Written Submission to the Saskatchewan Economic Impact Assessment Tribunal's Study on the Federal Oil and Gas Emissions Cap

By: Mark A. Scholz, President & CEO
Canadian Association of Energy Contractors

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Regulatory Issues

The Canadian Association of Energy Contractors ("CAOEC") is opposed to the draft regulatory framework of a federal oil and gas cap ("Cap") on greenhouse gas emissions ("GHG") as announced by Environment and Climate Change Canada in December 2023. The implementation of this restrictive and unnecessary regulation will:

- Impede carbon abatement technological advancements and innovation in the drilling rig and service rig sector.
- Hinder the sector's decarbonization progress in the pursuit of diverse energy and resource streams, including geothermal, lithium, helium, and potash.

The energy services industry, made up of companies based across the western provinces and employing thousands of people in rural, remote, and Indigenous communities, has always been at the very centre of innovation, including when it comes to GHG emissions reduction and carbon management. Our industry already has proven carbon abatement technologies, such as high-line power, battery energy storage systems, and alternative fuel sources to power our equipment and accelerate Canada's path to emissions reduction. This will allow companies to move technology off diesel to low-to-zero-emission battery alternatives as viable in the areas in which we operate.

However, the federal government has consistently delivered our industry regulatory sticks rather than fiscal carrots in our journey to reduce emissions. The current cost of deploying some of these technologies is over $1,000/tonne CO2eq. At present, there are no appropriate financial tools available to accelerate the long-term deployment of proven carbon abatement technologies waiting to be utilized across the sector. But with multilateral governmental support, the deployment of these technologies on our equipment could reduce our sector's GHG emissions by as much as 85 – 95 per cent.

Over the last few years, CAOEC has actively engaged with the federal government on the inclusion of the drilling rig and service rig sector in existing governmental resources and tools, such as the Clean Technology Manufacturing Investment Tax Credit. However, the federal government has yet to deliver any meaningful progress to date, instead penalizing our companies and their people with policies like the Cap. We believe we are also being punished because the majority of our work supports the fossil fuel industry. Our people are ready to do the work needed to position Canada as a world leader in carbon efficiency; however, access to existing fiscal tools and resources is vital to advance decarbonization goals in the oil and gas sector at the pace desired.

Our energy workers are also on the frontline of Canada's energy transformation. The sub-surface extraction of Canada's diverse energy and critical mineral resources, such as lithium for EV batteries, helium for semiconductors, geothermal heat to generate electricity, potash, or storage for carbon dioxide or hydrogen, will always require energy services and contractors. Our business model enables us to seamlessly utilize the same equipment across exploration projects without retraining our people on the ground or switching out expensive equipment. Thus, a lack of support for technologies that decarbonize the extraction of oil and gas would also mean a lack of support for technologies that decarbonize the extraction of critical mineral resources. The Cap will hinder Canada's ability to attract capital, leading to fewer jobs for Canadian energy workers. Ultimately, this restrictive regulation will slow the sector's decarbonization progress in the pursuit of diverse energy streams. The success of an inclusive and thriving energy future depends heavily on a healthy and innovative drilling rig and service rig sector.

The future of Canada's energy industry runs through our people; the energy services sector is at the very centre of a rapidly growing energy world. Our members and their people already possess the skillset necessary to be the industry's frontline for emissions reduction. However, emissions reduction should be prioritized through responsible, informed policy. Our sector's ability to streamline decarbonization efforts will require fiscal carrots rather than the current onslaught of regulatory sticks. CAOEC will continue to come to the table as a constructive partner on the development of financial tools and resources that are inclusive of drilling rig and service rig companies. For further information on the multilateral coordination required to push the energy services industry forward, please find attached the following documents as submitted to the federal government:

- Written Submission on the Consultation on Clean Technology Manufacturing Tax Credit
- Supplementary Note to the Submission for the Consultation on the Clean Technology Manufacturing Investment Tax Credit

About CAOEC

CAOEC represents 95 drilling rig and service rig member companies (nearly 100% of the industry) on the frontlines of energy security and transition. The membership operates a fleet of 460 land drilling rigs and 748 service rigs in Saskatchewan, northeast British Columbia, Alberta, southwest Manitoba, and offshore drilling rigs operating off the coast of Newfoundland.

CAOEC's members are varied and diverse. Many of our members are large, small, and medium-sized enterprises that have been leaders in creating opportunities for young people, Indigenous communities, and middle-class workers to access the energy we need in Canada and around the world.

For decades, our membership has included Indigenous representation. From Indigenous-owned companies such as Pimee Well Servicing, Homeland Well Servicing, Onion Lake Cree Nation Well Servicing, and Indigena Drilling, to business partnership ventures, ownership stakes, and Indigenous training programs, CAOEC members create meaningful work in remote communities and exemplify an inclusive transformation in the energy services sector.