

# Canada's path to net zero: The latest on clean electricity regulations and oil & gas emissions

March 15, 2024

On Dec. 7, 2023, the Government of Canada introduced the latest update to its 2030 Emissions Reduction Plan (ERP). This update, documented in the [2023 Progress Report on the 2030 ERP](#) (the 2023 Progress Report), serves as the first of three reports mandated by the Canadian Net-Zero Emissions Accountability Act - **national legislation** that aims to align policy commitments with tangible climate action. Subsequent biennial reports are scheduled for 2025 and 2027.

Canada's 2023 Progress Report is timely given recent initiatives, including the publication of an Oil and Gas Emissions Cap framework, draft Clean Electricity Regulations, and participation in the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 28).

The government's [news release](#) on the 2023 Progress Report highlights a comprehensive strategy to accelerate emissions reduction ahead of the 2030 milestone. This strategy includes:

- Updating regulations to cut oil and gas methane emissions by at least 75 per cent by 2030,
- Finalizing an emissions cap for the oil and gas sector,
- Launching a Green Buildings Strategy, and
- Crafting climate plans for marine, rail, and aviation sectors.

Collectively, these efforts are expected to [achieve a reduction](#) of 40 per cent below 2005 levels by 2030, with an interim goal of 20 per cent by 2026.

Since BLG's previous comments on the [initial announcement](#) of the ERP and the financial tools introduced in [Budget 2023](#), the Federal Government's progress on the oil and gas emissions cap and Clean Electricity Regulations are perhaps its most notable steps toward its 2050 net-zero goal, impacting industries broadly.

## Oil and gas emissions cap

Following the release of its 2022 [discussion paper](#) outlining two regulatory options to cap greenhouse gas (GHG) emissions from the upstream oil and gas sector, the

Government of Canada introduced the [Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap](#) (the Framework) in December 2023. Opting for the “cap-and-trade system” approach, the Government of Canada intends to enact the Framework through regulations made under the Canadian Environmental Protection Act, 1999 (CEPA).

The Framework aims to reduce production-level emissions by 35-38 per cent below 2019 levels by 2030. To introduce some flexibility, the Government proposes a “legal upper bound” concept allowing 2030 emissions to reach up to 131-137 megatons of carbon dioxide equivalent (CO<sub>2</sub>e), marking a 20-23 per cent reduction from baseline emissions. To facilitate the legal upper bound, the Government plans to employ compliance credits via mechanisms like allowance trading, multi-year compliance periods, credit banking, and various permissible offsets. Nonetheless, the emissions allowances will be unique to this program, non-transferable with other carbon pricing systems or regulatory frameworks, and are designed to gradually decrease to achieve net-zero GHG emissions by 2050.

The regulation will cover oil producers, upgraders, natural gas production and processing plants, and liquefied natural gas facilities, while refining and downstream operations will continue to be regulated under Canada's Clean Fuel Regulation. The Framework is currently in development and is slated for enactment through regulations by 2025, with full implementation by 2030.

## Clean Electricity Regulations

Also expected to be enacted under the CEPA in 2025, Canada's [Clean Electricity Regulations](#) will prohibit most electricity generation facilities from emitting more than 30 tonnes of CO<sub>2</sub> per gigawatt hour (GWh) by 2035 (the Performance Standard). The Performance Standard will impose differential costs on businesses operating in provinces heavily reliant on fossil fuel-generated electricity compared to those with established clean energy portfolios.

The Government of Canada has outlined that creating a net-zero power grid involves balancing decarbonization, reliability, and affordability. However, achieving these aims simultaneously presents challenges due to existing technologies and associated costs. Provinces heavily reliant on fossil fuels, such as Alberta, Saskatchewan, and Nova Scotia, face substantial costs related to investments in clean energy infrastructure and emerging clean technology. These costs could strain the profitability and competitiveness of companies within these regions as electricity generation costs are expected to be passed on to the rate payers.

Recent federal initiatives, like the Investment Tax Credits in the 2023 budget, aim to support clean energy investments. However, these initiatives could tie financial assistance to provincial commitments to cooperate with Parliament's energy policies. Conversely, provinces with established hydro and nuclear assets, like Ontario, Québec, British Columbia, Manitoba, and Newfoundland and Labrador, may experience lower costs and potentially gain a competitive edge due to their cleaner energy profiles.

## Conclusion

Despite signs of progress, Canada is at risk of not meeting its 2030 emissions reduction target. Current policies, even with enhancements, may be insufficient to achieve a minimum 40 per cent [reduction in emissions](#) from 2005 levels by 2030. Moreover, while **Canada’s commitment marks a significant step towards a net-zero economy, it is crucial for industry stakeholders to monitor the Government’s formal legislative actions, response to potential legal challenges, and evolving initiatives to reach the net-zero emissions goal by 2050.**

The introduction of the Clean Electricity Regulations and the proposed cap on oil and gas emissions signify a major transformation in Canada’s energy policy, affecting businesses nationwide. Achieving the collective goals of reducing emissions, ensuring energy security, and fostering economic growth requires clear emissions policies, incentives, and regulatory frameworks. Given the investment decisions, regulatory obstacles, and construction efforts needed for emissions mitigation and abatement, **the year 2030 is approaching quickly. If the Federal Government’s stated intentions do not waver, it will be imperative for businesses to finalize their emissions reduction approaches without delay to ensure they are not left behind.**

By

[Alan Ross](#), [John A.D. Vellone](#), [Jonathan Cocker](#), [Andre Matheusik](#)

Expertise

[Environmental](#), [Energy – Power](#), [Energy - Oil & Gas](#), [Nuclear Energy](#)

---

## **BLG | Canada’s Law Firm**

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

[blg.com](http://blg.com)

### **BLG Offices**

#### **Calgary**

Centennial Place, East Tower  
520 3rd Avenue S.W.  
Calgary, AB, Canada  
T2P 0R3

T 403.232.9500  
F 403.266.1395

#### **Ottawa**

World Exchange Plaza  
100 Queen Street  
Ottawa, ON, Canada  
K1P 1J9

T 613.237.5160  
F 613.230.8842

#### **Vancouver**

1200 Waterfront Centre  
200 Burrard Street  
Vancouver, BC, Canada  
V7X 1T2

T 604.687.5744  
F 604.687.1415

**Montréal**

1000 De La Gauchetière Street West  
Suite 900  
Montréal, QC, Canada  
H3B 5H4

T 514.954.2555  
F 514.879.9015

**Toronto**

Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada  
M5H 4E3

T 416.367.6000  
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing [unsubscribe@blg.com](mailto:unsubscribe@blg.com) or manage your subscription preferences at [blg.com/MyPreferences](http://blg.com/MyPreferences). If you feel you have received this message in error please contact [communications@blg.com](mailto:communications@blg.com). BLG's privacy policy for publications may be found at [blg.com/en/privacy](http://blg.com/en/privacy).

© 2024 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.