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Business Council of
British Columbia
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October 24, 2023

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Honourable Josie Osbourne
Minister of Energy, Mines and Low Carbon Innovation
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**Re: Submission to the B.C. Government on the proposed B.C. Oil and Gas
Emissions Cap Policy Paper**

Dear Ministers:

The Business Council of British Columbia appreciates the opportunity to provide feedback and perspectives on the provincial government's proposed *B.C. Oil and Gas Emissions Cap Policy Paper* (OGECPP).

The business sector in British Columbia and across the country acknowledge the need to manage greenhouse gas emissions and address the consequence of a changing environment. Becoming more efficient in the way we use resources, including energy, can have positive outcomes in the long run and for future generations. At the same time, on our collective journey, it is critical we strike the right balance of actions taken to reduce emissions and actions taken to grow and maintain a robust economy. Policy choices matter immensely and depending on the path chosen may have profound effects on the future prosperity of British Columbians.

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In our previous two submissions on the *Output Based Pricing System Technical Paper* (OBPS) and *Net-Zero New Industry Intentions Paper*, we expressed deep concern about the near- and medium-term economic implications of the CleanBC policies as presented in government modeling results. The modeling implies profoundly negative consequences for young and aspirational British Columbians as economic opportunities become scarce. Surely carrying through with an approach that will shrink B.C.'s economy, reducing GDP growth by around \$4,600 per person and returning the province to 2013 levels of prosperity, is not an acceptable outcome for the B.C. government? But according to the government's own modeling, the current suite of policies and regulations willfully sets our economy on a downward path. This concerns us greatly.

We reiterate the need for a pragmatic recalibration of the timing and scope of Roadmap to 2030. It is critical for governments to help enable a strong B.C. economy, the foundation on which prosperity rests. Growth gives people hope and opportunities, including economic reconciliation opportunities, while the absence of growth takes hope and opportunity away. Growth means rising, rather than falling, real incomes, and more resources across the economy for everything from hiring more teachers, doctors, and nurses, to developing social housing.

In terms of the OGECPP, we are **not** providing comments on the design of an oil and gas cap because in our view additional tools to limit emissions from the oil and gas sector are **unnecessary**. We have and were the first jurisdiction in North America to introduce an economy-wide emissions tax. This is acknowledged by expert economists around the world as the most cost-effective approach for reducing greenhouse gas emissions *when implemented under the principle of revenue neutrality* (a principle, we note, the government has abandoned). In our view, an appropriately designed output-based system should be able to safeguard competitiveness by ensuring the success of our heavy industry and energy-intensive trade-exposed sectors while encouraging emissions reductions. There is no need for a "cap."

This position is corroborated in an [opinion piece](#) written in June 2023 by Christopher Ragan, Paul Rochon and Mark Jaccard. While the topic was an oil and gas cap in Canada, the logic of the analysis critiqued is the same for British Columbia. They conclude that *"climate policies that are focused on specific regions or sectors face the real risk of reducing emissions at much higher overall costs; "excessive" costs in the sense that lower cost policy options are available to accomplish the same level of emissions reductions."*

The same authors also note that *"climate policies should be designed to achieve their objectives **at the lowest possible cost** [emphasis added]. Higher than necessary*

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costs imply that we are forgoing resources that could be used to finance important social and economy objectives.” We strongly agree.

Moreover, in opinion pieces dating as far back as 2009, Mr. Jaccard has argued for a “tiny list” of tools including an economy-wide emissions tax, not the 39+ assorted measures in the Roadmap. In the past, he suggested that the approach now embedded in policy and legislation “*would effectively shut down most of B.C.’s heavy industry*” and cost the province thousands of jobs and investment. Again, we agree.

This prediction was recently confirmed by a [Bank of Montreal report](#) dated September 5, 2023, noting the current pathway will create “*financial implications, complexities, and [a] regulatory burden [that] could make further development in the Province of British Columbia potentially uneconomic for much of industry.*” This is an outcome the provincial government should not want to see come to pass.

Interestingly, Mr. Jaccard has also noted that a 33 percent reduction ([2009 Vancouver Sun](#)) in emissions (which aligns with the current 33-38% target for the oil and gas sector) combined with a dramatically rising price on emissions for industrial emitters (current trajectory to \$170/t CO₂e) will force reduced output or a halt to production. This is precisely the path we are on with the proposals embedded in the OGECP. It will result in an effective, if not outright, production cap even if described otherwise. This is not a good outcome for prosperity given the importance of the oil and gas sector to B.C.’s economy — jobs, revenues, investment activity, and exciting new opportunities for many Indigenous communities across the oil and natural gas value chain.

Larry Fink, CEO of Blackrock, one of the world’s largest asset managers [said on September 29, 2023](#), “*do not ever divest of hydrocarbons as they will be with us for a long, long time.*” Therefore, setting in motion an approach clearly aimed at shuttering or phasing out B.C.’s oil and gas sector is puzzling. It is sure to create even bigger carbon leakage as global demand rises and nations seek to ensure their energy security in the face of significant geopolitical risks. The world needs more, not less, of B.C.’s low emissions-intensity natural resources. We should be doing everything possible to make sure we are a trusted supplier of natural gas.

We fully support the last sentence on page 9 of the OGECP and know that through direct engagement and recalibration of existing policies, B.C. can find ways to reduce provincial GHGs in a *cost-effective manner*, to increase rather than decrease GDP per capita, and to remain competitive. This requires direct collaboration with industry. This must include conversations about access to electricity, support for new technologies, rapid expansion of the pool of compliance credits (including voluntary), removing overlap and duplication in the regulatory system, being explicit about trade-offs that are required to maintain energy security, affordability, and

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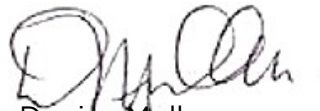
reliability. We also need to develop a transparent evaluation framework clearly allowing us to measure progress and adjust what exists rather than continuously add more regulatory requirements.

We appreciate the opportunity to provide our comments. The Business Council is committed to working with the government to find practical solutions to safeguard B.C.'s prosperity as the province works to reduce B.C.'s GHG emissions. We would be pleased to meet with you and your officials at your earliest convenience.

Yours sincerely,



Ken Peacock
Senior Vice President
and Chief Economist



Denise Mullen
Director, Environment, Sustainability,
& Indigenous Relations

cc: Shannon Salter, Deputy Minister to the Premier
Matt Smith, Chief of Staff, Office of the Premier
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