

## Highlights from:

# A VISION FOR CANADA'S RECOVERY

## Economic Recovery and Environmental Leadership

September 2020

Natural gas and oil are essential to Canada's post-pandemic recovery and fundamental to our quality of life. From fuels for heating, industry and transportation, to petrochemicals used to make products like N-95 protective masks, oil and natural gas underpin virtually every aspect of Canada's economy — and Canadians' lives. The energy industry has **the nationwide ability to stimulate large-scale economic recovery** to sustain Canada's financial future.

A strong recovery plan and competitive government policy measures are essential to ensuring Canadian industries can attract investment, which will be crucial to growing Canada's economy, getting Canadians back to work and funding advanced technologies to address emissions. These objectives can be achieved while leveraging the energy sector's environmental leadership — which is **aligned with the federal government's objectives, particularly around addressing climate change.**

This summary highlights key points from *A Vision for Canada's Recovery*, issued by the Canadian Association of Petroleum Producers and available at <https://bit.ly/3iHcBVV>. CAPP invites readers of this summary to refer to the vision document for detailed statistics, background data and source references.

## Collaborating to Move Forward

The natural gas and oil industry emphasizes collaboration within the industry and with governments, First Nations, communities and stakeholders. The industry's advanced expertise and technological innovation are keys to our solutions-focused approach to emissions reduction. We believe delivering reliable, affordable, responsibly produced energy addresses important social issues and creates prosperity, without compromising environmental performance improvements. **A stable and globally competitive business environment enhances investment, creates jobs, promotes innovation and ultimately enables our ability to reduce greenhouse gas (GHG) emissions.**

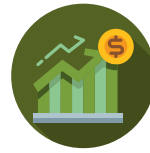
The civil lockdowns deployed to control the COVID-19 pandemic sharply reduced energy demand. Canadian companies decreased production by 740,000 barrels per day (b/d) and announced \$8.7 billion of capital investment reductions, representing a 32-per-cent decline compared with 2019. CAPP estimates more than 28,000 direct and 107,000 indirect jobs were lost in the sector in 2020. The outlook for 2021 is highly uncertain and additional jobs losses are possible if COVID-19 is not contained and energy demand does not recover. Notably, because of the industry's widespread supply chain, **job losses have impacted every region of the country.**

## INCREMENTAL BENEFITS TO THE CANADIAN ECONOMY DRIVEN BY THE OIL AND NATURAL GAS SECTOR IF SUPPORTIVE POLICIES ARE PUT IN PLACE

Source: Industry and government Joint Working Group, 2018



**INCREASED INVESTMENT:**  
**+\$20 billion**  
**a year**



**INCREASED GDP:**  
**+\$45 billion**



**NEW EMPLOYMENT:**  
**+120,000**  
**permanent jobs**



**INCREASED**  
**GOVERNMENT REVENUES:**  
**+\$7.5 billion**  
**a year**

### A Vision for Canada's Recovery

#### A ROLE FOR INDUSTRY

Canada's natural gas and oil industry is positioned to play a critical role in developing solutions and delivering results. This sector is one of Canada's largest employers and significant economic growth generators, and can **drive a robust, sustainable economic recovery to the benefit of the entire country while continuing to drive down emissions.**

As global economies re-open, global oil and natural gas demand is expected to rebound and long-term demand will be sustained due to population growth and rising standards of living. Canada's economic recovery can be driven by supplying responsibly produced energy to the world. **A strong oil and natural gas sector will create good jobs and economic growth, in turn generating revenues that will help Canada address issues of debt and unemployment.**

#### A ROLE FOR GOVERNMENT

**As countries re-open their economies, it is crucial for government to make policy decisions that position Canada for success in a hyper-competitive international market for private investment.** Investment dollars will not only support growth in the upstream industry but are vital to developing and commercializing technologies that reduce greenhouse gas (GHG) emissions.

It is important for the natural gas and oil sector to continue working collaboratively with governments. The Canadian Association of Petroleum Producers (CAPP) recommends a path forward guided by these key principles:

- Create and retain good jobs in Canada
- Generate pan-Canadian benefits, especially focused on prosperity for Indigenous communities
- Advance environmental leadership at home and abroad
- Build wealth and value while shrinking Canada's debt.

The path to recovery includes attracting investment back to Canada's industries. With rising national debt resulting from the economic crisis, attracting capital will be critical to growing Canada's economy and getting Canadians back to work.

## A Vision for Canada's Recovery

### ALIGNED OBJECTIVES ON CLIMATE LEADERSHIP

**Rebuilding Canada's oil and natural gas industry to enable jobs and prosperity is aligned with the federal government's commitment to addressing climate change.** Private investment dollars will not only support growth in the upstream industry but are also vital to developing and commercializing advanced technologies that address GHG emissions.

With an overarching commitment to research and innovation, Canada's oil and natural gas producers have made exceptional progress in reducing GHG emissions intensity, with even more new technology awaiting deployment. Additionally, advanced solutions that address everything from emissions to water use to data management can be exported globally and used in other industrial markets that have similar requirements.

**Exporting Canadian energy, expertise and technology to reduce global GHG emissions is how Canada can play an outsized role in the fight against climate change.**



## CAPP's Principles for a Resilient Recovery

### PRINCIPLE 1: CREATE AND RETAIN GOOD JOBS IN CANADA

Strategic investments and government policy decisions coinciding with the global rebound in energy demand will enable Canada's natural gas and oil industry to drive a strong recovery, creating opportunity and building value by **employing Canadians while shrinking the country's deficit**. The oil and natural gas industry **can put Canadians back to work immediately** with shovel-ready projects while generating needed revenues for governments through taxes and royalties.

### PRINCIPLE 2: GENERATE PAN-CANADIAN BENEFITS AND PROSPERITY FOR INDIGENOUS COMMUNITIES

**Canadians from B.C. to Newfoundland and Labrador are involved in the petroleum sector**, directly and through a multi-billions-dollar national supply chain that includes some 10,000 businesses across the country. In addition, responsible resource development contributes to overall reconciliation and Indigenous self-determination, by supporting the growth of sustainable Indigenous communities. Shared economic opportunities are only part of industry's engagement — both industry and Indigenous peoples place high value on environmental stewardship, including the role traditional Indigenous knowledge can play to inform environmental management.

## **CAPP's Principles for a Resilient Recovery**

### **PRINCIPLE 3: ADVANCE ENVIRONMENTAL LEADERSHIP**

Canada's environmental standards are among the highest in the world and the energy industry continues to invest in technologies and processes that drive down GHG emissions. The energy sector is a willing partner to collaborate with the federal government to achieve emissions reductions domestically and to advance Canada's opportunity to influence global emissions reduction.

### **PRINCIPLE 4: BUILD WEALTH WHILE SHRINKING CANADA'S DEBT**

Natural gas and oil are Canada's biggest export commodities by value. Exports are the backbone of Canada's economy and fundamental to post-pandemic recovery. Growing global demand, especially in China, India and Southeast Asia is a significant opportunity to secure international customers for our natural gas and oil and enable greater revenue generation for Canada.

In the seven years between 2012 and 2018, government revenues from the oil and natural gas industry were approximately \$12 billion annually. Going forward, this revenue will be critical to supporting Canada's health, education, infrastructure and other services as we emerge from the impacts of COVID-19.

Creating a policy environment that supports and enables the oil and natural gas industry would result in annual incremental impact of \$20 billion a year in investments, 120,000 additional permanent jobs, \$45 billion increase in GDP, and \$7.5 billion per year increase in government revenue through 2030. Leveraging the strength of Canada's resources, including oil and natural gas will be critical components of Canada's post-pandemic recovery and innovative economy.



## Recommendations for Rebuilding a Resilient Energy Industry

As global markets recover, investment – including investment in advanced technologies – will flow to regions offering competitive terms such as reduced taxes, royalties, incentives and best return on investment. To address competitiveness issues, **it is imperative for Canada to set policies that support recovery in the industry – and thereby recovery across the national economy.**

**Therefore, CAPP proposes three broad recommendations to the federal government:**

- The accelerated depreciation of capital is the most efficient fiscal lever available to government. Providing these tax measures would allow fair and equitable treatment to the natural gas and oil sector, similar to other sectors such as manufacturing. **Specifically:**
  - Introduce 100-per-cent immediate deductibility for oil and natural gas capital investments, including clean technology and emission-reducing investments or at a minimum, the removal of the 'Available for Use' rule.
  - Reinstate the Atlantic Investment Tax Credit (AITC) at 15 per cent in short term, moving to 10 per cent in the long term.
- As currently proposed, the **Clean Fuel Standard (CFS)** will affect every part of Canada's economy from households to businesses of every size, which in turn will curtail economic recovery. The industry proposes to work with the federal government to make CFS effective in achieving federal emissions reduction goals. **Specifically:**
  - Make design modifications to the CFS liquid fuel stream to include protection for emissions-intensive, trade-exposed industries.
  - Exclude gaseous and solid fuels from the CFS carbon intensity reduction obligation, but enable credit generation from these streams within the liquid fuel stream.
- Make a visible commitment to work with industry to provide **clarity and certainty to global capital investors** by promoting Canada's leadership in environment, social and governance (ESG) performance. In addition, market access is crucial for Canada to move natural gas and oil from our producing regions to emerging global markets such as China, India and Southeast Asia. **Specifically:**
  - Work with industry to implement appropriate recommendations of the Federal Expert Panel on Sustainable Finance and advance an ESG strategy promoting Canada as an oil and natural gas supplier of choice among global markets.
  - Continue the federal government's visible support for the Trans Mountain Expansion Project and the Keystone XL pipeline project.
  - Make cross-border pipeline completion and protection a top priority in U.S. / Canada relations to ensure ongoing Canadian access to vital U.S. markets.