

# CANADA'S BIG OIL REALITY CHECK:

Assessing the climate plans of  
Canadian oil and gas producers

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environmental  
defence



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## IN COLLABORATION WITH

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# Executive Summary

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## Oil and gas production is Canada's largest emitting sector as well as its fastest growing source of emissions.

The federal government has repeatedly told the public that Canada can be a climate leader while continuing to have a thriving oil and gas sector.

In reality, Canadian oil and gas companies have released a range of complex, misleading climate change pledges that must not be taken at face value. This report provides a critical assessment of the climate plans of eight Canadian producers of oil, gas, or both: Cenovus, Suncor, Canadian Natural Resources Ltd (CNRL), Tourmaline Oil, ExxonMobil and its Canadian affiliate Imperial Oil (owned by ExxonMobil), ARC Resources, Shell Canada, and Ovintiv.

Despite all the talk from Canadian oil and gas companies about climate leadership, their current business plans would fuel further climate disaster and global injustice. To 2030, Canadian producers are on track to expand annual oil and gas production in Canada by nearly 30% above 2020 levels, resulting in a 25% increase in associated annual carbon emissions.

The research makes it clear that in order to reach our national climate targets, governments need to step in to manage the decline in fossil fuel production, in Canada and worldwide. Previous research by Oil Change International shows:<sup>1</sup>

- The oil, gas, and coal from existing fields and mines would push average global temperature rise far beyond 1.5°C, and exceed a 2°C carbon budget.
- If global coal use ended overnight, already developed oil and gas reserves would still push the world beyond 1.5°C.

Climate Action Tracker has evaluated Canada's overall approach to climate action as "highly insufficient," consistent with up to 4°C warming.<sup>2</sup> And Canada's largest oil and gas lobby — the Canadian Association of Petroleum Producers (CAPP) — is pushing for even worse.

This report uses a ten-point framework drawn from the 2020 *Big Oil Reality Check* analysis for assessing whether oil and gas companies' climate change pledges align with minimum criteria for limiting warming to 1.5°C. The ten criteria are:

### AMBITION

1. Stop exploration
2. Stop approving new extraction projects
3. Decline oil and gas production by 2030
4. Set long-term phase-out plan aligned with 1.5°C

### INTEGRITY

5. Set absolute target covering all oil and gas extraction (full equity share)
6. Do not rely on carbon sequestration or offsets
7. Be honest about fossil gas as high carbon
8. End lobbying and ads that obstruct climate solutions

### TRANSITION PLANNING

9. Commit to explicit end date for oil and gas extraction
10. Commit plans and funding to support workers' transition into new sectors

## Applying these criteria results in an abysmal showing for Canadian oil and gas:



Ambition								
Stop exploration	NO	NO	NO	NO	NO	NO	NO	NO
Stop approving new extraction projects	NO	NO	NO	NO	NO	NO	NO	NO
Decline oil and gas production by 2030	NO	NO	NO	NO	NO	NO	NO	NO
Set long-term production phase-out plan aligned with 1.5°C	NO	NO	NO	NO	NO	NO	NO	NO
Integrity								
Set absolute target covering all oil and gas extraction (full equity share)	NO	NO, insufficient	NO	NO	NO	NO	NO, insufficient	NO
Do not rely on carbon sequestration or offsets	NO	NO	NO	NO	NO	NO	NO	NO
Be honest about fossil gas as high carbon	NO	NO	NO	NO	NO	NO	NO	NO
End lobbying and ads that obstruct climate solutions	NO	NO	NO	NO	NO	NO	NO	NO
Transition Planning								
Commit to explicit end date for oil and gas extraction	NO	NO	NO	NO	NO	NO	NO	NO
Commit plans and funding to support workers' transition into new sectors	NO	NO	NO	NO	NO	NO	NO	NO

■ = No, grossly insufficient    
 ■ = No, insufficient    
 ■ = Partial alignment  
■ = Yes, close to alignment    
 ■ = Yes, fully aligned



## Executive Summary

In particular:



**Canadian Natural Resources Limited**, the largest producer of oil and second-largest producer of gas in Canada, aims to “increase crude oil and natural gas production,” has set a misleading “net zero” target for only a small fraction of its emissions, and plans to increase use of carbon capture and storage (CCS) with no strategy to reduce its overall carbon pollution.



**Cenovus Energy** is on track to increase its annual Canadian oil production to 2030 by almost 30% above 2020 levels, has no targets to manage its carbon pollution, and doesn't even report on the emissions caused by burning the oil and gas it produces (known as Scope 3 emissions).



**Suncor Energy** is the only major Canadian-based company in our study that even refers to addressing Scope 3 emissions. But its 2050 “net zero” target excludes these emissions, even though they are 80% of the company's emissions, and it does not plan to reduce its oil extraction any time soon.



**ExxonMobil & Imperial Oil** have made no explicit plans to reduce any scope of their emissions. (Since ExxonMobil owns 70% of Imperial, and therefore controls the subsidiary, we assess the companies together in this analysis.)



**Tourmaline Oil**, Canada's largest producer of fossil gas, is on track for the largest increase in annual gas production to 2030. Tourmaline's limited carbon emissions intensity targets depend heavily on buying offsets rather than cutting carbon pollution.



**ARC Resources** plans to significantly increase gas extraction to 2030, despite making limited emissions intensity promises.




**Ovintiv** is not even pretending to have a comprehensive climate plan, and its only specific commitment is to reduce the methane intensity of its production.



**Shell** says that it expects its global oil production to decline by 1-2% per year to 2030, but plans to increase its gas production at the same time, meaning overall production could still rise.

These companies are dodging responsibility for the emissions from their customers burning the oil and gas they produce, setting vague and insufficient “net zero” pledges, and betting on false solutions like carbon capture and storage and fossil-based hydrogen – and all are still complicit in lobbying against climate action.

Ultimately, no oil and gas company operating in Canada has developed a climate change plan that proposes the bare minimum for addressing this climate emergency. Governments must say no to Big Oil and Gas, stop approving oil and gas projects, and invest in a fair transition away from fossil fuels for workers and communities.



***Oil and gas companies want to continue ramping up the production of fossil fuels that are the overwhelming cause of the climate crisis we are in.***

# INTRODUCTION

**We are living in a climate emergency. Climate disasters over the past few years in Canada have shattered the illusion held by some Canadians that severe impacts from climate change will happen far in the future or be felt only by those in poorer countries.**

But there is no safe refuge when it comes to climate change. Every summer and fall now brings raging wildfires to forests in the West, and even the Arctic. Heat waves during summer 2021 were unprecedented in terms of temperature and duration, killing hundreds of Canadians and an estimated one billion sea creatures. And extreme weather events

such as floods, droughts, and tornados are having massive economic impacts including significant declines in crop production.

There is now a mountain of credible, scientific analysis from global authorities on energy and climate change that a decline in fossil fuel production, including oil and gas, must begin now to avoid worsening levels of climate damage. Meeting the ultimate objective of the Paris Agreement — limiting warming to 1.5°C above pre-industrial levels — will require governments to phase out fossil fuel production and use in a way that is predictable and people-centred. A fair, planned, and supported transition for workers and communities is an essential element of climate action.

Despite this, oil and gas companies operating in Canada aspire to continue expanding production. With few exceptions — and none Canadian — oil and gas companies want to continue ramping up the production of fossil fuels that are the overwhelming cause of the climate crisis we are in.

Canadian oil and gas companies have been developing and releasing their climate change pledges within an overarching framework that assumes continued expansion of production. This is why they must not be taken at face value by policymakers, financiers or the public.

These plans need a critical assessment: Do they align with the Paris Agreement's ambition to hold warming below 1.5°C? Do they have integrity? Do they plan for a transition away from fossil fuel production that is fair for workers and communities?

The stakes are particularly high because the Canadian government has designed its climate promises with the idea that oil and gas companies have meaningful plans in place to reach net zero emissions by 2050, calling this a "shared goal" that the "largest oil and gas companies are already committed to."<sup>11</sup> Given oil and gas production is Canada's largest emitting sector as well as its fastest growing source of emissions, federal and provincial governments alike must take an active role in ensuring a managed phase-out of production and a just transition rather than assuming the industry's plans are sufficient.<sup>12</sup>

Drawing from the 2020 *Big Oil Reality Check* study, which assessed major international oil and gas companies' climate plans, this report uses a ten-point framework for assessing whether oil and gas companies' climate change promises and strategies meet a minimum criteria to align with the 1.5°C warming limit enshrined in the Paris Agreement.<sup>13</sup> It then applies this framework to the current climate claims of eight of the largest Canadian producers of oil, gas, or both: Cenovus, Suncor, Canadian Natural Resources Ltd (CNRL), Tourmaline Oil, ExxonMobil and its Canadian affiliate Imperial Oil, ARC Resources, Shell Canada, and Ovintiv. Finally, it analyzes recurring themes and problems.



***Federal and provincial governments alike must take an active role in ensuring a managed phase-out of production and a just transition rather than assuming the industry's plans are sufficient.***



# CLIMATE SCIENCE: WHY 1.5 DEGREES MATTERS

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There is a direct link between the total amount of carbon pollution put up into the atmosphere and the amount of warming the planet will experience.<sup>14.i</sup> More carbon, more warming.

Scientists have been able to estimate how much warming will occur from different levels of emissions. To keep average global warming below more dangerous levels, we know the maximum amount of carbon dioxide pollution that can be emitted. That is the world's remaining carbon budget.

The ultimate objective of the Paris Agreement on climate change is to strive to limit warming

to 1.5 degrees Celsius (°C), and to at least hold it as far below 2 degrees Celsius as possible. The Intergovernmental Panel on Climate Change (IPCC) has determined that the difference between those two temperature limits is very significant in terms of impacts on the human and natural world.<sup>15</sup> As the world warms from 1.5°C above pre-industrial levels to 2°C, many *more* species are at risk of extinction, entire ecosystems could collapse, and hundreds of millions of *additional* people could live in poverty due to food insecurity and lack of access to water.<sup>16</sup>

This is why a 1.5°C limit should be the goal of governments around the world. The difference is not trivial. And the impacts we are already seeing in Canada and around the world with 1.2°C of warming should be cause for alarm.

Analysis by the world's leading climate scientists indicates that we must cut global CO<sub>2</sub> emissions in half by 2030 to stay within the 1.5°C limit.<sup>17</sup> This will require a similarly rapid decline in both production and use of fossil fuels. In fact, research published in *Nature* found that in a 1.5°C world, over 80% of Canada's oil and gas reserves need to stay in the ground.<sup>18</sup>

In May 2021, the International Energy Agency (IEA) released its first 1.5°C-aligned energy scenario. It concluded that, to be on track to this goal, a key policy step is to stop approving new oil and gas fields as of this year.<sup>19</sup>

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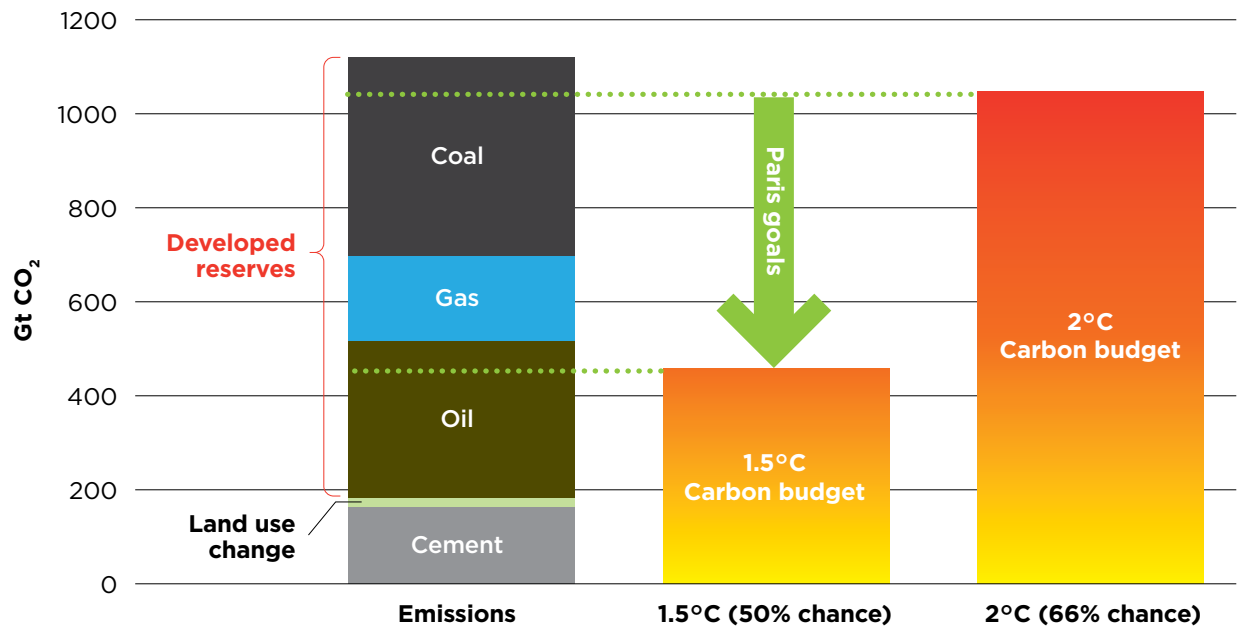
i Specifically, the rise in global temperature is roughly proportional to cumulative carbon dioxide (CO<sub>2</sub>) emissions over time, assuming a given level of emissions of short-lived greenhouse gases such as methane. To limit warming to any level, CO<sub>2</sub> emissions must fall to zero, based on a balance between carbon sources and carbon sinks. As long as emissions continue, the temperature will keep rising.



The IEA’s conclusion is consistent with previous research by Oil Change International showing that:<sup>20</sup>

- The oil, gas, and coal within existing fields and mines would push average global temperature rise far beyond 1.5°C, and exceed a 2°C carbon budget.
- If global coal use ended overnight, already developed oil and gas reserves would still push the world beyond 1.5°C.

**FIGURE 1: Carbon dioxide (CO<sub>2</sub>) emissions from already-developed global fossil fuel reserves, compared to carbon budgets within range of the Paris Agreement goals**



Source: Oil Change International analysis based on data from Rystad Energy, IEA, the World Energy Council, and the IPCC.<sup>21</sup> Remaining carbon budgets shown are from the start of 2021.

“Developed reserves” are the oil, gas, and coal within fossil fuel projects that are already operational or under construction. It is more difficult, of course, to limit production from projects that are already built, producing revenue, and employing workers, than from projects that haven’t even been built yet.

More worryingly, new fossil fuel projects that governments are planning to add in the next decade would make the “carbon lock-in” much worse. If these projects come online, fossil fuel production could be double the amount consistent with a 1.5°C limit by 2030.<sup>22</sup>

That would be catastrophic for the planet.

Climate Action Tracker has evaluated Canada’s overall approach to climate action as “highly insufficient,” with policies and actions consistent with as much as 4°C of warming.<sup>23</sup> And Canada’s largest oil and gas lobby — the Canadian Association of Petroleum Producers (CAPP)— is pushing for even higher production and emissions, and therefore even greater temperature increases.

## Box 1 | The International Energy Agency, Then and Now

For years, Canadian oil and gas companies have used the International Energy Agency's (IEA) analysis to justify increased oil and gas production, even in a carbon constrained world. For example, back in 2012, Suncor CEO Steve Williams said there was "probably no better place to find answers" on the dilemma of reconciling oil production and "strong global action on climate change."<sup>24</sup>

More recent examples include:

- In March 2021, Imperial Oil used the IEA's Sustainable Development Scenario to argue that trillions of dollars in new global investments will be needed in oil and gas by 2040.<sup>25</sup>
- ARC's 2020 ESG Report used IEA analysis to suggest that fossil gas would have "considerable growth potential."<sup>26</sup>
- In its 2019 federal election wish list, the CAPP cited the IEA to justify growth in oil and gas production even within the context of required action on climate change.<sup>27</sup>

Companies and lobby groups were able to use IEA scenarios to justify expanded investment in oil and gas production because, until May 2021, the IEA had not yet developed a full energy pathway aligned with limiting global warming to 1.5°C. In its newly developed 1.5°C scenario, the IEA concludes that reaching net zero global emissions by 2050 requires no new investment in oil, gas or coal supply, given the "huge decline in the use of fossil fuels" that must start this decade.<sup>28</sup>

Given their heavy past reliance on IEA scenarios, one could imagine that big oil and gas producers in Canada would be interested in the IEA's research on limiting global warming to 1.5°C. However, in the four months following the IEA report, no statement or reaction can be found from any of the oil and gas companies in our analysis.

It took a month for CAPP to issue its formal reaction to the IEA research, calling its 1.5°C/net zero scenario "unrealistic and impractical."<sup>29</sup>

***CAPP's formal reaction to the IEA's 1.5°C/net zero scenario: "unrealistic and impractical."***

As explained in the section on lobbying below, this is the way the oil lobby in Canada operates: CAPP takes fairly indefensible positions on climate change and other critical issues like Indigenous rights and safety standards, while its member companies stay silent and avoid scrutiny or criticism. An ExxonMobil lobbyist in the U.S. recently revealed that the company uses industry associations as "whipping boys" to avoid congressional scrutiny.<sup>30</sup>

The month after the IEA report, Canada's largest oil sand companies launched their Oil Sands Pathway to Net Zero alliance, laying out their own net zero strategy.<sup>31</sup> It did not mention the IEA or its net zero scenario, a strange omission given the oil industry's repeated, stated respect for the world-renowned agency.

Since then, CAPP has gone back to invoking the IEA, but ignored its net zero analysis. In a media story about climate change and the oil and gas industry, Tim McMillan, president and CEO of CAPP states that, according to the IEA, demand for oil and gas will continue to grow for decades.<sup>32</sup> The same claim is repeated in its 2021 Canadian federal election wish list.<sup>33</sup>

# TEN BENCHMARKS

Last year, Oil Change International laid out ten minimum criteria for it to even be possible for an oil and gas company's climate commitments to be aligned with the Paris Agreement goal of limiting global heating to 1.5°C.<sup>34</sup> Thirty other civil society organizations endorsed this analysis.

The criteria cover ambition, integrity, and transition planning. This section summarizes the ten criteria across those three categories, and explains some elements that are not factored into this analysis.

**Importantly, these criteria are *minimum standards only*. Even if a company's climate commitment met all ten criteria, that would not mean it was consistent with limiting warming to 1.5°C or well below 2°C.**

## AMBITION

### 1 Stop Exploration

Already-developed reserves of oil, gas, and coal now exceed our carbon budget for 1.5°C and 2°C, and an even greater quantity of reserves is already discovered. So there is no justification for searching for even more unburnable oil and gas. Even the IEA recognises the need to end new oil and gas development now to limit warming to 1.5°C. Consequently, a company must end exploration to even possibly be Paris-aligned.<sup>35</sup>

### 2 Stop approving new extraction projects

The same rationale applies to new extraction projects. A company must immediately stop approving new projects that will add to the world's already excessive stock of developed reserves.<sup>36</sup>

### 3 Decline oil and gas production by 2030

To be able to limit warming to 1.5°C, it is critical that we halve carbon emissions globally by 2030. The only reliable way to do this is to cut fossil fuel production. To be aligned with the 1.5°C limit, a company must commit to cut production significantly by 2030.<sup>37</sup> The 2020 Production Gap Report, released in partnership with the United Nations, finds that oil production should decline by 4% and gas production by 3% each year of this decade to be consistent with global 1.5°C pathways.<sup>38</sup>

### 4 Set long-term phase-out plan aligned with 1.5°C

Ultimately, we need to zero out global fossil fuel emissions, which means phasing out fossil fuel production. Therefore, a company must commit to a long-term phase-out of fossil fuel production consistent with 1.5°C.<sup>39</sup>



***Oil production should decline by 4% and gas production by 3% each year of this decade to be consistent with global 1.5°C pathways.***

*(the 2020 Production Gap Report)*



## INTEGRITY

### 5 Set absolute target covering all oil and gas extraction (full equity share)

Companies should account for the full impact of the carbon they extract.<sup>40</sup> The *Greenhouse Gas Protocol* for company emissions divides emissions into three categories:<sup>41</sup>

- **Scope 1:** Direct emissions, like emissions from the oil and gas extraction process
- **Scope 2:** Emissions from generating energy purchased by the company (for example, the emissions in the electricity generated to power a refinery)
- **Scope 3:** Supply chain emissions, including emissions from burning oil and gas produced by the company<sup>i</sup>

Globally, scope 3 emissions account for about 85 percent of the industry's carbon pollution.<sup>42</sup> To be credibly working towards 1.5°C-aligned emissions reductions, a company must account for all scopes of the pollution associated with its oil and gas extraction on a full equity share basis.<sup>ii</sup>

It does not make sense for a company, or society as a whole, to ignore the impact of using a harmful product. There are plenty of examples of dangerous products (DDT, asbestos, lead paint, CFCs, etc.) being phased out through international agreements and government regulations rather than claiming that it is a consumer responsibility issue. It should be the same for fossil fuels.

i We focus on the carbon pollution from the burning of oil and gas extracted. However, Scope 3 emissions do include other supply chain emissions.

ii Calculating emissions on an equity share basis means including emissions from things that a company partially or fully owns, not just operates. Where multiple parties own equity in a project, emissions are allocated across them according to their equity in the project.

### 6 Do not rely on carbon sequestration or offsets

There are significant concerns about over-reliance on offsetting and on carbon dioxide removal (CDR), particularly including direct air capture (DAC), carbon capture and storage (CCS), and bioenergy with carbon capture and storage (BECCS).<sup>43</sup> (See Box 5 on false solutions, including CCS and fossil-based hydrogen.)

The IPCC notes that CDR is unproven at scale so reliance on it poses “a major risk in the ability to limit warming to 1.5°C” owing to “multiple feasibility and sustainability concerns.”<sup>44</sup> These technologies also involve very high energy and material inputs.<sup>45</sup>

The large-scale deployment of BECCS and some other CDR methods is likely to have damaging social and environmental consequences – especially with respect to human rights and Indigenous rights.<sup>46</sup> In a review of Canada's climate policies to date, Indigenous Climate Action found that beyond the risks of more complex CDR, DAC, and BECCS technologies, more basic carbon offset programs relying on tree-planting or habitat restoration in Canada have often led to displacement of Indigenous Peoples, land grabs, and violations of Indigenous rights while only inconsistently delivering emissions reductions.<sup>47</sup>

To deliver guaranteed emissions reductions, a company's climate commitments should not depend on any significant CDR, future net negative emissions, or ongoing offsetting.<sup>48</sup>

### 7 Be honest about fossil gas as high carbon

Fossil gas, labeled by the industry as “natural gas,” is not low carbon or clean. This means that a company's commitment or strategy that depends on growing fossil gas production, or mischaracterizes it as “low carbon,” is not credibly planning for a 1.5°C limit.<sup>49</sup>





## Box 2 | The Myths about LNG

In Canada and elsewhere there has been a decades-long campaign by oil and gas companies to portray fossil gas as somehow clean, or at least better for the environment than oil or coal.

In Canada, the industry is currently pushing the myth that LNG (liquefied natural gas) exported to Asian markets will displace dirtier burning coal.

And yet, life-cycle assessments of LNG use have shown that, for U.S. exports of LNG to Asian markets, “emissions are not likely to decrease and may increase significantly.”<sup>50</sup> The recent impact assessment undertaken on a proposed LNG terminal in Saguenay, Quebec found that global greenhouse gas emissions would increase, and that there was no guarantee that LNG would actually displace higher emitting fuels in export markets.<sup>51</sup>

In fact, LNG exports could act as a brake rather than a bridge to renewable electricity, especially where governments continue to give preference to fossil generation in part because of the political power of the fossil lobby. And yet, LNG should be increasingly irrelevant from an economic standpoint given that renewable power is less expensive than the cheapest fossil fuel option (including LNG) in 80-85% of electricity projects globally, and the economics of renewables keep improving.<sup>52</sup>

### 8 End lobbying and ads that obstruct climate solutions

Lobbyists acting on behalf of fossil fuel companies continue to oppose Paris-aligned climate policy.<sup>53</sup> Some oil and gas companies have publicly pledged to support climate policies, at the same time as furtively working to undermine those very same policies.<sup>54</sup>

To be aligned with 1.5°C, a company must commit to not obscure or obstruct the climate solutions required to stay within that limit, either directly, or indirectly through industry associations like CAPP.<sup>55</sup>

## TRANSITION PLANNING

### 9 Commit to explicit end date for oil and gas extraction

There is no Just Transition without a commitment to make the transition. Setting an explicit end date for extraction provides certainty for workers and communities and allows for long-term planning, which is necessary to be Paris-aligned.<sup>56</sup>

### 10 Commit plans and funding to support workers' transition into new sectors

The Paris Agreement explicitly recognizes the imperative of a Just Transition, securing decent work and quality jobs.<sup>57</sup> As oil and gas companies phase out their production, they must commit to tripartite or multipartite dialogue to develop robust Just Transition Plans.<sup>58</sup>

## WHAT IS NOT INCLUDED

Oil and gas companies and commentators frequently highlight two further matters that we do not consider to be necessarily indicative of alignment with climate targets: investment in renewable energy and carbon intensity targets. Oil and gas companies can hide increasing carbon pollution behind each of these.<sup>59</sup>

There are three reasons we have not considered investment in renewable energy in this analysis. First, a company can both increase its investment in renewable energy and increase its overall contribution to the climate crisis if that investment is not paired with cutting fossil fuel production. Second, policymakers should not hand control over the shift towards renewable energy to private companies, including oil and gas companies that are most responsible for creating the current crisis and have been tied to rampant human rights violations and corruption for decades.<sup>60</sup> Third, the proportion of oil and

gas companies' capital expenditure directed to renewable energy remains tiny when compared to continued exploration and production of oil and gas.<sup>61</sup>

Carbon intensity targets are insufficient because they aim to cut carbon pollution only relative to productivity or output, and do not guarantee overall reductions in emissions. The problem is that aiming to increase the volume of oil and gas production while reducing the emissions per barrel or cubic meter can still increase absolute emissions.<sup>62</sup> No target that allows for an oil and gas company to increase its production or emissions can be Paris-aligned.

The above criteria focus on the mitigation objective set out in Article 2 of the Paris Agreement – keeping warming below 1.5°C. However, aligning oil and gas production plans with 1.5°C does not by itself guarantee full alignment with the Paris Agreement. Critically, the Paris Agreement also includes a commitment to uphold human rights, the right to health, and the rights of Indigenous peoples.

### Box 3 | Indigenous Rights Violations by Oil and Gas Companies

Oil and gas development in Canada has repeatedly violated the rights of Indigenous Peoples and other frontline communities. Unfortunately, there are many Canadian examples to choose from, but current and ongoing struggles include:

- Documented leakage of toxic chemicals from tar sands tailings ponds in the Athabasca River, threatening the health and livelihoods of downstream First Nations communities.<sup>63</sup>
- The construction of the Coastal GasLink, a fracked gas pipeline being built through Wet'suwet'en traditional territory despite the objection of its hereditary chiefs.<sup>64</sup>
- Members of the Aamjiwnaang First Nation breathe some of the most polluted air in Canada because their traditional territory is adjacent to the epicentre of Canada's petrochemical industry.<sup>65</sup>

Because of these and other cruel injustices, the federal government needs to ensure that the action plan to implement the *United Nations Declaration on the Rights of Indigenous Peoples Act* is comprehensive, robust, and developed with Indigenous Peoples in the driving seat. That includes the principle of Free, Prior and Informed Consent for resource development, including all fossil fuel projects that are on or pass through traditional territories.

Meanwhile, CAPP has both publicly and in secret communications with the federal government, sought to impede or delay the implementation of Indigenous rights (see Lobby section below). Canadian governments, the federal government in particular, need to ensure that energy development and industrial activity uphold Indigenous rights and principles of justice.

Consequently, upholding the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) including the right to Free, Prior and Informed Consent for resource development must therefore also be considered a minimum standard for Paris alignment. This is a criteria that will be integrated into Oil Change International's methodology when updating the

global *Big Oil Reality Check* discussion paper. Despite well-documented and long-standing violations of these rights in Canada (see the Box 3 on Indigenous Rights violations), few oil and gas company plans include content on this commitment. Even where these companies make statements about Indigenous rights, these cannot be taken at face value.

## Box 4 | Equity and Climate Justice in the Phase-Out of Fossil Fuels

Governments must ensure a just and sustainable energy transition as they plan to phase out fossil fuel production. Other stakeholders, including oil and gas companies, should also include principles of equity in their climate plans.

A 2020 study published in *Climate Policy* presents a framework for equitably curbing fossil fuel extraction, proposing five principles to manage a just and rapid decline:<sup>66</sup>

1. Phase down global extraction at a pace consistent with 1.5°C. Countries can do this through both economic and regulatory approaches, including extraction taxes and licensing moratoria.
2. Enable a just transition for workers and communities. Key elements of this principle include sound investments in low-emission sectors, social protection for fossil-fuel workers, and local economic diversification. Though not explicitly stated in the *Climate Policy* study, this should include Indigenous communities that are dependent on fossil fuel use, including remote communities not connected to electrical grids and dependent on diesel generation.
3. Curb extraction consistent with environmental justice. Ending fossil fuel extraction should be prioritized where communities disproportionately experience the harms of extraction (such as pollution) and not the benefits. This includes Indigenous communities, and especially where extraction is occurring in violation of the principle of Free Prior and Informed Consent.

4. Reduce extraction fastest where social costs of transition are least. Wealthier, diversified economies—such as the US, Canada, UK, and Norway—should phase down production quickly, as they can better mitigate and absorb the adverse impacts on workers and communities.
5. Share transition costs fairly. The largest burden should be borne by those with the “broadest shoulders,” or ability to pay. In practice, this means wealthy countries—who have already benefited the most from past extraction—should bear the most cost.

A study by labour economist Jim Stanford showed that phasing out fossil fuels over two decades and implementing a fair transition for workers and communities is entirely manageable for Canada.<sup>67</sup> There are a number of reasons, including that fossil fuel workers make up less than 1% of the Canadian workforce, that at least half of the workers in the industry will be retiring over that time, and the number of communities dependent on fossil fuels is relatively small.<sup>68</sup>

Major oil and gas companies operating in Canada have been a consistent obstacle to climate justice: violating Indigenous Peoples' rights and human rights, polluting local communities, and deliberately blocking, delaying, or watering down climate policies. A suggestion made in *Climate Policy* is that achieving an equitable transition “may require removing corporate protections in order to apply protections to the workers, communities and societies that do not currently enjoy them.”<sup>69</sup>

# RESULTS OF THE ASSESSMENT:

## An Abysmal Showing for Canadian Oil and Gas



Ambition								
Stop exploration	NO	NO	NO	NO	NO	NO	NO	NO
Stop approving new extraction projects	NO	NO	NO	NO	NO	NO	NO	NO
Decline oil and gas production by 2030	NO	NO	NO	NO	NO	NO	NO	NO
Set long-term production phase-out plan aligned with 1.5°C	NO	NO	NO	NO	NO	NO	NO	NO
Integrity								
Set absolute target covering all oil and gas extraction (full equity share)	NO	NO, insufficient	NO	NO	NO	NO	NO, insufficient	NO
Do not rely on carbon sequestration or offsets	NO	NO	NO	NO	NO	NO	NO	NO
Be honest about fossil gas as high carbon	NO	NO	NO	NO	NO	NO	NO	NO
End lobbying and ads that obstruct climate solutions	NO	NO	NO	NO	NO	NO	NO	NO
Transition Planning								
Commit to explicit end date for oil and gas extraction	NO	NO	NO	NO	NO	NO	NO	NO
Commit plans and funding to support workers' transition into new sectors	NO	NO	NO	NO	NO	NO	NO	NO

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 ■ = Yes, fully aligned



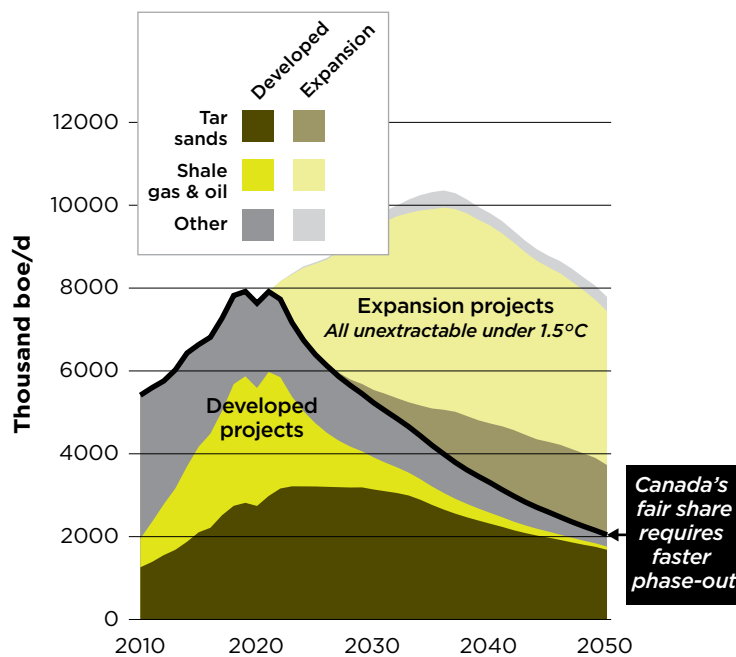
# RHETORIC VS. REALITY IN COMPANY PLANS

## EXPANDING EXTRACTION ACROSS THE BOARD

Despite all the talk from Canadian oil and gas companies about climate leadership, their current business plans would fuel further climate disaster and global injustice.

To 2030, oil and gas companies are planning to expand annual Canadian production by nearly 30% above 2020 levels (Figure 2), resulting in a 25% increase in associated annual carbon emissions.<sup>78</sup> If Canadian governments — federal and provincial — allow corporate expansion plans to go forward, cumulative global CO<sub>2</sub> emissions from burning Canadian oil and gas could more than double to 2050, compared to projected emissions from already developed projects (Figure 3).

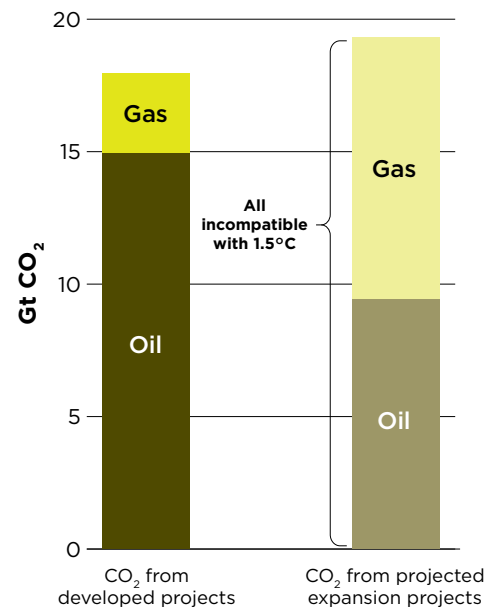
**FIGURE 2: Projected Canadian oil and gas production to 2050, by type and developed vs. new projects**



Source: Rystad Energy UCube (September 2021); boe/d = barrels of oil equivalent per day

Note: All of the production above the thick black line (expansion projects) is 100% incompatible with 1.5°C per the IEA. A portion of the production below the black line (developed projects) would be incompatible with 1.5°C under equity principles (see Box 4).

**FIGURE 3: Projected cumulative CO<sub>2</sub> emissions from oil and gas produced in Canada, 2022-2050, by developed vs. new projects**



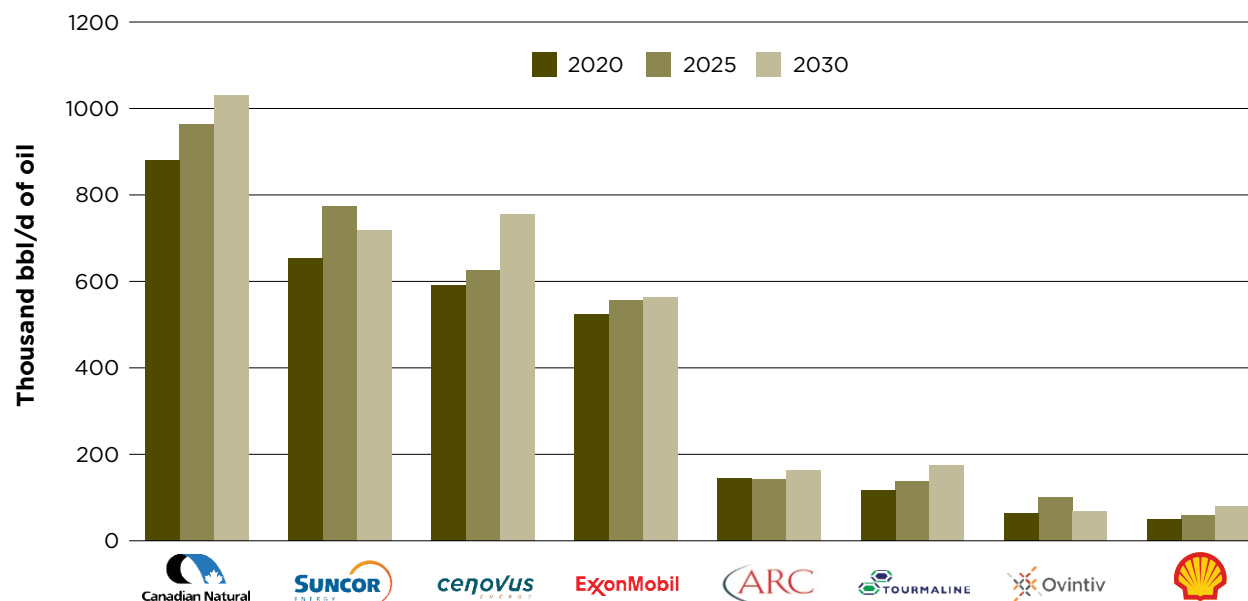
Source: Rystad Energy UCube (September 2021); emissions factors adapted from IPCC and IEA<sup>79</sup>

Over the next three decades, fracking, primarily for fossil gas, is projected to account for three quarters of production from new development (by volume), with tar sands oil making up most of the rest.<sup>80</sup>

**Every company assessed in this report is on track to expand their Canadian oil and gas production to 2025 and 2030; together they account for over half of Canadian production.**

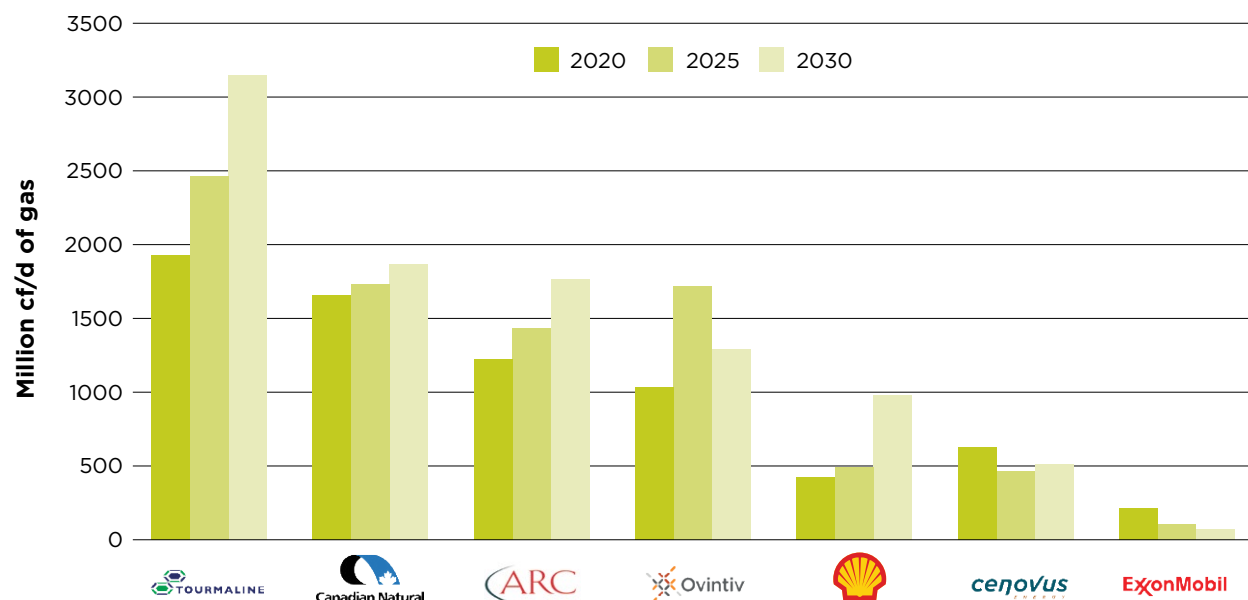
Figures 4 and 5 show that, according to existing assets and investments, CNRL, Suncor, and Cenovus are on track for the largest increases in annual oil production to 2030, while Tourmaline Oil, ARC Resources, Ovintiv, and Shell could contribute the largest increases in annual gas production.

**FIGURE 4: Canadian oil production by assessed companies, 2020 (actual) vs. 2025 and 2030 (projected)**



Source: Rystad Energy UCube (September 2021); bbl/d = barrels per day

**FIGURE 5: Canadian fossil gas production by assessed companies, 2020 (actual) vs. 2025 and 2030 (projected)**



Source: Rystad Energy UCube (September 2021); cf/d = cubic feet per day

According to the International Energy Agency's Net Zero by 2050 scenario, all of the expansion shown above should cease now. If this guidance is heeded, natural decline from existing projects would lead to a drop of just over 30% in Canadian oil and gas output from 2020 to 2030.<sup>81</sup> According to equity principles (see Box 4), Canada should phase out production from existing projects even faster, given it is a rich, industrialized country with a responsibility to lead globally and the capacity to ensure a just transition for affected workers and communities domestically.

This could be part of the story of transition, how oil and gas companies in Canada reduce emissions and start shifting their operations away from the products that are fuelling the climate crisis. Yet, none of the company approaches detailed below come anywhere close to moving in this direction.

In the sections that follow, we provide snapshots of the gross insufficiency of each company's commitments. The companies are listed from largest to smallest in terms of the volume of their Canadian oil and gas production in 2020.



## Canadian Natural

### Canadian Natural Resources Limited

As of 2020, CNRL was the largest producer of oil and second-largest producer of gas in Canada. The company's 2020 annual report states that its objectives are to "increase crude oil and natural gas production" and to continue "the discovery and/or acquisition of new reserves."<sup>82</sup>

On a web page devoted to "climate change leadership," CNRL vaguely states, "Our long-term aspirational target is net zero emissions in our oil sands operations"<sup>83</sup> – with the key word being "operations," which covers only a small fraction of the emissions for which CNRL is responsible. The company's list of "greenhouse gas reduction" strategies include increasing CCS – and using captured CO<sub>2</sub> to increase oil production – as well as increasing investment in gas, which remains a polluting fossil fuel.<sup>84</sup> CNRL has no strategy to reduce the company's absolute contribution to climate-wrecking pollution. Company plans to increase extraction over the near- to medium-term indicate its contribution to the climate crisis will only grow.



### Cenovus Energy

In 2020, Cenovus was the third-largest oil producer in Canada and fifth-largest gas producer. According to Rystad Energy data, Cenovus is on track to increase its annual Canadian oil production to 2030 by almost 30% above 2020 levels, the largest projected oil increase of any company in this study (Figure 4). Cenovus has said it will release specific "targets and proposed plans" to manage greenhouse gas emissions before the end of 2021, but these plans are expected to cover the company's Scope 1 and 2 emissions only.<sup>85</sup> Cenovus does not yet even report on the much larger volume of emissions caused by burning the oil and gas it produces (Scope 3). Cenovus chief executive Alex Pourbaix has been openly dismissive of the idea of addressing this largest portion of industry pollution, stating in 2021 that emissions caused from burning the oil it produces are "largely the responsibility of the consumer."<sup>86</sup> In other words, Cenovus's current approach to the climate crisis is to continue extracting increasing amounts of oil out of the ground, and deny any responsibility for how this worsens the problem.



### Suncor Energy

Suncor is the only major Canadian-based company in our study that even refers to addressing Scope 3 emissions (Shell, a Dutch-based international major, also addresses Scope 3). For this reason, we provide the most detailed analysis of the substance, or lack thereof, in its plans.

In 2021, Suncor reported on Scope 3 greenhouse gas emissions from the oil it produces for the first time and pledged to reduce greenhouse gas emissions by 10 million tonnes (Mt) "across our value chain" by 2030.<sup>87</sup> Suncor expects to meet half of this goal through emission reductions in its own operations and half from yet-to-be determined reductions upstream or downstream.<sup>88</sup>

However, Suncor's 2050 "net zero" target excludes Scope 3 emissions. Despite the company's 2050 pledge to "be a net zero company," this commitment only explicitly covers Scope 1 and 2 emissions, less than 20% of Suncor's total greenhouse gas emissions as of 2020.<sup>89</sup> In regard to emissions from burning

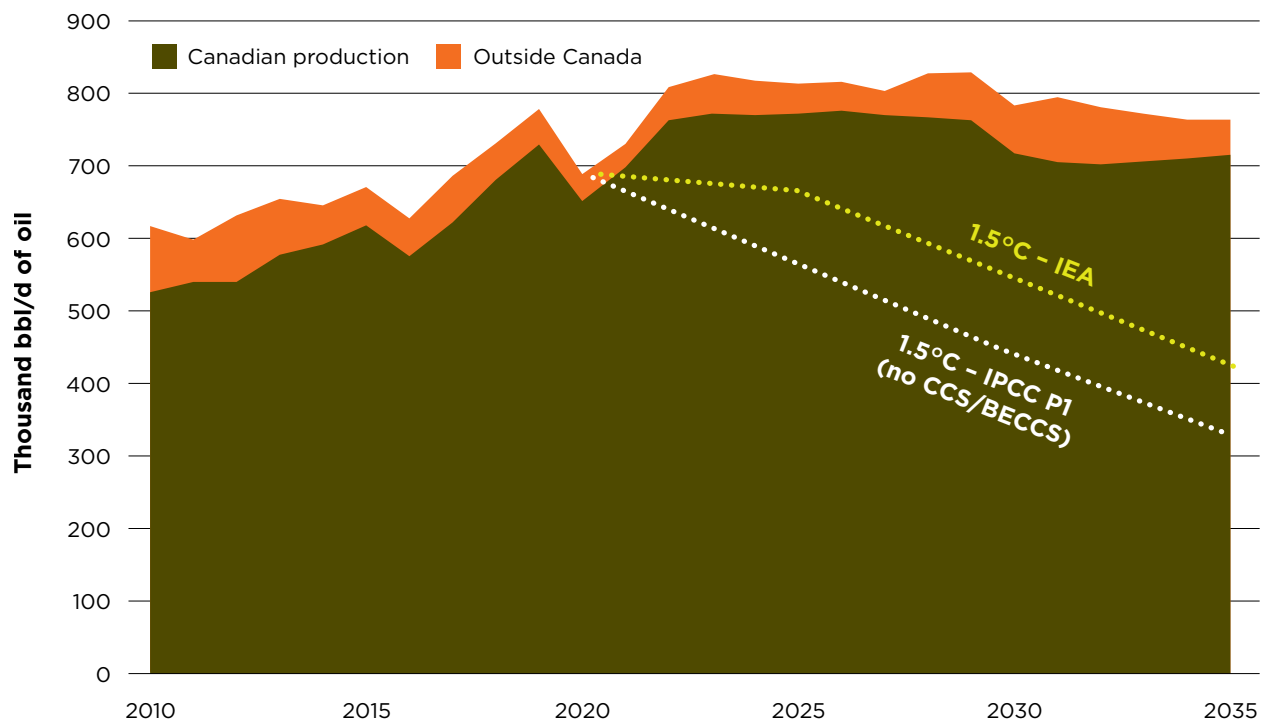
the oil it sells, Suncor’s long-term commitment is to “collaborat[e] with our suppliers, customers, governments and other stakeholders to reduce their emissions,” rather than to take responsibility for a specific reduction target.<sup>90</sup>

While the details of Suncor’s commitments and how it intends to reach them remain vague, one thing is clear: the company does not plan to reduce its oil extraction any time soon. In a May 2021 investor presentation, Suncor forecasts increasing its production up to 800 thousand bbls/d through 2025.<sup>91</sup> Figure 4 shows that Suncor’s 2030 oil production is on track to be 15% higher than 2020 levels. Of five strategies Suncor lists for achieving 10 Mt in emissions reductions by 2030, none involve keeping more oil in the ground.<sup>92</sup> Instead, CEO Mark Little has said that the company will invest in “expanded energy offerings along our existing value chain” and offer more “low carbon emission energy products and services” to its customers.<sup>93</sup> In other words, Suncor indicates that it will expand its investments in other fuels rather than directly reduce oil extraction.

Suncor’s strategy is grossly insufficient compared to the pace of oil and gas decline needed to keep global warming below 1.5°C. Figure 6 compares Suncor’s projected production trajectory to 2035 against the rate of global oil decline required under selected 1.5°C scenarios: the IEA’s net zero scenario and the illustrative P1 pathway from the IPCC’s *Special Report on Global Warming of 1.5 Degrees*. The latter is a useful benchmark because it indicates the rate of oil decline required to avoid reliance on carbon capture technologies that could fail at scale. Suncor is projected to produce 40%-80% more oil in 2030 than would be compatible with these 1.5°C-aligned oil pathways.

Even in the best-case scenario – Suncor somehow manages to reduce its 2030 emissions 10 Mt below 2020 levels while expanding oil production – that would equal a less than 7% reduction in overall company emissions.<sup>i</sup> Compare that to the science saying that global carbon emissions need to be reduced by 50% by 2030,<sup>94</sup> with Canada’s fair share being 60% reductions.<sup>95</sup>

**Figure 6: Suncor’s projected oil production to 2035 compared to 1.5°C-aligned oil demand declines**



Source: Rystad Energy UCube (September 2021); Oil Change International calculations based on IEA NZE and IPCC P1 scenarios<sup>96</sup>

<sup>i</sup> In its Climate Report 2021, Suncor’s self-reported Scope 1+2+3 greenhouse gas emissions were 151 Mt CO<sub>2</sub>e in 2020. If Suncor’s emissions drop to 141 Mt CO<sub>2</sub>e in 2030, that would be a less than 7% decrease. But the company’s pledges fall short of explicitly committing to even this small decline.

## ExxonMobil

### ExxonMobil & Imperial Oil

ExxonMobil is the only major international oil company that retains a significant stake in Canadian oil production, both through its own assets and through its 70% ownership stake in Imperial Oil. Given ExxonMobil controls Imperial, we assess the companies together in this analysis.

A 2020 analysis of the climate plans of eight international oil majors, which used the same criteria as this report, found ExxonMobil and Chevron were the worst companies, scoring “grossly insufficient” on all criteria.<sup>97</sup> ExxonMobil’s positioning has not improved over the past year and Imperial’s own commitments are equally insufficient. Like ExxonMobil, Imperial has made no explicit plans to reduce any scope of its emissions. Instead, like ExxonMobil, it has set out marginal emissions intensity reduction targets that only cover directly operated assets (excluding facilities the company may partially own but not operate).<sup>98</sup>



### Tourmaline Oil

Tourmaline is Canada’s largest producer of fossil gas. The company is on track for the largest increase in annual gas production to 2030 (Figure 5) and touts having “75+ years of drilling inventory.”<sup>99</sup> Like Imperial, Tourmaline’s primary focus is reducing emissions intensity and, even then, one of the company’s main strategies appears to be buying offsets.<sup>100</sup> Tourmaline’s business strategy is to pursue an “aggressive exploration, development, production and acquisition program” in Western Canada,<sup>101</sup> in total denial of the reality that the world must start phasing out gas alongside oil and coal this decade.



### ARC Resources

ARC is Canada’s third-largest gas producer and, like Tourmaline, plans to significantly increase gas extraction to 2030 (Figure 5). Alongside limited commitments to reduce emissions intensity, this is a recipe for increasing planet-heating pollution. ARC’s intent “to be the lowest GHG emissions intensity upstream oil and gas producer in North America”<sup>102</sup> offers no benefit to the climate as long as the company plans to expand fracking in

Western Canada and exploit “decades’ worth of premium drilling locations.”<sup>103</sup>



### Ovintiv

Ovintiv was the fourth-largest gas producer in Canada in 2020. The company is invested in expansion of fracking not only in Canada’s Montney Basin, but also in the U.S. Permian and Anadarko Basins. Ovintiv is not pretending to have a comprehensive climate plan – the company’s only specific commitment in this area is to reduce the methane intensity of its production.<sup>104</sup> Like other Canadian companies, Ovintiv rejects the idea that it should take responsibility for emissions from burning the gas it extracts. One of the company’s “Principles for Climate Change Policy Development” is that “only the emissions resulting from production operations” are attributed to energy producers.<sup>105</sup>

### Shell



Shell has sold almost all of its tar sands assets but is included in this assessment for its projected expansion of gas production in Canada (Figure 5). While Shell’s global “energy transition strategy” is slightly less insufficient compared to the Canadian companies assessed in this report, it remains grossly insufficient on the whole.

While Shell says that it expects its global oil production to decline by 1-2% per year to 2030, it plans to increase its gas production at the same time, meaning overall production could still rise.<sup>106</sup> Shell has made no commitment to reduce its absolute Scope 3 emissions by 2030 and is appealing a court ruling that would require the company to do so.<sup>107</sup>

Over the long term, Shell pledges to reduce its “net carbon intensity,” covering all the energy it sells, by 100% by 2050. However, Shell qualifies that meeting this goal will depend on “mitigation actions” by Shell’s customers, including offsets.<sup>108</sup> Furthermore, this “net zero intensity” target provides no guarantee that Shell’s oil and gas production and sales will approach zero by 2050. The company’s strategy is weighted towards increasing renewable energy sales and investing in offsets and CCS rather than phasing out fossil fuels.<sup>109</sup>





# 70%-80%

***Most company climate plans do not include 70-80% of the emissions from the oil and gas sector - those created when the product is burned.***

## COMMON GAPS AND OMISSIONS IN CLIMATE PLEDGES

### **Dodging responsibility for emissions from burning oil and fossil gas**

Almost no Canadian oil and gas company has any goal related to their Scope 3 emissions — including those produced downstream of production. Given around 70-80% of the emissions from the Canadian oil and gas sector are created when the product is burned, this is a massive omission.

This is like an asbestos company pledging that no respiratory disease will be caused in the *production* of asbestos but taking no responsibility for health problems from its use. (It should also be noted that the Canadian oil lobby also intervenes in the development of consumer-focused regulations, such as the Clean Fuel Standard, to advocate for changes that would make them less stringent.)<sup>10</sup>

This is the biggest reason why it is both inadequate and misleading for fossil fuel companies to make “net zero by 2050” pledges while discussing only the fraction of emissions generated during extraction and processing. Even if getting to zero production emissions was possible, and there are serious doubts about that, it neglects the vast majority of the problem.

Notably, in May 2021 a Dutch court rejected this industry argument in ruling that Shell has a legal obligation to reduce its total carbon emissions by 45% below 2019 levels by 2030. The court asserted that Shell “controls and influences the Scope 3 emissions of the end-users of the products produced and sold by the Shell group,” and that “[Shell] is free to decide not to make new investments in explorations and fossil fuels, and to change the energy package offered.”<sup>11</sup>

### **Vague and insufficient “net zero” pledges**

More and more companies are coming forward with pledges to be “net zero” by 2050. The framing of these pledges is based on the conclusion of the IPCC’s *Special Report on Global Warming of 1.5 Degrees* that to limit warming to 1.5°C, global emissions need to reach net zero, meaning a balance between emissions sources and sinks, by 2050.<sup>12</sup> Unfortunately, when oil and gas companies use this term, they are almost universally exploiting it to hide their lack of action to cut emissions at the source.

In addition to the very real problem of oil and gas companies not counting carbon emissions from burning their products, these companies focus their attention on the “net” part of “net zero” and not the “zero” part when it comes to emissions from their own operations. That is, overwhelmingly their strategy is to point to false solutions like fossil-based hydrogen and carbon capture and storage (See Box 5 below) to justify continuing to pump oil and gas from the ground, and falsely claim that their emissions will be canceled out by these other technologies.

In other words, net zero commitments can be developed with integrity and transparency, or be meaningless greenwash. Unfortunately, the latter is true for Canadian oil and gas majors. Here are key questions to ask when assessing the substance of these pledges:<sup>13</sup>

#### ***Are all emissions covered?***

As discussed above, Suncor and Shell are the only companies analyzed whose pledges touch on downstream emissions, and no Canadian oil and

***The CEOs of Suncor and Cenovus told the media that up to two-thirds of the CAD 75 billion price tag for the net zero strategy would come from taxpayers.***

gas company has pledged to reduce them to zero. Ignoring more than 70% of the problem will not cut it.

Other oil and gas companies in our analysis (Tourmaline,<sup>114</sup> ARC,<sup>115</sup> and Orintiv<sup>116</sup>) have not even made net zero pledges. What they have committed to instead are carbon intensity improvements. Improving the efficiency with which you produce a harmful product is obviously insufficient.

This is exemplified most clearly by Tourmaline's environmental performance. Tourmaline is Canada's largest producer of fossil gas. According to its sustainability report, since 2013, it has improved the emissions intensity of fossil gas production by 31%.<sup>117</sup> However, because of production increases, Tourmaline's carbon emissions doubled in this period (not counting all the emissions from burning the gas).<sup>118</sup>

Tourmaline states, "We strive to continuously improve our environmental performance, reducing our impacts on air, land and water in every possible way."<sup>119</sup> "Every way possible" does not include gradually shifting production away from producing the fossil fuels that have impacts on air, land, and water.

### ***Are there interim targets, a tracking system, and reporting on progress?***

It is pretty easy to make a vague pledge for 30 years from now. Meaningful interim targets over the short- and medium-term are needed to give governments and citizens confidence that companies are serious about eliminating all their emissions. And then progress needs to be tracked and reported on, to ensure this is not just a delay tactic for companies to keep pumping oil and gas in the near- to medium-term.

In Canada, five oil companies (CNRL, Cenovus, Imperial Oil, Meg Energy, and Suncor) created the

Oil Sands Pathways to Net Zero alliance (OSPNZ).<sup>120</sup> Their pledge is to reduce only their upstream carbon emissions (not Scope 3) to net zero by 2050. Their first interim target is nine years from now, and they have made no commitments to tracking and reporting on progress.<sup>121</sup>

### ***Is there a credible strategy?***

Like for governments, setting climate targets is only the very small first step for companies. The truly hard and important work is developing and implementing strategies to reduce emissions. So far, the Oil Sands Pathways to Net Zero alliance's strategy is thin on details and short on credibility, consisting of a slide deck with five slides that have content about their strategy.<sup>122</sup>

In essence the strategy lists a few technologies and processes, including the undefined "other levers," and "emerging technologies" such as direct air capture.<sup>123</sup> The suite of exploratory technologies listed are all very expensive and resource-intensive, and none are close to being proven to be viable at large scale.

According to the strategy, the "anchor" is carbon capture, utilization, and storage (CCUS). Like direct air capture, CCUS has been designated as a "wild card" by the Canadian Institute for Climate Choices, an arms-length research body created by the federal government to inform Canada's net zero ambitions.<sup>124</sup> (See page 24: Box 5 on False Solutions.)

In a footnote, the Oil Sands Pathways to Net Zero explains that the CCUS component of the strategy "could include CCUS, nuclear and/or hydrogen." A strategy that does not yet know what its "anchor" is should probably not be relied upon.

Another big uncertainty is who will pay for this corporate strategy, since the companies are looking for massive subsidies to make it happen. The strategy states that it "will require ongoing collaboration between industry and government" and lists the seven different types of subsidies they are looking for: infrastructure investment, tax credits, finance bridging, enabling policies, fiscal programs, enabling regulatory processes, and research and development incentives.<sup>125</sup>

The subsidy demands of the industry became more clear when the CEOs of Suncor and Cenovus told the media that up to two-thirds of the CAD 75 billion price tag for the net zero strategy would come from taxpayers.<sup>126</sup> What happens if governments or citizens that elect them balk at the expectation of CAD 50 billion in public money to address one fraction of the oil sands emission problem?

### ***Does it rely on offsets?***

The use of offsets—paying someone else for actual or avoided emission reductions—has been widely discussed, and convincingly refuted as a sustainable strategy.<sup>127</sup> Fossil fuel production and use is by far the greatest contributor to climate change. On a finite planet, the math clearly does not work when most fossil fuel companies are looking to buy emission reductions elsewhere rather than

undertake an energy transition away from fossil fuels to virtually eliminate the full scope of their emissions.

Unfortunately that is the case for every Canadian oil and gas company in our assessment. The Oil Sands Pathway to Net Zero alliance has offsets in its list of options.<sup>128</sup> So do Tourmaline,<sup>129</sup> ARC,<sup>130</sup> Shell,<sup>131</sup> and Ovintiv.<sup>132</sup> Trying to offset emissions is offsetting responsibility.

## **Box 5 | False Solutions: Carbon Capture and Storage (CCS) and Fossil-based Hydrogen**

Carbon capture and storage (CCS) technologies rely on the flawed premise that we can continue burning fuels indefinitely while capturing only a portion of the related carbon emissions. But applying CCS to parts of the oil and gas production process within Canada, such as gas processing and liquefaction or tar sands processing, does not reduce downstream emissions where, as explained above, the majority of emissions occur. It also does not address significant leaks of methane—a potent greenhouse gas—that occur in the production and distribution of both oil and gas. And it does not reduce the considerable environmental, social and health impacts associated with the mining, extraction, and transport of fossil fuels,<sup>133</sup> faced primarily by Indigenous and front-line communities.<sup>134</sup>

Theoretically, CCS could be used to capture downstream emissions from Canadian gas as well, for example, from a power plant fueled by Canadian LNG. But that would make LNG even less financially viable compared to renewable alternatives.

Globally, 80% of captured carbon is being used for enhanced oil recovery, whereby CO<sub>2</sub> is injected into depleted underground oil reservoirs to boost oil production – extraction that otherwise would not have been possible<sup>135</sup> – and extending the life of some fields by more than 25 years.<sup>136</sup> In part because of this, a 2020 review of scientific research found that popular carbon capture methods have actually put more CO<sub>2</sub> into the atmosphere than they have removed.<sup>137</sup>

Five decades since the first carbon capture project, the technology remains riddled with problems and unproven at scale. Current global carbon capture capacity is 39 MT, or about 0.1% of annual emissions from fossil fuels.<sup>138</sup> A massive infrastructure buildout would be needed to make a dent in oil and gas emissions, and presents serious health, safety and environmental risks. Furthermore, safe,

permanent, and verifiable storage of CO<sub>2</sub> is difficult to guarantee.<sup>139</sup>

If there is a future for CCS in a climate-safe world, it will be through applications that capture concentrated emissions from industrial processes, where alternatives are not available or impractical.<sup>140</sup> That certainly does not apply to fossil fuel industries, like oil and gas, where zero-carbon alternatives (renewable power, batteries, electric vehicles, electrified heating and cooling) not only exist, but are already relatively cheap and effective.

Recently, hydrogen is also being advanced as a climate panacea. Though strategic deployment of renewable hydrogen may play a role in decarbonizing hard-to-abate sectors, the focus of the industry has been on so-called “blue” hydrogen – hydrogen produced from fossil gas paired with CCS technology.

But there is no long-term role for blue hydrogen in a zero-carbon future. CCS addresses, at most, 85-95% of carbon emissions from a hydrogen facility and adds to the already high energy-intensity of the process. Meanwhile, full accounting of methane pollution from extracting, processing, and transporting gas could double the lifecycle emissions intensity of blue hydrogen.<sup>141</sup> Further analysis indicates that blue hydrogen infrastructure is also a bad long term financial investment, with green hydrogen projected to be cheaper to produce by 2030.<sup>142</sup>

Both CCS and fossil-based hydrogen are dangerous distractions that dig us deeper into the fossil fuel hole. Worse, investments in CCS divert resources from the proven, cost-effective solutions that are needed in the near-term to achieve deep emission reductions in the next decade along a pathway to zero emissions, including renewable energy, electrification and energy efficiency.



***Representatives of the oil and gas industry had 11,000 meetings with government officials between 2011 and 2018, roughly six every workday for almost a decade.***



### **Lobbying against climate action**

All of the companies in our assessment are members of a number of business and industry associations, most notably the Canadian Association of Petroleum Producers, that lobby extensively in favour of expanded oil and gas production and against environmental regulations, including climate policies.<sup>143</sup> A study of federal lobbying records found that representatives of the oil and gas industry had 11,000 meetings with government officials between 2011 and 2018, roughly six every workday for almost a decade.<sup>144</sup>

For years, the strategic approach of Big Oil and Gas in Canada has been for individual companies to offer vague support for climate action, while allowing its major lobbying arm, CAPP, to work hard both publicly and behind closed doors to delay, water down, and kill climate policies.<sup>145</sup> The primary goals of the industry include major oil and gas expansion, fueled by government subsidies, and the erosion of barriers such as regulations and Indigenous rights.

CAPP's wish list for the 2019 federal election, if implemented, would have increased carbon emissions by over 100 million tonnes.<sup>146</sup> In 2020, a leaked secret memo that CAPP sent to the federal government under the guise of COVID response had a number of egregious proposals, including pausing the implementation of Indigenous rights in Canada, delaying the regulations for safer oil rail cars, and suspending the federal lobbying registry.<sup>147</sup> During the pandemic, a secret committee of high

ranking federal officials and the CEOs of Cenovus, Suncor, Petronas, and Chevron were meeting weekly to discuss, amongst other things, how government could cut regulations and make the oil sands, offshore oil, and LNG central to Canada's economic recovery.<sup>148</sup>

In the most recent federal election CAPP's demands were less specific, but the oil lobby does continue to push for oil and gas expansion, a range of subsidies, and what appears to be constraints on the Indigenous right to meaningful consultation, calling for "appropriate boundaries on scope and timelines related to major projects."<sup>149</sup> The day after the 2021 federal election, CAPP's front group, Energy Citizens, emailed its membership urging them to engage in the federal government's just transition consultation to defend "a strong and growing oil and natural gas industry."<sup>150</sup>

In 2020, as part of its annual review of its industry association memberships, Shell Canada found that there was "some misalignment" between its climate principles and CAPP's positions on climate change.<sup>151</sup> But in 2021, despite CAPP's secret dealings with government that violated several Shell principles related to climate leadership, transparency, and support for Indigenous rights, the company's assessment found that CAPP and Shell were now aligned.<sup>152</sup> So CAPP continues to represent all Canadian oil and gas majors, lobbying for higher production (and therefore emissions), more public subsidies and financing for the industry, and a constraint on Indigenous rights.





# CONCLUSION:

## **Big Oil is not a trustworthy partner in the fight against climate change in Canada**

**Both the world's preeminent scientific body on climate change (the Intergovernmental Panel on Climate Change) and the leading authority on energy (the International Energy Agency) have published detailed scientific analyses showing that fossil fuel production should not only stop expanding, but begin rapidly declining, starting now.**

The science shows that the next decade is the critical window to turn things around in a significant way. Catastrophic impacts will occur if these warnings are ignored.

Despite that, no oil and gas company operating in Canada has developed a climate change plan that proposes the bare minimum for addressing this climate emergency. The response from oil and gas companies has been to develop plans to continue investing in new projects and new fields. The industry wants to expand production so considerably that both production of and emissions from oil and gas would be significantly higher in 2030 than today.

It is a callous and reckless response to dire warnings from the world's climate change experts.

It is also not an economically wise path for Canada. The world is moving off fossil fuels. As such, there is a significant risk that investments in fossil fuel projects and infrastructure in Canada will lead to stranded assets.<sup>153</sup> It also leaves workers and communities vulnerable to abrupt and devastating changes. As labour economist Jim Stanford puts it: "Pretending that fossil fuel industries can carry on as 'normal' for decades to come (or worse could actually be expanded) is a cruel hoax."<sup>154</sup>

But if oil and gas companies do not want to meaningfully address the climate emergency by rapidly rethinking their extraction-based business model, it is up to governments to constrain their ambitions. After all, governments, unlike corporations, are supposed to act in the public interest.

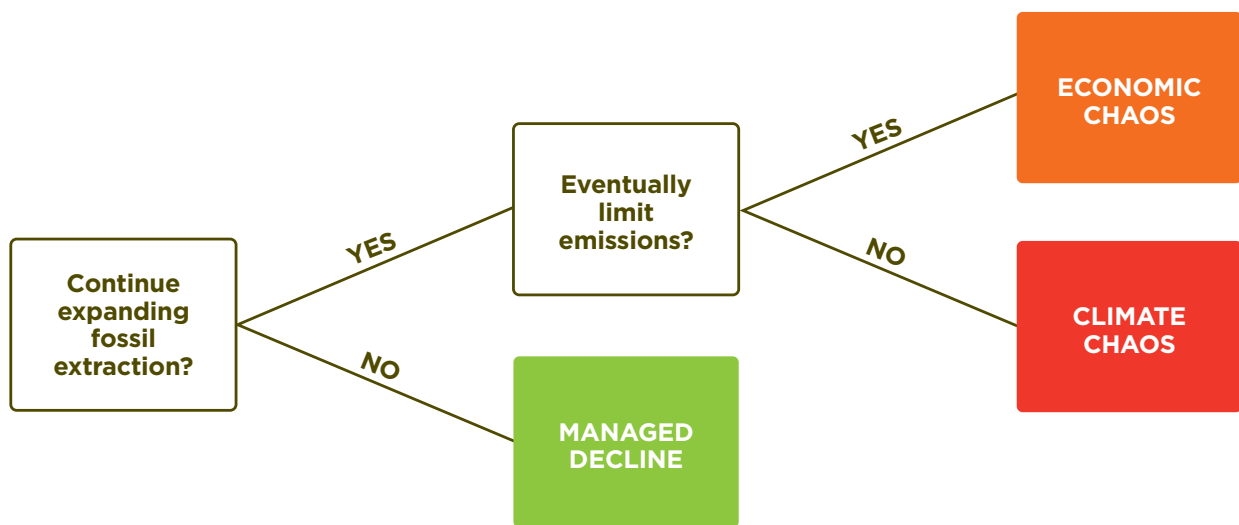
***It is now up to governments to say no to the Big Oil and Gas lobby, to stop approving oil and gas projects that jeopardize the health and safety of people, and to invest in a fair transition away from fossil fuels for workers and communities.***

Oil and gas companies operating in Canada have not shown themselves to be interested in being trustworthy partners in the fight against climate change. They have put significant resources into both expanding their own production and delaying and undermining climate action by Canadian governments.

It is now up to governments to say no to the Big Oil and Gas lobby, to stop approving oil and gas projects that will jeopardize the health and safety of people in Canada and around the world, and to invest in a fair transition away from fossil fuels for workers and communities. The Canadian government has promised legislation for this transition and a declining cap on emissions for the oil and gas sector starting in 2025. But like corporate plans, this approach ignores the emissions created when burning the fuels. What is needed instead is an ambitious, comprehensive, immediate, and supported strategy to assist those highly dependent on fossil fuels in Canada as they transition away from those industries.

Ultimately, as shown in Figure 7, the other alternative is climate and/or economic chaos. **Without bold and precedent-setting government interventions to mandate a just and equitable wind down of fossil fuel production, the industry will continue to prioritize profits over people and the planet.**

**Figure 7: Logic tree of fossil fuel supply vs. emissions limits**



## ENDNOTES

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- 2 "Canada," Climate Action Tracker. Accessed at: <https://climateactiontracker.org/countries/canada/>.
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Cenovus, Suncor, CNRL, and Imperial are also part of the Oil Sands Pathway to Net Zero: Oil Sands Pathway to Net Zero, <https://www.oilsandspathways.ca/>.
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## CANADA’S BIG OIL REALITY CHECK: ASSESSING THE CLIMATE PLANS OF CANADIAN OIL AND GAS PRODUCERS

A REPORT BY:



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