



Canadian  
Petroleum  
Products  
Institute

Institut  
canadien  
des produits  
pétroliers

**Bill 42**  
**Act to amend the Environment Quality Act and other legislative provisions in relation to climate change**

**Oral presentation of the CPPI before the  
Committee on Transport and the Environment**

by

Louis Forget, Vice President, Public and Government Affairs - Ultramar  
Carol Montreuil, Vice President – Canadian Petroleum Products Institute

**Canadian Petroleum Products Institute (CPPI)**

**May 29, 2009**

## *Oral presentation of the CPPI position*

### **Bill 42**

**Act to amend the Environment Quality Act and other legislative provisions in relation to climate change**

**Date:** May 29, 2009  
**Place:** Quebec National Assembly  
**Time:** 4:00 pm  
**Delegation:** Louis Forget, Carol Montreuil  
**Format:** Presentation of the issues – 10 minutes  
Questions & answers – 40 minutes

### *Presentation outline*

- I) Introduction and presentation of the industry** - 1 minute
- II) Main themes:** - 9 minutes
- Harmonization to protect competitiveness
  - Use of the funds collected
  - Definition of an emitter; liability and accountability (transportation sector)

Total: 10 minutes

## **I- Introduction**

Mr. Chairman,

Ladies and Gentlemen of the Committee,

First of all, good afternoon and thank you for allowing our organization to present its point of view to this Parliamentary Committee.

My name is Carol Montreuil, and I am Vice President of the Canadian Petroleum Products Institute. In the next ten minutes we will summarize the petroleum industry's main issues with Bill 42, after which we will answer your questions.

Allow me to introduce the colleague who is accompanying me today:

**- Mr. Louis Forget**      Vice President, Public and Government  
Affairs at Ultramar

## **The CPPI**

Also let me say a few words about our organization:

The Canadian Petroleum Products Institute (CPPI) is an association of 14 Canadian companies operating in the refining and marketing of petroleum products used in transportation and for residential, commercial and industrial purposes. CPPI members operate 16 refineries in Canada, representing over 80% of Canada's crude oil refining capacity and marketing operations.

The companies present in Quebec and active in refining and marketing are:

- Imperial Oil Limited
- Petro-Canada
- Shell Canada Products Ltd.
- Ultramar Limited

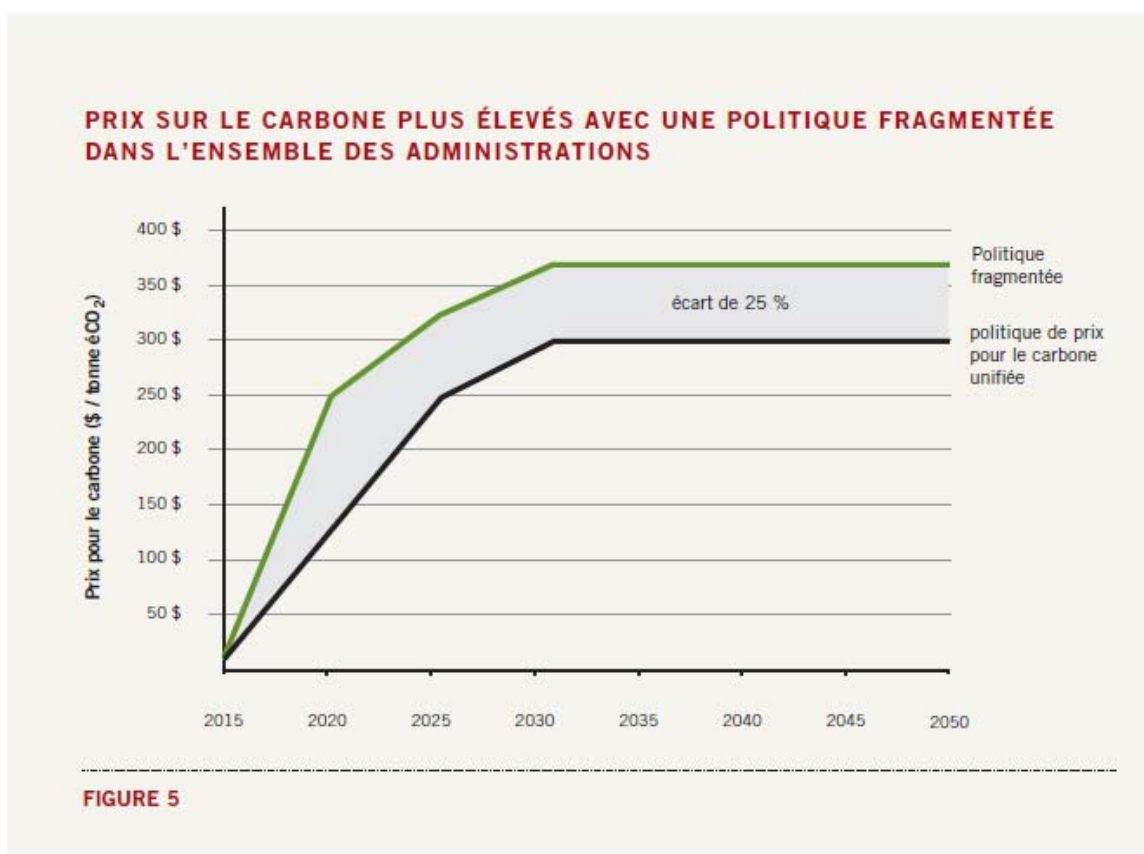
**Bill 42**

Mr. Chairman, regarding Bill 42:

- 1 Let us first be very clear. We are not opposed to Quebec taking action on climate change. The long history of cooperation between our organization and the Quebec government attests to this.
- 2 Moreover, history seems to have proven the province right in adopting the cap-and-trade (C&T) model rather than the approach initially proposed in the federal “Turning the Corner” of 2006, based on a so-called GHG emission intensity approach.
- 3 There is no doubt that there is currently a lot of momentum for this type of economic instrument – both in Canada and on the American side of the border.
- 4 We need to bear in mind that a cap-and-trade system is not an end in itself but a tool, an economic tool to achieve an objective of GHG reduction at the lowest possible cost.
- 5 This issue of the cost of such a program is important, because the recent economic impact modelling studies of a cap-and-trade program - and ultimately of the cost per tonne of carbon to achieve the objectives sought - show that those costs are much higher than the amounts discussed in Canada in the past (e.g. the guaranteed \$15/tonne of the Chrétien-Martin era) and the costs noted recently in the European system, with fluctuations of \$5 to \$50 per tonne of CO<sub>2</sub>.
- 6 More specifically, the *National Round Table on the Environment and the Economy* (the NRTEE), an apolitical body that sponsors reports on priority issues and advises governments on the reconciliation of economic prosperity with conservation of the environment, published

its report this month: *Achieving 2050: A Carbon Pricing Policy for Canada*.<sup>1</sup>

- 7 According to the NRTEE, a unified approach to the application of a C&T system would result in an average cost of about \$150 per tonne of CO<sub>2</sub> in 2020. The Table's study points out that a fragmented approach based on regional policies could increase this average cost to about \$250 per tonne. In 2030 these amounts would reach \$300 and \$350 per tonne respectively (Figure 5, page 35 of the NRTEE report).



#### HIGHER CARBON PRICES WITH A FRAGMENTED POLICY THROUGHOUT ALL ADMINISTRATIONS

Carbon price (\$/tonne of CO<sub>2</sub>)      25% spread      Fragmented policy  
 Unified carbon pricing policy

\$50 \$100 \$150 \$200 \$250 \$300 \$350 \$400

<sup>1</sup> NRTEE-2009-Achieving 2050 : A Carbon Pricing Policy for Canada ([www.trnee-nrtee.ca](http://www.trnee-nrtee.ca))

- 8 The transportation, commercial and institutional sectors are responsible for more than 40 MT/year of CO<sub>2</sub> emissions in Quebec. Whether at \$50 or \$300 per tonne, significant additional costs would be imposed on Quebec emitting companies. This is an extremely significant economic impact.
- 9 Our first and principal recommendation, therefore, is *that the content and application of the Quebec program be harmonized and synchronized with the neighbouring jurisdictions.*
- 10 Harmonization is a major competitiveness issue for the three Quebec refineries in particular.
- 11 All neighbouring jurisdictions must go in the same direction, with the same rules and the same timetable. Otherwise, the economic risks and impacts will be enormous for our refining infrastructure.

#### **Use of the funds collected (s. 46.15)**

- 12 Since very large amounts are at stake, we also submit a recommendation regarding subsection 46.15, dealing with the use of the funds collected.
- 13 We recommend that subsection 46.15 be broadened to allow the Quebec government *the possibility of using these funds to neutralize the impact of the levies on the economy and the sectors that will be most affected in terms of competitiveness.*
- 14 Since Bill 42 is an “enabling” bill, we believe it should give the government such flexibility.
- 15 We also have high hopes that the government will show transparency and equity to the clientele affected by the levies.

## **Liability and accountability of emitters**

- 16 The last point we want to emphasize today concerns the definition of emitters as presented in subsection 46.1.
- 17 Subsection 46.1 associates emissions from the production or distribution of a product with emissions from its use.
- 18 This definition raises major issues of liability and accountability for GHG emission reductions in particular, during the stage of setting objectives, ceilings and allocations.
- 19 The definition also implies that it is just as easy to apply the cap-and-trade system to the transportation sector as to other sectors. We submit that the application of such a system will pose a major and unique challenge for the transportation sector. That is one of the reasons why the WCI has postponed the effective date of restrictive standards for this sector to 2015.
- 20 For example, in the transportation sector, we wish to emphasize that success in reducing GHG emissions will depend as much on fuel performance as on vehicle efficiency and the buying habits and habitual use of the vehicle by the person behind the wheel. These emissions can therefore be attributed to three factors.
- 21 The petroleum industry cannot therefore be held solely accountable for the eventual reduction objectives.
- 22 We understand that the objective sought by subsection 46.1 is one of simplicity, so that a given sector's emissions can be inventoried and reported upstream as faithfully as possible. That is the approach currently used in calculating Québec's Green Fund levy.

23 However, we submit that *in setting future caps and objectives, the government will have to take 3 factors into account for petroleum sector emitters: fuel performance, coupled with vehicle efficiency and consumer behaviour*. In other words, take into account the demand for our petroleum products.

24 In addition, in order to avoid the duplications and excessive costs associated with collecting information from emitters, the government should set up a one-window framework between jurisdictions for the collection of emission data.

Thank you for your attention. We are now ready to answer your questions.