



British Columbia Investment Management Corporation
750 Pandora Ave / Victoria BC / V8W 0E4 CANADA
T +1 778 410 7100 communication@bci.ca [BCI.ca](https://www.bci.ca)

Submitted via [Online Regulatory Consultation System](#)

February 13, 2024

ATTN: Minister Steven Guilbeault
Environment and Climate Change Canada
Place Vincent Massey Building
351 Saint-Joseph Boulevard
Gatineau, QC K1A 0H3

Dear Minister Steven Guilbeault,

RE: COMMENTS ON THE PROPOSED AMENDMENTS TO THE REGULATIONS RESPECTING REDUCTION IN THE RELEASE OF METHANE AND CERTAIN VOLATILE ORGANIC COMPOUNDS (“PROPOSED REGULATIONS”)

British Columbia Investment Management Corporation (BCI) is an investment manager with over CAD \$211 billion in assets under management, and one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 500,000 people in our province, including university and college instructors, teachers, health care workers, firefighters, police officers, municipal and other public sector workers. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will deliver strong and stable financial returns.

In the context of the energy sector, BCI believes in engagement and advocacy over divestment. We have historically addressed long-term and persistent ESG risks through constructive engagement with the oil and gas industry. As a long-term investor, BCI raises concerns and influences companies, standard-setters, and regulators. Through engagement, we encourage companies to adopt targets aligned to the Paris Agreement and improve climate-related disclosure and performance. As part of Climate Action 100+, the world’s largest investor-led engagement initiative, BCI has been leading, co-leading, or supporting engagements with three of Canada’s largest oil and gas target companies.

Climate change poses systemic risk to the economy and the financial system in Canada and globally. Canada’s oil and gas facilities are the largest industrial emitters of methane in Canada, releasing about half of the national inventory. Methane emissions are a key driver of climate change, as the gas’s global

warming potential is 29.8 times larger than CO₂ with a shorter lifetime in the atmosphere¹, underscoring the urgent need for federal and provincial regulatory action. In addition, methane emissions are wasted natural resources, present a safety risk, and show a failure to monetize a product that would otherwise add value to the oil and gas value chain. According to the International Energy Agency, addressing methane emissions is one of the fastest, most cost-effective means of limiting global warming in the near term. An analysis released in 2023 confirmed that at a cost of \$11/tCO₂eq (GWP-100) reducing methane emissions from Canada's oil and gas facilities is one of the most cost-effective actions that Canada can take to reduce its contribution to climate change.²

Ambitious action to address oil and gas methane emissions is critical to help investors understand and reduce our exposure to climate risk and avert the worst consequences of climate change on the financial system. Climate change is one of the key strategic engagement priorities for BCI given that we view it as a systemic risk that will impact the entire economy. For further information about how we approach this priority, I would point you to our most recent Climate Action Plan³ published in 2022.

BCI welcomes the opportunity to provide feedback to Environment and Climate Change Canada (ECCC). BCI commends ECCC's efforts to adopt cost-effective regulations supporting its methane emissions reduction target of at least 75% by 2030, providing visibility to our portfolio companies on how the Federal Government will achieve its methane emissions targets while building on existing regulatory requirements. In addition to the upstream sector, BCI is highly supportive of extending the application of the regulations to midstream and transmission facilities in Canada's onshore oil and gas sector.

Overall, BCI is very supportive of the proposed regulations. We believe it would enable Canada to align itself to similar regulations in the US, effectively levelling out the playing field for our Canadian portfolio companies operating in both jurisdictions, hence reducing compliance costs. The proposed regulations offer a solid foundation for robust methane reduction policy in Canada.

In addition, we submit the following enhancements for consideration:

¹ IPCC, 2021: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L.

² Dunsy Energy + Climate Advisors, Abatement Opportunity: A Marginal Abatement Cost Curve for Methane Emissions in Canada's Upstream Oil and Gas Sector (2023). <https://www.dunsy.com/methane-abatement-opportunities-in-the-oil-gas-extraction-sector/>

³ BCI, Climate Action Plan. <https://uberflip.bci.ca/i/1484825-bcis-2022-climate-action-plan/0?>

- Accelerate the effective dates of the rules to ensure achievement of the 75% reduction goal by 2030.
 - o To allow sufficient time for implementation and to ensure that these reductions are achieved by 2030, the proposed regulations could be revised to align with best practices found in the US and EU. For new sources, Canada’s regulations should be brought into alignment with US EPA’s rule to reduce methane and other harmful pollution from oil and natural gas operations.⁴ For existing sources, Canada’s regulations should be brought into alignment with EU’s methane regulation⁵.
- *Strengthen emission measurement and monitoring.*
 - o BCI supports the use of a risk-based approach structuring inspections for fugitive emissions. Considering it has been well documented and recognized by ECCC that estimated methane emissions in Canada are severely underreported, and that comprehensive measurement is lacking⁶, a focus on actual measurement of emissions is fundamental to support mitigation efforts. Studies continue to show that methane emissions are significantly underestimated⁷, and current standards for methane emissions reporting do not provide investors with the assurance of accuracy. We would further support the introduction of annual third-party audits to validate company program results, as this will ensure that facilities with greater potential for emissions undertake regular inspections.

While we support the establishment of the Methane Centre of Excellence, we encourage the center to consider alignment with the UN convened Oil and Gas Methane Partnership 2.0 (“OGMP”) for a measurement-based monitoring system in line with international best practices for measurement, monitoring, reporting and verification. Such alignment would ensure compliance, transparency, and accountability, and provide investors with comparable accounting and measurement methodologies.

⁴ This would mean new sources would need to comply with most provisions within 60 days of official publication, with an additional phase-in period for the process controller provisions (one year) and the flaring provisions (two years).

⁵ This would mean existing sources would need to comply with most provisions within five months of official publication, and the first LDAR inspection would be required within 12 months, unless an operator can demonstrate a reason for delay, such as unavailability of equipment.

⁶ Pembina Institute. Media Release. <https://www.pembina.org/media-release/pembina-reacts-federal-draft-methane-regulations>

⁷ Conrad, B.M. *et al.* A measurement-based upstream oil and gas methane inventory for Alberta, Canada reveals higher emissions and different sources than official estimates. *Commun Earth Environ* 4, 416 (2023). <https://doi.org/10.1038/s43247-023-01081-0>

MacKay, K. *et al.* Methane emissions from upstream oil and gas production in Canada are underestimated. *Sci. Rep.* 11, 8041 (2021). <https://www.nature.com/articles/s41598-021-87610-3>

Chan, E. *et al.* Eight-Year Estimates of Methane Emissions from Oil and Gas Operations in Western Canada Are Nearly Twice Those Reported in Inventories. *Environ. Sci. Technol.* 54, 14899–14909 (2020). <https://pubs.acs.org/doi/10.1021/acs.est.0c04117>

Tyner, D. R., & Johnson, M. R. (2021). Where the methane is—insights from Novel Airborne Lidar measurements combined with ground survey data. *Environmental Science & Technology*, 55(14), 9773–9783. <https://doi.org/10.1021/acs.est.1c01572>

BCI advocates for the oil and gas upstream and midstream industry to commit to implementing OGMP. OGMP is the only comprehensive measurement-based reporting framework covering all material sources of methane emissions from both operated and non-operated assets across all segments of the oil & gas value chain.

- *Narrow exceptions to the prohibitions on venting and flaring of natural gas.*
 - o BCI is supportive of prohibiting venting to ensure that operators capture associated gas and limit venting of the gas to only instances in which it is necessary for safety or maintenance reasons. Not only will this proposal decrease the volume of methane emitted into the atmosphere, but it will also be economical for companies as more gas can be monetized. Many countries and companies have already committed to zero routine flaring. We encourage ECCC to go ahead with this framework, as it would align Canada with best practice. The open-ended exception which would allow operators to vent if the use of gas destruction or conservation equipment “would prolong an interruption of the hydrocarbon gas supply to the public” is too vague and could result in significant emissions. Consistent with regulations in the US and EU, venting should be restricted to circumstances where flaring is not technically feasible due to safety concerns or leads to a worse environmental outcome in terms of emissions. ECCC, or a province which retains the same exceptions in their regulations under an equivalency agreement, would be the arbiter of these criteria based on their review of an annual operator certification.
- *Further assessment of opt-out provisions for operators that deploy performance-based continuous monitoring.*
 - o Some research suggests that continuous monitoring effectiveness varies greatly depending on meteorological conditions and locations relative to the methane emissions source, and as such should not be relied upon on its own⁸. But at the same time, we value the industry introducing and testing such technology to improve effectiveness over time.

Through the proposed regulations and consideration for the suggested enhancements, the Canadian government and Canadian oil and gas industry can achieve valuable greenhouse gas emissions reductions while helping to ensure that Canadian companies remain competitive in global markets and more resilient in the transition to a net zero economy. Overall, the proposed measures would reduce systemic risk in our portfolio. We encourage the government to move swiftly to adopt comprehensive final standards.

⁸ Bell, C. et al. Performance of Continuous Emissions Monitoring Solutions under a Single-Blind Controlled Testing Protocol. Environ. Sci. Technol. 57, 14, 5794-5805 (2023). <https://pubs.acs.org/doi/10.1021/acs.est.2c09235>. Noting that “The large variability in performance between CM solutions, coupled with highly uncertain detection, detection limit, and quantification results, indicates that the performance of individual CM solutions should be well understood before relying on results for internal emissions mitigation programs or regulatory reporting.”

For any clarifications related to this submission please contact Anne-Marie Gagnon at anne-marie.gagnon@bci.ca, Director, ESG

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Coulson". The signature is fluid and cursive, with the first letter of the first name being a large, stylized "J".

Jennifer Coulson
Senior Managing Director & Global Head of ESG
Public Markets