This includes fully modeling net-zero GHG emissions by 2050 in our Canada’s Energy Future series.
- Our mandate is set out for us in the *Canadian Energy Regulator Act*, which came into force in 2019 and replaced the National Energy Board with the Canada Energy Regulator.

				
<b>Oil, Gas and Commodity Pipelines</b>	<b>Electricity Transmission</b>	<b>Exports &amp; Monitoring Energy Markets</b>	<b>Exploration and Production</b>	<b>Offshore Renewables</b>
Construction, operation, abandonment and damage prevention of interprovincial and international pipelines, and related tolls and tariffs	Construction, operation, abandonment and damage prevention of international power lines and designated interprovincial power lines	Exports of certain energy products; monitoring aspects of energy, supply, demand, production, development and trade	Oil and gas exploration and production activities in the offshore and on frontier lands not covered by an accord	Offshore renewable projects and offshore power lines
CER Act, Parts 2, 3 and 6	CER Act, Parts 2 and 4	CER Act, Parts 7 and 1	Canadian Oil and Gas Operations Act (COGOA)	CER Act, Part 5



## *Strategic Plan*

- The CER's Strategic Plan has three parts:
  - Our Mission is what we do every day under the CER Act
  - Our Vision sets a clear path for where we are headed
  - Our four interconnected Strategic Priorities reflect areas of cross-organizational focus and improvement to help us better deliver on our Mission and reach our Vision.
- **Mission** - We regulate energy infrastructure in a way that prevents harm and ensures the safe, reliable, competitive and environmentally sustainable delivery of energy to Canada and the world. We recognize and respect the inherent and constitutionally protected rights of First Nations, Inuit and Métis. We provide energy information and analysis that informs and supports Canada's transition towards a net zero future.
- **Vision** - The Canada Energy Regulator (CER) is a recognized leader in the regulation of energy infrastructure. We enable safe, reliable, competitive and environmentally sustainable energy transmission. We have the confidence of Canadians and we uphold the inherent and constitutionally protected rights of First Nations, Inuit and Métis. Our commitment to regulatory excellence enhances Canada's global competitiveness.
- **Strategic Priorities:**
  - **Trust and Confidence:** We foster the trust and confidence of Canadians by effectively delivering on our mission with safety at the forefront. We engage and empower our diverse workforce. We strengthen relationships that uphold the rights and interests of First Nations, Inuit and Métis, and we communicate transparently and engage meaningfully with all our stakeholders.
  - **Reconciliation and Implementing the UN Declaration:** We are implementing the United Nations (UN) Declaration on the Rights of Indigenous Peoples (UN Declaration) and delivering on the commitments made in the UN Declaration Act Action Plan. We do so based on the recognition of rights, respect, co-operation and partnership, by working together with First Nations, Inuit and Métis governments, communities, and organizations. We continue to build the cultural intelligence of the CER.
  - **Competitiveness and Regulatory Excellence:** We enhance Canada's global competitiveness through leadership in regulatory innovation and best practices, focusing on cost-effectiveness, transparency, predictability, timeliness and efficiency of regulatory processes.
  - **Preparing for the Energy Future:** We inform the energy transition by offering expertise and insight as the energy system transitions to a net zero economy across Canada. We focus on energy innovation, security, competitiveness, and safe and reliable energy transmission infrastructure that is resilient to the effects of climate change.

### *CER Energy Information Program*

- With the increasing pace of change in Canadian and global energy markets and climate policy, the need for up-to-date analysis of energy trends is needed more than ever.
- We produce timely, fact-based, and relevant energy analysis to inform the energy conversation in Canada.
- Our goal is to produce informative products for a diverse audience and reflect the diversity of relevant energy issues in Canada in an engaging and transparent way.
- Our Energy Information program, which includes the flagship publication Canada’s Energy Future, is one of our four core responsibilities at the CER.
- Canada’s Energy Future series has also been expanded to include modelling consistent with Canada’s commitment to achieve net-zero by 2050, as requested by the Honourable Wilkinson, Minister of Natural Resources, in December 2021.

### *Annual Budget*

- In Budget 2023, the government committed to reducing spending by \$14.1 billion over the next five years, starting in 2023–24, and by \$4.1 billion annually after that.
- As part of meeting this commitment, the CER is planning the following spending reductions.
  - 2024–25: \$2,859,000
  - 2025–26: \$3,763,000
  - 2026–27 and after: \$5,000,000
- The following is the 2024–25 spending by core responsibility and internal services:
  - Energy Adjudication: \$28,730,875 (25.79%)
  - Safety and Environment Oversight: \$22,962,958 (20.61%)
  - Energy Information: \$6,780,584 (6.09%)
  - Engagement: \$9,187,376 (8.25%)
  - Internal Services: \$43,731,861 (39.26%)

Core responsibilities and internal services	2024–25 budgetary spending (as indicated in Main Estimates)	2024–25 planned spending	2025–26 planned spending	2026–27 planned spending
Energy Adjudication	28,730,875	28,730,875	26,012,094	25,836,695
Safety and Environment Oversight	22,962,958	22,962,958	22,231,367	22,081,495

Core responsibilities and internal services	2024–25 budgetary spending (as indicated in Main Estimates)	2024–25 planned spending	2025–26 planned spending	2026–27 planned spending
Energy Information	6,780,584	6,780,584	5,021,448	4,963,868
Engagement	9,187,376	9,187,376	9,120,021	9,038,009
<b>Subtotal</b>	<b>67,661,793</b>	<b>67,661,793</b>	<b>62,384,930</b>	<b>61,920,067</b>
Internal Services	43,731,861	43,731,861	38,524,360	37,915,842
<b>Total</b>	<b>111,393,654</b>	<b>111,393,654</b>	<b>100,909,290</b>	<b>99,835,909</b>

*Cost Recovery*

- The Canada Energy Regulator (CER) is funded through Parliamentary appropriations.
- The Government of Canada currently recovers approximately 99 per cent of the appropriation from the industry the CER regulates.
- As per the CER Act, recovered costs must be attributable to the carrying out of the CER’s mandate.
- The *National Energy Board Cost Recovery Regulations* (Regulations) set out which costs the CER recovers and the manner in which money is recovered.
- The CER consults with regulated companies with respect to cost recovery through a Cost Recovery Liaison Committee which is comprised of industry and government representatives.

*Staff*

- More than 500 CER staff across Canada work every day on behalf of Canadians to ensure that the energy infrastructure we regulate is designed and operated with the highest standards. Our team is made up of specialists who love the work they do. They include:
  - engineers
  - scientists
  - auditors
  - inspectors
  - socio-economic specialists
  - lawyers
  - economists

## **Backgrounder**

### **Background - Toll and Tariff Hearings (why an interim hearing, typical rhythm)**

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Why is the hearing about interim tolls? When will final tolls be set?

- By way of background, the difference between interim and final tolls is that interim tolls can be changed retroactively. In Trans Mountain's case, it has been charging interim tolls since TMX entered service in May. Once final tolls get approved by the Commission, Trans Mountain's tolls can be changed retroactively back to when TMX entered service.
- Unlike the Trans Mountain interim tolls application, typical interim tolls applications are neither complex nor contentious. Accordingly, they are usually dealt with as quick and routine matters.
- However, the Commission decided that a hearing was needed to deal with Trans Mountain's interim tolls application, given a few factors that made it distinct from prior interim tolls applications.
  - Partly, this was owing to the large jump in costs and tolls, and also the degree of concern in comments submitted after the application was filed.
  - Another key factor was that under Trans Mountain's negotiated toll methodology, interim tolls would be charged for an extended period. Even without the Commission holding a hearing on the interim tolls application, it would likely be over a year after TMX commenced service before Trans Mountain would be ready to apply for approval of final tolls.
- Normally, Commission decisions on interim tolls are in no way rulings on the merits of any subsequent *final* tolls applications. In the Trans Mountain interim tolls hearing, however, the Commission has made it clear that it intends to issue final determinations on as many issues as possible. As a result, the Commission expects that final tolls will be determined in accordance with the decision that will be issued in the interim tolls hearing.
- The process and timing for approving final tolls will depend partly on the Commission's decision in the current hearing.

Typical rhythm for tolls and tariffs decisions? (e.g., "why is the Commission only looking at TMX tolls now that the project is complete?")

- When large projects are proposed, it is common for the application for the toll methodology to come in with, or before, the application for the physical project.

- When and how subsequent toll applications arise and get dealt with really depends on the circumstances.
- In Trans Mountain's case, the negotiated toll methodology for the expanded system was approved by the NEB in 2013, before the application to build TMX was filed.
- That negotiated methodology stipulated how tolls would change based on actual project costs.
- Accordingly, it stipulated that shortly before TMX entered service, Trans Mountain would apply for interim tolls based on an updated cost estimate. That has now occurred.
- The negotiated methodology also stipulated that some time after TMX entered service, and after shippers had the chance to audit the project's as-built costs, Trans Mountain would apply for final tolls.

## Background - The Regulation of GHG Emissions

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The CER does not directly regulate GHG emissions, rather it regulates the infrastructure itself; releases of methane and other GHG emissions from CER-regulated facilities are subject to ECCC and provincial regulations.

Methane is regulated by ECCC as a pollutant under the *Canadian Environmental Protection Act, 1999* and ECCC's [2018 Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds \(Upstream Oil and Gas Sector\)](#).

In December 2023, Environment and Climate Change Canada published [Proposed Regulations Amending the Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds \(Upstream Oil and Gas Sector\)](#) and the consultation period is now closed. The final regulations are expected to be published in the Canada Gazette, Part II, in late 2024.

Under the [Greenhouse Gas Pollution Pricing Act](#), the federal carbon pollution pricing system has two parts: 1) a regulatory charge on fuel (federal fuel charge); and 2) a regulatory trading system for industry – the federal Output-Based Pricing System (OBPS). The federal OBPS is designed to ensure there is a price incentive for industrial emitters to reduce their greenhouse gas emissions and spur innovation while maintaining competitiveness and protecting against “carbon leakage”. On November 22, 2023, the [Regulations Amending the Output-Based Pricing System Regulations and the Environmental Violations Administrative Monetary Penalties Regulations](#) were published in the *Canada Gazette*, Part II. These amendments ensure continued greenhouse gas (GHG) emissions reductions, reduce the administrative burden, and improve the implementation of the OBPS Regulations. The OBPS establishes that persons responsible for covered facilities are required to compensate for the GHG emissions that exceed a facility's annual limit. The annual limits are outlined in the [Output-Based Pricing System Regulations](#), which came into force in part in 2019, and in full by 2022.

The facility definition of these regulations includes transmission pipelines and associated compression facilities (not used for local distribution). Schedule 1 sets a limit for the transmission of processed natural gas as 0.393 Co<sub>2</sub>e tonnes per Megawatt hour (MWh) compression. ECCC is currently working to establish the offset protocols to create the credits required when facilities emit over their designated limit.

Different (equal or more stringent) thresholds exist provincially for transmission lines and compression facilities where the OBPS backstop is not needed (BC, AB, ON, QC, NB, NS, NL and NWT)

Other regulations which are not focused on methane, but do contribute to GHG management include [ECCC Multi-Sector Air Pollutant Regulations \(SOR/2-16-151\) \(MSAPR\)](#), which includes NO<sub>x</sub> emission intensity limits. Maintaining low-NO<sub>x</sub> units also reduces GHG emissions, as the oxides of nitrogen can react in the atmosphere to contribute to N<sub>2</sub>O concentrations

### *CER Consideration of GHG emissions and Reductions in Project Hearings*

Both the CER Act and the *Impact Assessment Act* have a factor to consider “the extent to which [the effects] hinder or contribute to the Government of Canada's ...commitments in respect of climate

change”. To support the assessment of this factor, ECCC released its [Strategic Assessment of Climate Change \(SACC\)](#) which outlines the types of information proponents are required to file as well how the information may be considered.

Key points in the SACC include the requirement for proponents to include a credible plan to achieve net-zero emissions by 2050, and establishes a decreasing threshold for an assessment of upstream emissions (currently required for projects over 500 kt CO<sub>2</sub>e/yr, decreasing to 100 kt CO<sub>2</sub>e/yr by 2050).

The CER’s Filing Manual was updated in May 2023 to reflect the requirements set out in SACC and associated Technical Guides, and also to provide guidance on the climate change factor.

## **Background - Methane Regulations (Regulatory amendment for a 75% reduction by 2030)**

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### *How the policy was assumed and applied in EF2023*

Prior to the release of EF2023, we were aware of Canada's commitment to reduce methane emissions from oil and gas operations, by at least 75% by 2030, relative to 2012. This increase in stringency was incremental to the regulations already in place (2016) aim to reduce methane emissions from the sector by 40-45% by 2025. However, the regulations to achieve the 75% reduction were not available until after the publication of EF2023 (they were published to CG1 in December 2023).

As such, the original regulations were included in all scenarios, whereas the 75% reduction was included only the GNZ and CNZ scenarios.

To model emissions from the sector, we assumed the reductions contemplated by the regulations through adoption of new methane control technologies or process change.

To understand the impact of the regulations on conventional oil and natural gas production, we estimated a methane abatement cost curve (i.e., \$/Mcf) based on work done by the IEA for Canada and work that into those supply models by subtracting the cost from revenues. This cost affected the production projections through lowering the capital available for future reinvestment. Some mitigation of methane emissions can actually be a net benefit to producers, with the gas captured available to be sold, resulting in higher revenue. After those opportunities are realized, the cost of implementing new processes and technologies grows from very inexpensive to very substantial for the hardest to mitigate emission. Much of the methane abatement curve is below \$0/MMBtu when you consider that the conserved gas can then be sold, but is over \$2/MMBtu for the more costly reductions."

### *Latest policy developments*

In December 2023, the federal government published draft regulations amending the existing methane regulations for the oil and gas sector.

The original methane regulations were published in 2018. Since then, Canada signed on to the Global Methane Pledge which aims to reduce global anthropogenic methane emissions across all sectors by at least 30% by 2030, relative to 2020. Canada has also committed to further reduce methane emissions from oil and gas operations, by at least 75% by 2030, relative to 2012.

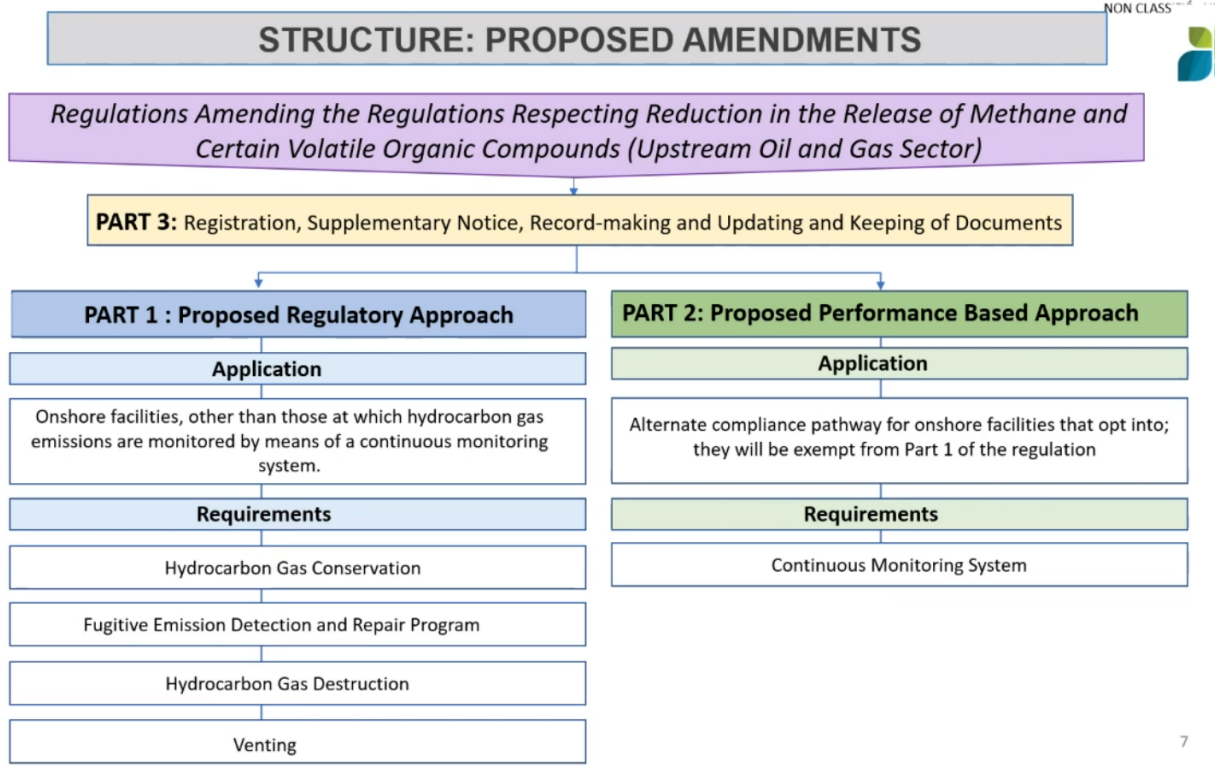
The methane regulations apply to upstream, midstream, and transmission oil and gas facilities in Canada's onshore oil and gas sector.

The amendments introduce a new performance-based compliance option designed to focus on emission outcomes, rather than prescribing a specific pathway to compliance. Facilities that opt into Part 2, the use of a Continuous Monitoring System, are exempt from Part 1 of the Regulation (which includes more specific technological and process standards). Upon detection of methane emissions, a mitigation response must be initiated, with timelines dictated by emission rate.



ECCC will once again welcome the signing of equivalency agreements as allowed under CEPA.

**Figure: structure of the proposed amendments**



The government proposes that the new regulations come into force either 2027 or 2030, depending on the facility and measure.

*Comparing EF2023 policy assumptions to the proposed regulations*

The proposed amendment to the regulations provides much greater detail of compliance options. We are working on modeling improvements to better reflect methane abatement activities as part of the development of new conventional oil and natural gas production models.

## Background - Oil and Gas Emissions Cap

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*How the policy was assumed and applied in EF2023*

Prior to the release of EF2023, the Government of Canada had released few details on their proposed emissions cap for the oil-and-gas sector. Even the government's discussion paper on the cap, which proposed sector-specific carbon pricing versus a cap-and-trade system, was non-specific and did not include many details on how it might be implemented. Thus, we had to decide how to model the cap in a way that would achieve publicly announced targets of 1) a 30% reduction in emissions from the oil and gas sector by 2030 when compared to 2005 levels, as announced in the government's 2030 Emissions Reduction Plan (ERP), and 2) how the upstream oil-and-gas sector might reach net-zero emissions by 2050.

In the end, we chose sector-specific carbon pricing. A lot of this was practical: the oil sands model, prior to being updated to include the proposed cap, used Canada's existing policy of carbon pricing, so the model did not require much changing. Further, it allowed us to more directly compare carbon pricing we applied in the oil-and-gas sector to carbon pricing we applied for the rest of the economy. We could also say that the carbon policies we applied were more coherent across EF2023, because they were more similar.

Our assumed carbon pricing for the oil-and-gas sector used an industrial output-based pricing system (OBPS) similar to Canada's industrial carbon pricing. This applies a carbon price to emissions, but also generates credits based on the sector's per barrel emissions, where the amount of credits declines over time as the policy becomes tighter. Eventually, when OBPS falls to 0%, all polluters pay the full carbon price.

For example, if the average emissions intensity of in situ oil sands projects was 0.07 tonnes of CO<sub>2</sub>e per barrel (tCO<sub>2</sub>e/bbl) of bitumen produced in 2022, and the OBPS covered 80% of emissions for that year, then 0.056 tCO<sub>2</sub>e/bbl of credits would be awarded to facilities. Any facilities that had emissions intensities below that benchmark would not only pay no carbon cost, but could also sell excess credits to facilities above the benchmark. Facilities with emissions intensities above the benchmark would need to pay for their excess emissions, either through buying credits from facilities below the benchmark or by paying the emissions price (e.g., \$50/tCO<sub>2</sub>e in 2022). We assumed credits traded for the emissions price.

For conventional oil-and-gas, which is not modeled project-by-project but is based on typical wells based on location and geology, we simply applied a carbon fee to fuel used, where the fee was based on the carbon price but the OBPS was applied to it to determine a net carbon cost.

Using this system, we incrementally increased the carbon price and decreased the OBPS (to 0% in GNZ and 24% in CNZ) until the emissions target was met across the upstream oil-and-gas sector, where any remaining emissions in 2050 below 25 MT per year could be offset through negative emissions elsewhere. We assumed it would apply to the upstream only, and that transmission pipelines, LNG facilities, and refineries would be regulated using Canada's current industrial carbon pricing. Finally, while we applied a carbon price to the upstream oil-and-gas sector, a cap-and-trade system would be modeled in a similar way and would have yielded similar results. Both end up with some form

of carbon cost applied, where the cost under a carbon levy is set by governments while the cost under a cap-and-trade system is determined by markets.

### *Latest policy developments*

On December 7<sup>th</sup>, 2023, the Government of Canada released their proposed regulatory framework outlining how they plan to implement a cap on GHG emissions from the oil and gas sector.

The government has decided to implement a cap-and-trade system that will be layered on top of existing industrial emissions policies, where tradeable credits will initially be issued for free. The cap would decrease allowable emissions from the upstream oil and gas sector to 35% to 38% below 2019 emissions levels (or 106 to 112 MT CO<sub>2</sub>e by 2030 and to net-zero by 2050), though direct emission reductions could be as little 20 to 23% by 2030, because emitters would be allowed to use up to 25 MT of offsets (equal to 20% of their total emissions). The Canada Net-zero oil and gas production outlook from EF2023 was used to develop an upper bound for emissions from the sector in 2030, which is a critical part of the framework. This speaks to the confidence federal partners have in our work.

1. **The regulations cover upstream emissions and LNG.** The regulations are designed to cover emissions from the upstream oil and gas sector. On the conventional side of production, this covers onshore and offshore crude oil and gas production, along with gathering pipelines when they are part of a covered facility. These facilities include those that process natural gas, produce natural gas liquids, and produce liquefied natural gas. Oil sands mines and in situ producers are also included along with facilities that upgrade bitumen into synthetic crude oil. Refineries are not included. Our initial assessment of the regulations is that they will not apply to large CER regulated pipelines like the NGTL system or Trans Mountain.
2. **Regulations are planned to be finalized in 2025.** The regulations issued in December 2023 are not final and the government is requesting feedback on their design. Final regulations are targeted to come into force in 2025, with facilities being required to register under them by January 1, 2026. From 2026 to 2030 the system would be phased in.
3. **The regulations allow flexibility in how the cap is met.** For example, the regulations allow emitters to cover up to 20% of their total obligation with domestically verified offsets or by paying into an oil and gas emissions reduction fund. A maximum of 10% of total obligations can be covered by contributions to the fund. The government expects that this will provide a lower cost option for emitters to meet a portion of their obligation. The government is also considering whether international emissions reductions will be given credit.

### *Comparing EF2023 policy assumptions to the proposed regulations*

In EF 2023, we included the emissions cap in the Canada Net-zero and Global Net-zero scenarios (i.e. -31% from 2005 in 2030+2 yrs, -60% in 2040 and 25MT in 2050). As we didn't have full information of what the regulations would look like we had to make an educated guess of what they would entail. We modeled the emissions cap using a carbon price rather than the selected cap-and-trade system, although from a modeling perspective these two policies are functionally the same. Compared to the proposed framework, EF 2023 included a more stringent cap on emissions, as we did not allow for the large offset contribution to meet 2030 targets (i.e., the 25 MT of offsets in the current proposal). Our modeling for EF 2025 will be adjusted to reflect the additional information made available about this regulation.

## Background – GHG Emissions Accounting

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- We use the National Inventory Report (NIR) numbers from Environment and Climate Change Canada (ECCC) for history
- For the O&G GHG emissions projections, the process is as follows:
  - We estimate oil and gas production levels based on each scenario assumptions about macroeconomics, commodity prices, policy stringency (which impacts production costs), and the performance of different production technologies, geology, resources, etc.
  - Production of each type requires energy – e.g., natural gas used for production of steam and electricity for in-situ oil sand production, diesel used for mining trucks, etc.
  - Energy use/combustion generates GHG emissions as per commonly used emissions factors
  - In addition to energy combustion, we also account for fugitive emissions associated with the production, processing, and transportation of oil and gas – including unintentional releases, flaring, and venting (these all vary by production type)
  - We also account for the impact that sector-specific technologies will have on GHG emissions levels from a given sector – in the case of oil gas this includes efficiencies in production processes, energy efficiency, and the use of carbon capture and storage (CCS)
- Overall, the process is similar across all sectors of the economy:
  - We have macroeconomic drivers (like GDP, population growth, household formation, prices, etc.) that result in a given level of economic activity across a sector.
  - That activity requires energy services, how those energy services are met depends on the mix of fuels being produced (e.g., emitting vs. non-emitting) and the end-use technologies being used (e.g., EVs, heat pumps, etc.) – which are impacted by market conditions and policy
  - The use of fossil fuels across the economy results in GHG emissions across the entire energy system.
  - We also account for GHG emissions that are driven by economic activities rather than energy use – for example, industrial processes, waste, agriculture and land use.
  - In the NZ scenarios we also account for technologies that act as emissions sinks or that offset any GHG emissions remaining across the economy – including nature-based climate solutions, the use of biomass combined with CCS, CCS across industrial sub-sectors, and direct air capture (DAC).

## **Background - Canada's Energy Future 2023: Energy Supply and Demand Projections to 2050**

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On Tuesday, June 20, 2023, the CER launched the Energy Information Program's flagship publication.

Canada's Energy Future 2023 report (EF2023) explores how possible energy futures might unfold for Canadians over the long term in three scenarios to 2050: Global Net-Zero (GNZ), Canada Net-Zero (CNZ), and Current Measures (CM). For the first time, EF2023 fully models net-zero GHG emissions by 2050 and what a net-zero world could look like. Our scenarios cover all energy commodities and all Canadian provinces and territories. We use economic and energy models to do this analysis.

### **Key points**

- Canada's energy system is complex and diverse, and how we produce and use energy in a net-zero world will be dramatically different than it is today.
- The shift towards a net-zero future in Canada will considerably alter its energy landscape, impacting how Canadians produce and consume energy.
- Electricity would become the most important energy source for Canadians, while the use of fossil fuels falls significantly in both net zero scenarios.
- As Canadians transition away from using fossil fuels, we will see current technologies replaced with electricity-powered alternatives, such as electric vehicles and heat pumps.
- Fossil fuels still play an important part in Canada's energy system in both net-zero scenarios; however, oil and gas production falls in both net-zero scenarios, falling substantially when global climate action is strongest and when commodity prices are the lowest.
- Canadians will use more electricity from increasingly low-carbon sources, such as wind, solar, and nuclear, to power Canada's electricity system.
- Net-negative emissions from other sectors, including the electricity sector, will offset positive emissions from other sectors helping Canada to achieve net-zero by 2050.
- Canadian power systems will continue to be distinct across the country, even in a net zero future.
- Reaching net-zero in our scenarios is driven by increasingly strong climate policies in Canada and abroad.
- The results in EF2023 are not predictions about the future, nor are they policy recommendations. Rather, they are the product of scenarios based on a specific premise and set of assumptions.
- Policy, global energy markets, the pace of climate action in Canada and around the world, technology, consumer behaviour and preferences will all influence Canadian energy and emission trends.

### **Electricity**

- Electricity will play a key role in offsetting the decline in fossil fuel use and will be an important contributor on our path to net-zero.
- The types of energy Canadians use changes dramatically, including using a lot more electricity in our net-zero scenarios.
- Electricity demand grows from 2021 to 2050, much of it from new areas such as electric vehicles, heat pumps and hydrogen production, while total energy use declines.

- In both net-zero scenarios, electricity use more than doubles from 2021 to 2050, becoming the dominant energy source in the energy system.
- Greater reliance on electricity improves energy efficiency across the country, leading to a decrease in energy usage of up to 22% by 2050.
- Wind and solar generation provide much of the additional electricity needed to reach net-zero by 2050, given their low cost.
- With rising wind and solar capacity levels, power systems require flexible generation sources to balance supply and demand. Natural gas generation fills that demand and is increasingly equipped with carbon capture and storage.
- Among all technologies, wind is expected to contribute the greatest amount of new electricity generation by 2050, increasing over ninefold from current levels in both net-zero scenarios.
- Canada's electricity system is regionally diverse, with the generation mix primarily determined by the resources available in each province or territory.
- Traditional coal-fired generation will be phased out of electricity generation by 2030.

### **Emissions**

- The electricity system, which reaches net-zero by 2035 and achieves net-negative emissions thereafter, is the backbone of our net-zero scenarios.
- Global and Canadian efforts to reduce greenhouse gas (GHG) emissions will be a critical factor in how energy systems evolve.
- Low and non-emitting energy sources – including renewables, nuclear, and fossil fuels with carbon-capture storage (CCS) – increase to make up the majority of energy use.
- Fossil fuel use, where emissions are not captured and stored, is projected to fall by 65% by 2050 in the Global Net-zero Scenario and by 56% in the Canada Net-zero Scenario.
- Each region capitalizes on their own resources and technological expertise to drive the electricity sector towards net-zero.
- Electricity transmission between provinces is a key factor that enables the electricity system to reach net-zero.
- In both net-zero scenarios, GHG emissions from producing and processing oil and natural gas will fall about 90% lower by 2050 than in 2021.
- Despite all sectors significantly reducing emissions, several sectors, like buildings, heavy industry and oil and gas, will have positive GHG emissions by 2050 in both net-zero scenarios. However, the net-negative emissions from other sectors, including the electricity sector, will offset these positive emissions.

### **Emerging technologies**

- Several emerging technologies and fuels play a key role in achieving net-zero, especially in decreasing more difficult-to-reduce emissions in the electricity, heavy industry, and oil and gas sectors.
- Switching to electricity for some energy uses is not possible or less effective than other low- or non-emitting options.
- CCUS, hydrogen, negative emission technologies, and nature-based solutions become essential tools to reduce emissions in our net-zero scenarios.
- Technologies like bioenergy with carbon capture and storage (BECCS) and direct air capture will result in negative emissions by 2050 in both net-zero scenarios, allowing emissions to balance to zero.

- A robust hydrogen economy develops in both net-zero scenarios, with most hydrogen used in heavy freight vehicles and industries like chemicals, iron and steel, and petroleum refining.
- Biomass-based hydrogen production, when coupled with CCUS, results in net-negative GHG emissions, much like BECCS electricity generation.

### **Oil & natural gas production**

- Canada's oil and natural gas industry significantly reduces its emissions in our net-zero scenarios, but while production declines, the pace of global climate action determines by how much.
- Global crude oil and natural gas prices are a key driver of the Canadian energy system and are determined by supply and demand factors beyond Canada's borders.
- Canadian oil and gas production is primarily influenced by oil and gas prices in our net-zero scenarios, with carbon policy also playing a substantial role.
- Canadian crude oil production peaks in 2026 in our GNZ Scenario and 2029 in our CNZ Scenario but declines toward 2050 in both net-zero scenarios. Even with low prices and increasingly ambitious climate policies, oil production is expected to continue in 2050.
- Global oil and natural gas prices fall steeply in the GNZ Scenario in response to falling global demand for fossil fuels over the coming decades.
  - Canadian Crude oil production falls to 1.3 million barrels per day (MMb/d) by 2050, 75% lower than in 2022.
  - Canadian Natural gas production falls by 68%, reaching 5.5 billion cubic feet per day (Bcf/d) by 2050.
- Prices fall less than in the CNZ Scenario than the Global Net-Zero Scenario due to less ambitious global climate action and higher global demand for fossil fuels.
  - Oil production will fall to 4.1 MMb/d by 2050, 20% lower than in 2022
  - Natural gas production is 36% lower than in 2022, falling to 11 Bcf/d.
- Oil and natural gas production is the highest, as are emissions from the sector, in the CM Scenario, as prices are higher and future climate action is the least ambitious.
  - Crude oil production will reach 6.1 MMb/d by 2050, 22% higher than in 2022.
  - Natural gas production grows to 21.5 Bcf/d, a 24% increase over the projection period.
- The vast majority of oil sands production in 2050 is from oil sands facilities that are already producing.
- Future global climate policy and its effect on global crude oil demand and prices will have direct impacts on Canadian oil and gas production.

### **Oil and gas exports**

- A key issue for Canada's energy system over the last ten years has been export capacity of western Canadian oil export pipelines and crude-by-rail.
- In the GNZ Scenario, western Canadian crude oil available for export rises in the near term before falling after 2030, staying below the total hypothetical export capacity throughout the projection period.
- In the CNZ Scenario, western Canadian crude oil available for export rises more in the near term. It remains higher than in the GNZ Scenario after 2030, though it remains below estimated export capacity.
- Declining demand for RPPs in western Canada reduces demand for oil at local refineries, which leaves more production available for export.

- Canadian oil supply comes close to but does not exceed nominal export capacity for much of the projection period in the CM Scenario, peaking in 2035 and declining gradually thereafter.
- Investment in natural gas production is spurred by assumed liquefied natural gas (LNG) exports in all three scenarios, boosting production from what it would be without LNG exports.
- While the economics of Canadian LNG were examined, these are assumptions, not results from the modelling:
  - In the GNZ Scenario, we assume LNG exports begin in 2025, reaching 2.0 Bcf/d by 2029 and then dropping to 0.3 Bcf/d by 2046 in response to falling LNG demand globally.
  - In the CNZ Scenario, LNG exports reach 3.8 Bcf/d by 2030 and remain at that volume by 2050. In the CM Scenario, LNG exports are the highest, reaching 4.6 Bcf/d by 2034 and remain at that volume by 2050.
- EF2023 does not explore the complex interactions between pipelines, energy supply and demand.
- Estimates of total available pipeline capacity and the level of structural rail are uncertain and the result of many key assumptions.
- Available capacity on existing pipeline systems could be higher or lower than reflected because pipeline systems evolve over time. The level of structural crude-by-rail could also be higher or lower than reflected in the report.
- Having spare capacity in pipeline systems provides flexibility during maintenance and outages, which is useful for exporters who continue to need to ship oil out of Western Canada. It also benefits other operational needs.

### **Oil and gas demand**

- Although natural gas will remain an important part of Canada's energy mix, total demand will decline 35% by 2050 from current levels.
- Use of refined petroleum products and natural gas liquids gradually falls throughout most of the projection period, driven by declines in gasoline and diesel fuel demand.
- Demand for refined petroleum products used for things like petrochemical feedstocks, asphalt, lubricants, and aviation fuel is relatively steady throughout the projection.
- Canada exports most of its oil production, with producers depending on markets outside Canada to buy most of our oil supply. Demand for Canadian oil depends strongly on how aggressively the world pursues global 1.5 °C targets.

### **Energy Demand**

- In all three scenarios, energy use increases in the near term. In the long term, energy use falls in both net-zero scenarios, while energy use is relatively stable in the CM Scenario.
- While we project continuing economic and population growth, end-use demand declines by 22% from 2021 to 2050 in the GNZ Scenario and 12% in the CNZ Scenario.
- This decline is mainly due to switching to different technologies and fuels, more efficient use of energy, and lower activity levels in some sectors.
- In the CM Scenario, energy use is stable until 2040. It slowly begins increasing again as climate policies do not strengthen beyond 2030, and the economy and population continue to grow, increasing energy use.

### **Report**

- Canada's Energy Future series provides neutral and fact-based energy analysis to inform Canadians how our country's energy future might unfold over the long term.



- EF2023 presents three scenarios and two explore pathways to net-zero emissions by 2050. The pace of climate action in Canada and globally to reduce GHG emissions is the main difference between the two net-zero scenarios.
- Our scenarios provide insight into what the energy system might look like if Canada reaches its net zero goals based on the pace of climate action domestically and globally.
- What happens globally affects Canada's economy and energy system. EF2023 focuses on Canada, and we do not model global energy markets for the scenarios.
- The analysis in this report is not a prediction of future outcomes but a projection of what might occur using economic and energy models based on assumptions from past and current trends.
- Future development of policies and technologies could lead to different outcomes than those presented in this analysis.

## Background - Route deviation in the Pípsell (Jacko Lake) area

### Chronology – Process

- 12 July 2023 – Stk’emlúpsemc te Secwépemc Nation (SSN) filed a letter indicating that they were aware of Trans Mountain’s plans to file a deviation application in the Pípsell area of BC.
- The Pípsell area includes Jacko lake and surrounding areas. It holds profound spiritual and cultural significance to SSN.
- 10 August 2023 – Trans Mountain filed its deviation application. It requested an expedited decision (no later than 21 August 2023) in order to maintain its anticipated construction schedule for the area.
- Trans Mountain said the deviation was required to accommodate a change in construction methodology – from micro-tunnelling to a combination of horizontal directional drilling (HDD) and conventional open trench – due to significant technical challenges encountered along a portion of a revised route previously approved in 2022.
- 16 August 2023 – Commission established a hearing process including steps for the Commission to ask written information requests (IRs) of Trans Mountain, for SSN to file written submissions, and for Trans Mountain to file reply submissions. The Commission noted that it might hold a possible oral hearing day on 6 September 2023.
- 30 August 2023 – Commission issued a letter delaying (and expanding) the oral hearing dates to 14-15 September 2023 (reserving 18 September 2023 as a possible third day).
- 11 September 2023 – Commission granted a request from SSN to move the oral hearing to 18-19 September 2023 to accommodate the availability of SSN’s cultural heritage expert and Knowledge Keeper.
- The oral hearing was held from 18-20 September 2023 in Calgary, Alberta and included oral Indigenous knowledge from Jeanette Jules, SSN’s Knowledge Keeper, as well as cross-examination and argument.
- 25 September 2023 – Decision and order issued.
- 20 October 2023 – Reasons for decision issued.

### Reasons for Decision

- The Commission’s analysis and findings summarizes the views of parties on substantive issues with respect to the application – related to engineering, economics, environmental and socio-economic effects, and the rights and interests of Indigenous Peoples.
- The Commission was of the view that it designed its process in a procedurally fair manner and with a view to being transparent, accessible, flexible, and responsive to the needs of the parties, including SSN as a rights-bearing Nation.
- As an expert regulatory tribunal, the Commission found that the deviation is required based on the available technical and economic evidence.
- The Commission found that continued micro-tunnelling is most likely to fail, whereas the proposed 455-m-long HDD is likely to be successfully completed.
- The Commission stated that requiring Trans Mountain to continue with micro-tunnelling in the face of substantial technical challenges and other impediments risks causing additional and avoidable surface disturbance, would likely delay the TMEP’s completion by at least 10 months, and could lead to a loss of at least \$2 billion in revenues by Trans Mountain with additional adverse impacts on shippers and other parties.

- The Commission indicated that the deviation is within the approved pipeline corridor and follows the same alignment as the original route approved by the Commission in April 2020.
- The Commission assessed the effects of the application on the rights of Indigenous Peoples and found that they can be meaningfully addressed, based on the mitigation measures identified in the application and through conditions imposed by the TMEP.
- The Commission expects Trans Mountain to uphold its commitments in respect of the application and construction in the Pípsell Area in relation to the broader TMEP, which includes commitments related to enhanced reclamation standards, taking measures to reduce overall disturbance (including by reducing grading and the size of the footprint for open trench construction, where possible) and continuing to dedicate the time necessary to meaningfully engage and involve SSN in the construction of the deviation.

## **Environmental Scan**

### **Summary of Recent Related Parliamentary Debate**

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#### **Key Takeaways Regarding TMEP/CER from the Minister of Energy and Natural Resources' Testimony on the 2024-25 Main Estimates (May 6, 2024)**

Bloc Québécois Line of Questioning:

- Inquired about the cost overruns of the Trans Mountain Expansion (TMX).
- Minister emphasized TMX's importance in ensuring Canada receives a fair price for its resources.

NDP Line of Questioning:

- NDP expressed concerns that TMX's pipeline expansion would increase production from 300,000 to 900,000 barrels per day, resulting in heightened emissions from the oil and gas sector.
- Minister clarified that the expansion increases capacity, not production, and all emissions are factored into forecasts.
- NDP argued that increased capacity would inevitably lead to increased production.
- Referenced the International Energy Agency's warning against government investments in oil infrastructure due to stranded assets.
- MP Charlie Angus (NDP) made explicit references to the CER's analysis regarding toll fees.
  - “What we've been told from the energy regulator and from analysis is that it would be too expensive. The toll fees would be too high to pay off the cost. Those toll fees have been capped at 22%, which means that the public is going to pick up 78% of every barrel going through the pipeline”
  - “Are we going to be on the hook for the toll fees for every single barrel that goes through there? The CER, the Canada Energy Regulator, says we're going to be paying 78% per barrel of the cost.”
  - Minister: “That's actually not what the CER said. The Government of Canada doesn't intend to be the long-term owner of the pipeline. We do intend to sell it and we believe that we will recoup the money that the Government of Canada has invested in the pipeline.”

*The other parties did not raise TMX with the Minister at this time.*

#### **Summary of First-Time Debate on the Motion at Committee (May 23, 2024)**

NDP Comments:

- The Motion was originally moved by MP Charlie Angus (NDP Natural Resources Critic)
- Criticizes the Government's decision to proceed with the TMX due to the absence of a viable business case and its potential environmental harm.
- Highlights the significant cost overruns for a project benefiting the profitable oil and gas industry, an industry that is already negligent to reducing emissions.
- Argues that TMX contradicts emissions reduction goals.

- Believes there is no way any company can use TMX unless it is heavily subsidized because of the costs of bitumen transport it will not be worth it.
- Cites CER's estimation that 78% of every barrel's cost will fall on taxpayers.
- Expresses concern over the possibility of the pipeline being handed to corporations, burdening taxpayers.
- Wishes to ask questions along the lines of; Why were these decisions made? What is the plan for GHG emissions?

CPC Comments:

- Questions the government's expenditure on TMX, suggesting that the private sector, which could have completed the project at a far lower cost, was forced to abandon the project due to uncertainty and delays caused by overregulation.
- Advocates for Investment Tax Credits (ITCs) to enhance competitiveness vis-a-vis the United States.
- Calls for realistic and affordable objectives to compete with the US, rejecting a subsidy race.
- Criticizes federal regulations and taxes as anti-competitive and unaffordable, burdening taxpayers.
- Asserts the presence of a viable business case for the TMX project on its own but it was undermined by government-imposed delays and conditions, forcing the Government to have to buy and complete the pipeline expansion.
- Discusses the SCC ruling re: Impact Assessment Act, resulting in further uncertainty or clarity for private sector proponents.
- Taxpayer burden undermines public interest.

BQ Comments:

- Supports the motion.
- Notes inconsistency in the government's approach to TMX.
- Expresses concern over perceived contradictions in funding oil and gas while promoting fossil fuel development.
- Shares NDP's concern over subsidies to oil and gas corporations amidst financial challenges for Canadians.

LPC Comments:

- Expresses interest in discussing TMX's impacts on Canadian communities, advocating for the inclusion of diverse community perspectives.
- Highlights the importance of regulatory frameworks for energy transition discussions.
- Emphasizes the importance of studying electricity as part of a cleaner grid transition, citing Ontario's shift from coal to electricity.
- Recognizes the challenges of the final 16% of the energy transition and proposes discussion on electricity grid implications.

*Transcripts or recordings of subsequent debates on the motion are not yet available.*

## **Environmental Scan – Excerpts of Public Statements by First Panel Witnesses on TMX**

### Canadian Association of Petroleum Producers (CAPP)

- “The completion of the Trans Mountain Expansion Project promises to deliver economic, social, and geopolitical benefits to Canada. With improved access to global markets, Canadians can look forward to receiving higher value for our energy resources, meaning more money coming back into the economy. This contributes to our GDP, which enhances every Canadian’s buying power and quality of living standards – not to mention supporting more government revenues, jobs and opportunities for Canadians to prosper. The project also excelled in its commitment to meaningful public engagement and Indigenous participation. The project employed over 3,000 Indigenous workers, nearly \$5 billion was spent with Indigenous suppliers and contractors, and has delivered more than \$580 million in benefits-sharing arrangements with 69 Indigenous communities. As the world undergoes rapid and sometimes violent geopolitical realignments, safe and reliable oil and gas supplies will be a priority for governments for years to come. The completion of the Trans Mountain Expansion will help Canada play an enduring strategic role in ensuring our allies and trading partners have access to a reliable and trusted source of critical energy.” – May 1, 2024 (<https://www.capp.ca/en/media/capp-statement-on-the-trans-mountain-expansion-project/>) - Lisa Baiton, CAPP President and CEO
- “A lack of new pipeline takeaway capacity in recent years has ultimately limited the export potential for Canadian crude oil. The Trans Mountain Expansion Project (TMEP) increased Canadian oil exports to the US West Coast. TMEP also presents an opportunity to ship oil to Japan, India, and SE Asia.”
- “The Trans Mountain Expansion Project (TMEP) is in service as of Q2/2024 and added ~590 MB/d of egress capacity, marking a major milestone for Canadian oil producers and providing tidewater access to new markets.” (<https://www.capp.ca/en/capp-data-centre/>)
- CAPP believes the approval process in Canada, partly due to the Impact Assessment Act, is one of the slowest among its peers and thus detracts investment.
- Desire to amend the IAA, further than the Government’s proposed amendments in C-69, in order to provide constitutional clarity, streamline the approval process, and increase predictability ([https://www.capp.ca/wp-content/uploads/2024/06/IAA\\_submission.pdf](https://www.capp.ca/wp-content/uploads/2024/06/IAA_submission.pdf))

### Environmental Defence

- “Ministers Chrystia Freeland and Mary Ng have just approved a giant new fossil fuel subsidy: a \$10 billion loan guarantee for the Trans Mountain pipeline. This will put even more taxpayer dollars on the line for a federally owned project that has clearly become a financial boondoggle, as the costs keep ballooning. It’s another broken promise from a government that committed to end fossil fuel subsidies. Instead of spending billions on a fossil fuel pipeline that will further fuel the climate crisis, the Government of Canada should be ensuring a safe future by investing in climate solutions.” (May, 2022)
- “The Canadian Energy Regulator’s analysis shows that Canada’s oil export needs can be met with existing capacity, making additional pipelines unnecessary- including the Trans Mountain Expansion pipeline.” (<https://environmentaldefence.ca/2022/05/11/statement-from-julia-levin-national-climate-program-manager-on-the-new-subsidy-for-trans-mountain-pipeline/>)

## Pathways Alliance

- Pathways Alliance president Kendall Dilling says the Trans Mountain pipeline is a case study in how hard it can be to get major infrastructure projects across the finish line in this country.
- The Pathways Alliance recently began filing regulatory applications for its formative carbon capture project. Pathways has said the project could help its member companies achieve a 32 per cent reduction from 2019 emissions levels by 2030.

## Environmental Scan – Media Scan

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# Media Environmental Scan

## Purpose:

To provide background information on the current media environment to the CEO, EVP Transparency and Strategic Engagement, and EVP Regulatory before their appearance at the House Natural Resources Committee on June 17, 2024, regarding the study of the Trans Mountain Expansion Project.

## Summary

The Trans Mountain Expansion continues to receive substantial media coverage in Canada, with a particular focus on the costs associated with the project, its potential sale and its impact on global markets. The quality of the crude oil shipped on the pipeline has also emerged in media coverage this week, with US West Coast refiners voicing concerns about the vapour pressure limits and asking that the CER narrow the pipeline's technical specifications. While much of the focus has been on Trans Mountain, the CER itself has not been a focus of the vast majority of the articles over the past three weeks.

Throughout May and June 2024, the House of Commons' Question Period has focused on topics concerning Canada's environmental and energy policies. These discussions have highlighted the financial and environmental controversies surrounding the Trans Mountain Expansion, including its costs to taxpayers and the need for a balanced approach towards economic benefits and transitioning to green energy. Legislative debates touched on budgetary considerations for energy sectors, criticisms of the government's investment priorities, and the need for greater accountability in sustainable technology initiatives. Concerns were raised about the legal and regulatory challenges posed by Bill C-69, the safety risks associated with the pipeline expansion, and environmental issues. Additionally, the significant cost overruns of the Trans Mountain Expansion Project underscored concerns about fiscal responsibility and efficiency under the Liberal government.

## Trans Mountain articles for awareness

### Political Responses/ Legislative Debates

- [Conservatives join NDP to demand a study of Trans Mountain in federal committee – Waterloo Region Record](#)
- [Opposition MPs call for a closer look at Trans Mountain – National Observer](#)

### Potential Technical Specification Challenge

- [Oil refiners raise quality concerns over TMX pipeline shipments - CBC](#)

### Sale of Trans Mountain

- [Trans Mountain to sell 30% to Indigenous groups, premier says – BNN Bloomberg](#)
- [Ottawa changes rules to make it easier to sell Trans Mountain pipeline – Financial Post](#)



- [Ottawa supprime des formalités administratives pour Trans Mountain - RadioCanada](#)
- [Canada amending Trans Mountain ownership regulations to help pipeline sale - Reuters](#)

### **Exports/Economic Impact/Global Markets**

- [Varcoe: Alberta gets credit rating upgrade amid sunnier economic outlook- Calgary Sun](#)
- [We are nearing peak oil – The Peak](#)
- [Canada, U.S. oil producers to break records through 2030 IEA projects](#)
- [Trans Mountain pipeline running 80 per cent full, to load 22 oil tankers in Vancouver – Globe and Mail](#)
- [Provincial Economies Rounding the Corner: Alberta's GDP Growth Boosted to 1.7% in 2024 After Twinning of Trans Mountain Pipeline – Financial Post](#)
- [Chinese refiner Rongsheng buys its first Canadian TMX crude oil cargo – BOE Report](#)
- [Canadian Oil Production Soars with Trans Mountain Pipeline Expansion, Eyes on Global Markets Amid China's Shifting Demand – BNN Bloomberg](#)
- [Trans Mountain Expansion: Opening Global Markets for Canadian Oil - A Strategic Shift for North American Energy? – BNN Bloomberg](#)
- [U.S. Gulf Coast Imports of Straight-Run Fuel Oil at Record as Global Supply Jumps – Energy Now](#)
- [Trans Mountain Pipeline Expansion's Impact on U.S.-Canada Oil Dynamics – BNN Bloomberg](#)
- [Natural resources have always been a pillar of Canada's prosperity. There's no sense in changing that now – The Hub](#)
- [Trans Mountain pipeline expansion finally open, but energy experts warn it's not enough to boost Canada's languishing economy – The Hill Times](#)
- [Trans Mountain Pipeline Launch: A Turning Point for Canadian oil Prices Amidst Canada-China Tensions Over Critical Minerals – BNN Bloomberg](#)
- [Tanker departs B.C. after becoming first to load oil from TMX pipeline system – Globe and Mail](#)
- [First Canadian oil export cargo from expanded Trans Mountain pipeline set to load - Reuters](#)

### **Regulatory Delays**

- [Red tape and delays are holding back Canada's productivity, Poloz and Manley say - BNN Bloomberg](#)
- [Former Trans Mountain CEO Discusses Federal Politics, Policy Challenges, and Project Delays - The Roy Green Show](#)
- [Ottawa removes regulatory red tape for Trans Mountain pipeline - CBC](#)

### **Oil Price/Differentials**

- [Oil is the commodity in focus right now – Globe and Mail](#)
- [Heavy Oil Discount Narrows – Energy Now](#)
- [Trans Mountain Expansion Narrows Oil Price Discounts at Ports, Competition Heats Up – BNN Bloomberg](#)

### **Budget/Cost Overruns**

- [Trans Mountain Pipeline Expansion Faces Budget Overruns Amid New Regulation Challenges – BNN Bloomberg](#)
- [Canada increases loan guarantees for Trans Mountain pipeline to C\\$19 billion - Reuters](#)
- [Trans Mountain Pipeline Expansion Faces Soaring Costs Amid Stricter Regulations, Highlighting the Growing Value of Existing Pipelines – BNN Bloomberg](#)

- [Why the Trans Mountain Pipeline expansion is a bad deal for Canadians — and the world – Winnipeg Free Press](#)
- [You paid \\$850 for the Trans Mountain pipeline. Here’s why - CBC](#)

### **Opposition /Indigenous Rights**

- [Balancing Indigenous Land Rights and Development: The Duty of Consultation in Canada – Coast to Coast w/ George Noory](#)
- [Tiny House Warriors found guilty of all charges related to altercations at TMX worksite – Penticton Herald](#)
- [Trans Mountain Pipeline Expansion Complete: A Journey from Edmonton to Kamloops Reveals Community Sentiments - CBC Radio](#)
- [Trans Mountain Pipeline Expansion Progresses Amid Landowner Concerns - CBC](#)

### **Environmental**

- [Independent oversight could provide ‘comfort’ for public: expert - Narwhal](#)
- [Existing legal tools failing to protect Canada's marine ecosystems from underwater noise: WWF-Canada - Newswire](#)
- [Oil and gas CEOs testify before House of Commons environment committee -CTV News](#)
- [MPs grill Canadian oil and gas executives over profits and emissions - CBC](#)
- [Trans Mountain Pipeline approval threatens orcas along B.C. coast: Green Party – Global News](#)
- [New protections for southern resident killer whale ‘inadequate,’ scientist says – Vancouver is Awesome](#)

### **Climate Change/Carbon Pricing**

- [Oil CEOs tell House of Commons committee they support carbon pricing – BNN Bloomberg](#)
- [New head of Alberta oilsands group wants clarity from Poilievre on industrial carbon pricing - CBC](#)

### **Project Completion**

- [Missing cheers for a pipeline that’s delivering on the bargain – Globe and Mail](#)
- [Trans Mountain Pipeline Expansion Completed at \\$34 Billion, Adding 600,000 Barrels Daily Amidst Controversy and Speculation on Future Major Pipeline Projects in Canada – BNN Bloomberg](#)
- [FINLAYSON: Fossil fuels not going away anytime soon – Edmonton Sun](#)

### **Future Project Development**

- [What’s next? With major projects wrapping up, what does Canada’s energy future hold – BOE Report](#)
- [Varcoe: 'A new Suncor' with plans to grow production and whittle down costs - Postmedia](#)
- [Potential Crisis Looms Over Proposed Energy Infrastructure, Echoing Past Provincial Conflicts – Coast to Coast AM Radio](#)
- [Varcoe: With Trans Mountain expansion built, it's LNG Canada's turn to cross the finish line – Postmedia](#)

## Recent GoC news releases

### Department of Finance

- [Deputy Prime Minister welcomes International Monetary Fund's positive review of Canadian economy](#)

### CPAC summary of Question Period

- Quoting [CPAC | 06/13/24](#): “The government's \$34 billion investment in TMX is criticized for severe cost overruns, making it economically unviable for oil companies due to high toll charges. The CER has capped these tolls, but plans to increase them to nearly 50 cents per dollar raise further concerns. Critics argue that the Conservatives' approach, which includes voting against economic measures like capital gains increases, ignores the need for sound financial strategies to fund future technologies. This situation highlights the challenges in managing and financing large-scale energy projects in Canada effectively.”
- Quoting [CPAC | 06/13/24](#): “The oil industry, including Imperial Oil, is set to achieve record production levels with an increase of 500,000 barrels a day of high-emission raw bitumen, raising concerns about its environmental impact and financial burden on taxpayers. MPs discuss concerns over the Trans Mountain Pipeline's impact amid record oil production. Critics highlight the pipeline's role in facilitating increased extraction of heavy bitumen, a major emitter of greenhouse gases. They argue that despite carbon pricing policies aimed at reducing emissions, the industry shows little commitment to emission cuts. The pipeline expansion is seen as enabling further growth in high-emission fuel production, raising doubts about the effectiveness of current environmental regulations and the allocation of costs to taxpayers.”
- Quoting [CPAC | 06/09/24](#): “The discussion revolves around the renewal of the Trans Mountain project, which originally cost \$7.3 billion and is deemed critical for ensuring Canada receives fair compensation for its resources while acknowledging the need for an energy transition plan as part of the broader strategy to combat climate change. This transition emphasizes the importance of current resources for the next 20 to 30 years.”
- Quoting [CPAC | 06/09/24](#): “hybrid meeting addressed budgetary matters for several entities, including Vote 1 under the Canadian Energy Regulator (CER), Votes 1, 5, and 10 under the Canadian Nuclear Safety Commission, Vote 1 under the Department of Natural Resources, and the Northern Pipeline Agency.”
- Quoting [CPAC | 06/06/24](#): “During a parliamentary debate, the Honourable Member for Saint-Jean criticized the government for favouring oil and gas investments, notably the Trans Mountain pipeline, over green transitions. Additionally, the Honourable Member for Windsor West, backed by the member from Edmonton, advocated for a motion to enhance accountability and transparency in sustainable technology initiatives.”
- Quoting [CPAC | 05/29/24](#): “motion aims to send a legislative bill back to the Standing Committee on Natural Resources for revisiting specific clauses, due to concerns that they echo the contentious provisions of Bill C-69, which led to the creation of the Impact Assessment Act and the Canadian Energy Regulator Act. This action seeks to ensure clarity and prevent the

introduction of unforeseen regulatory burdens reminiscent of the changes brought about by Bill C-69.”

- Quoting [CPAC | 05/28/24](#): “Discussion around the need to pause the progress of legislative amendments concerning the Atlantic Canada Treaty Accord offshore, specifically Clauses 61, 62, 169, and 170, until the Standing Committee on Natural Resources reviews them. This is to ensure there are no conflicts or uncertainties with Bill C-69, which includes the Impact Assessment Act and the Canadian Energy Regulator Act, and to prevent issues arising from new regulatory conditions.”
- Quoting [CPAC | 05/27/24](#): “The motion suggests that Bill C-49, amending energy-related laws, be reviewed to resolve ambiguities overlapping with Bill C-69, which introduces new standards via the Impact Assessment Act and the Canadian Energy Regulator Act. This is to ensure that unforeseen requirements beyond current legislation are addressed.”
- Quoting [CPAC | 05/24/24](#): “NDP MP questions the expansion of the Trans Mountain pipeline by the Liberals, noting increased tanker traffic sevenfold in Burrard Inlet, raising concerns about potential evacuation and health risks due to spills. The government is criticized for lacking a safety plan, prompting questions on how they intend to protect Canadians from a catastrophic event.”
- Quoting [CPAC | 05/23/24](#): “Discussion highlights the responsibility of the CER in ensuring pipeline safety and efficiency, and addresses the ongoing mercury poisoning crisis in Grassy Narrows due to corporate negligence. Governmental action is urged to rectify the situation and hold the responsible parties accountable.”
- Quoting [CPAC | 05/21/24](#): “Discussion around TMEP’s decade-long completion and cost overrun from \$7 billion to \$34 billion under the liberal government has raised significant concerns about efficiency and fiscal management.”