Submission on Senate Bill S-243

Independent Contractors and Businesses Association (ICBA)

First Nations LNG Alliance (FNLNGA)

August 14, 2024

ICBA and the First Nations LNG Alliance are pleased to provide this submission on Bill S-243, currently under consideration by the Senate Standing Committee on Banking, Commerce and the Economy. The Bill was first introduced in March 2022, passed second reading in June 2023, and was then referred to the Standing Committee for further examination.

ICBA is Canada's largest construction association, representing more than 4,000 members and clients drawn from all parts of the construction sector. ICBA supports and is a consistent advocate for fair and open markets, responsible natural resource development, and public policies that help to foster a prosperous, globally competitive Canadian economy.

The First Nations LNG Alliance (FNLNGA) is a collective of First Nations and Industry affiliates participating in, and supportive of, sustainable and responsible liquified natural gas (LNG) development in British Columbia. It also supports other forms of energy development involving First Nations, including hydroelectricity and other alternatives. The Alliance provides public education and information to, and for, First Nations and others interested in LNG and energy projects, and project benefits.

The main stated purpose of Bill S-243 is to oblige banks and other federally regulated financial institutions to bring their lending decisions into alignment with Canada's climate change policy commitments, including the 2015 *Paris Agreement* as well as various laws and policies adopted by Parliament and the Government of Canada. The unstated purpose of the Bill is to starve the Canadian oil and gas industry of credit and capital, thereby accelerating the industry's decline and quickly reducing Canada's role as producer of crude oil, refined petroleum products, and natural gas (including LNG).

ICBA and the FNLNGA are strongly opposed to Bill S-243, and we urge Senators not to pass it.

<u>Energy in the Canadian Export Economy</u>

Energy sits at the heart of Canada's export economy, even though some federal policymakers and provincial governments appear to be discomfited by that fact.

In recent years, energy has supplied 20-25% of Canada's total international exports (goods plus services combined), with crude oil, refined petroleum products, and natural gas making up the lion's share of energy-related shipments to other countries. Canada's energy export basket also includes coal, uranium and electricity. It will soon include LNG, as well.

In the last two decades, energy has grown to become Canada's leading export sector, mainly owing to higher oil production volumes, rising hydrocarbon exports, and still-robust global demand for fossil fuels (which provide 80% of the world's primary energy). Measured in millions of barrels of oil equivalent (boe), Canadian conventional oil and gas production rose from 4.5 million boe per day in 2015 to 5.4 million/day last year, with most of the additional output destined for the United States. With the completion of pipeline expansion projects and the looming start-up of liquified natural gas production on the west coast, oil and gas are set to play an even bigger role in Canada's economy and export portfolio in the coming years.

A May 2024 modelling study by S&P Global Commodity Insights predicts a further jump in conventional oil and gas output of between 0.5 and 1.0 million boe/day by 2035, assuming the federal government doesn't impose draconian caps on production in the sector as part of its shambolic climate policy agenda.[1] Based on that scenario, S&P estimates that production, capital and operating spending in Canada's conventional oil and gas industry will add up to $1.3 trillion to Canada's gross domestic product by 2035. This forecast is premised on a modest (8%) increase in output from 2023 levels and further declines in the sector's greenhouse gas emissions-intensity due to efficiency measures, advances in technology, greater use of carbon capture, and other factors.

To illustrate the enormous contributions that energy already makes to Canada's prosperity, the Coalition for A Better Future[2] recently estimated that without exports of oil, natural gas and other energy goods, Canada's cumulative trade deficit with the rest of the world – which stood at $130 billion in the decade ending in 2023 – would have ballooned to $1 trillion.

Thanks to energy production, Canada garners up to $200 billion of additional export receipts each year – a figure that's set to rise significantly in the next decade. This outsized stream of export earnings furnishes the means to pay for imports, supports hundreds of thousands of high-paying jobs across the country, and generates many tens of billions of dollars of extra revenues for Canadian governments.

In Canada's case, it is also worth noting that energy reliably produces the largest trade surplus of any sector, by a wide margin. And, as noted above, that surplus will increase in size over the rest of this decade and possibly beyond, mainly due to oil and gas output and exports climbing from current levels and the start-up of LNG production on Canada's west coast.

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[1] S&P Global Commodity Insights, "Economic Impact Assessment of Canadian Conventional Oil and Gas," May 2024.
[2] "Fragile Growth: An urgent need to get the basics right," March 2024. Available at canadcoalition.ca

Averaged over the period 2022-23, Canada's two-way trade in energy goods yielded a net annual surplus of almost $150 billion.[3] This dwarfs the surpluses posted in other natural resource-based sectors such as metal ores, non-metallic minerals, agri-food, and forest products. Large trade surpluses in energy – and, to a lesser extent, in other natural resource industries -- offset chronic Canadian trade deficits in consumer goods, machinery and equipment, electronic products, and other high-tech goods. Canada also runs a trade deficit of $35-40 billion in motor vehicles and parts.

Federal government ministers are fond of talking up (and subsidizing) Canadian *non-fossil fuel energy industries*, like (carbon-free) electricity, biofuels, hydrogen (production of which currently is almost non-existent in Canada) and the "clean tech" sector. However, except for electricity, these segments of the Canadian energy sector are very small in size and export little. And while the "clean tech" industry does hold considerable promise over the medium-term, today it accounts for less than 1% of Canada's international exports.

The Effects of Bill S-243

ICBA and FNLNGA submit that the proposed legislation ignores Canada's role as a major energy producer and overlooks energy's central place in Canada's export portfolio. Looking across the member states of the OECD, we are unable to identify a country that has adopted legislation which aims, quite explicitly, to undermine its leading export sector.

ICBA and FNLNGA believe that, if approved, Bill S-243 would threaten the Canadian energy sector's access to credit and other sources of capital needed to improve efficiency and invest in measures to further reduce the sector's carbon-intensity. More generally, we are concerned the legislation, as written, would also impinge on other Canadian industries whose production results – directly or indirectly -- in carbon and other greenhouse gas emissions (e.g., mining, primary agriculture and agri-food, pulp and paper, and many parts of manufacturing). In fact, all Canadian industries that some may judge to be "emissions-intensive" could find their access to capital constrained under the regulatory framework envisaged in the legislation. It is no exaggeration to say that Bill S-243 points a dagger at the heart of the Western Canadian natural resource economy and thereby constitutes a threat to national unity and cohesion.

ICBA and FNLNGA wish to go on the record as supporting the submissions on Bill S-243 from the Government of Saskatchewan, the Grain Growers of Canada, and the Indigenous Resource Network (IRN).[4] We draw the Committee's attention to the statement of the latter organization

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[3] Statistics Canada, "Canadian international merchandise trade: Annual review 2023," The Daily, May 9, 2024.
[4] Government of Saskatchewan, Letter to the Honourable Pamela Wallin on Senate Bill S-243, April 16, 2024; Grain Growers of Canada, Submission to the Senate Standing Committee on Banking, Commerce and the Economy, May 28, 2024; Indigenous Resource Network, 'Submission on Bill S-243."

that "…Bill S-243 goes against the values of reconciliation and the pursuit of Indigenous ownership in oil and gas." Like the IRN, we urge the Senate not to pass Bill S-243.

ICBA and FNLNGA appreciate the opportunity to share our views on this important matter.

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