



Canada's oil sands are on a path to net-zero emissions

January 24, 2023

VIA EMAIL

Attention:

Hon. Francois-Phillipe Champagne, PC, MP, Minister of Innovation, Science and Economic Development

Hon. Chrystia Freeland, PC, MP, Deputy Prime Minister and Minister of Finance

Hon. Steven Guilbeault, PC, MP, Minister of Environment and Climate Change

Hon. Jonathan Wilkinson, PC, MP, Minister of Natural Resources

Dear Ministers,

We are very grateful for the leadership you and your respective departments have shown in engaging with the Pathways Alliance to reduce greenhouse gas (GHG) emissions from oil sands production in phases, with the ultimate goal of achieving net zero emissions by 2050. With cooperation between industry and government, Canada has the opportunity to be the preferred supplier of responsibly-produced oil to the world.

Many of our CEOs and senior leaders were able to meet with you last year in March and then again in September to discuss our progress. At the last meeting, we agreed to assemble a single, federal table that would bring all of the key departments together to address the most important fiscal, policy and regulatory challenges facing Pathways. We are still hopeful that this process can proceed, but in the meantime, we want to reiterate the urgency of continuing to move forward on a number of fronts.

Pathways faces critical timeline constraints in our plans to deliver major GHG emission reduction projects by 2030. Specifically,

And in order to be able to make those decisions, we will need policy certainty from the Government of Canada on a number of key issues by mid-year at the latest, as follows:

1. [Redacted] Any acceptable alternatives would have to be carefully structured to ensure stable, reliable, and tax and royalty efficient revenues.
2. Timely decisions regarding regulatory jurisdiction for CCUS projects in Alberta, specifically assurance that the Pathways pipeline, hub and capture projects would not require a federal review under the Impact Assessment Act.
3. Restore eligibility to generate Clean Fuel Regulations (CFR) credits for exported volumes of crude oil and bitumen using CCS technology, which would be stackable with other credits or fiscal measures.



4. Given the ongoing uncertainty that continues to impact investment decisions, and the need to remain competitive with the Inflation Reduction Act, Pathways recommends extending the higher ITC capex rates for CCS projects that have started construction before 2035.
5. Ensure that the Clean Tech ITC includes eligibility for decarbonization projects for the oil sands sector including solvent-based production and other non-CCUS emissions reduction projects, including support for both capital and operating costs.

If a 2030 sector specific emission target is set for oil sands, that emission target should not exceed 22 million tonnes (MT), recognizing that Pathways' Phase 1 plan to reduce GHG emissions by 22 MT by 2030 is ambitious and is predicated on the appropriate policy, and regulatory and economic certainty being in place. Given imminent provincial and federal budgets, and the expressed desire to clarify the oil and gas emissions cap by the end of 2023, we wanted to provide this clear summary of key priorities before important decisions are taken. These priorities would also be among the key issues that we would want to discuss at a joint federal table.

As we indicated in our letter of November 18, 2022, we would appreciate the opportunity to meet with you in person in February, either in Ottawa or Calgary, to discuss these matters directly.

The Pathways companies are committed to aggressively decarbonizing oil sands production and we are prepared to make the significant investments that will be required. We have invested approximately \$500 million dollars on Pathways Phase 1 projects to date and we are making capital allocation plans for the billions more that will be necessary between now and 2030. We look forward to your reply and to your continuing cooperation as we work together to advance this vital national project.

Sincerely,



Kendall Dilling
 President
 Pathways Alliance

CC: Tim McKay, President – Canadian Natural
 Alex Pourbaix, President and CEO – Cenovus Energy
 Bijan Agarwal, President – ConocoPhillips Canada
 Brad Corson, Chairman, President and CEO – Imperial Oil
 Derek Evans, President and CEO – MEG Energy
 Kris Smith, interim President and CEO – Suncor Energy