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New Government Regulations, Initiatives Aimed At Reducing Oilpatch Emissions

By Paul Wells

The political greening of Alberta's oilpatch appears to have begun in earnest as both the provincial and federal governments announced new initiatives and regulations yesterday aimed at reducing the sector's environmental footprint including a task force that will make recommendations on how best to initiate a large-scale CO₂ capture and storage system.

First up was the provincial government's unveiling of the proposed Climate Change and Emissions Management Amendment Act which was announced part and parcel with the new Specified Gas Emitters Regulation that will force companies that emit more than 100,000 tonnes of greenhouse gasses a year to reduce their emissions intensity by 12% starting July 1 of this year.

"It takes effect July 1. The compliance clock, so to speak, starts ticking July 1," said **John Knapp**, assistant deputy minister of environmental assurance with **Alberta Environment**. "The highlight, especially for the energy sector, is that this legislation provides some certainty to industry -- it makes it clear what the Alberta government's intent is and it does it in a balanced way."

Pierre Alvarez, president of the **Canadian Association of Petroleum Producers**, said the biggest concern for industry right now is how the provincial plan "is going to fit" with the pending federal Clean Air Act.

"If the two plans don't harmonize and line up well, the risk of additive costs, where you end up having to true-up to an Alberta target but you also have to true-up to a federal target is a tremendous concern," he said. "Until we see the federal plan sometime later this month, we're not going to have an easy or clear answer for the investment community."

According to Alvarez, the July 1 kick-off of the new emission intensity regulations was unexpected.

"The province had always talked about beginning at the end of the year, not the middle," he said. "That is fast-tracked, it is a change and it's one that will have some consequences in the ability to meet these targets."

It is expected the regulation will apply to about 100 facilities which represent about 70% of Alberta's industrial emissions.

"It's important to recognize who it applies to; it only applies to the very, very largest facilities," Alvarez said. "Of the 100 facilities, probably about 40 or so are in the oil and gas industry. It's important to understand that this is not across the board."

The regulation also outlines the options for meeting the target.

If reducing emissions intensity by 12% is not initially possible, large emitters will be able to invest in an Alberta-based technology fund. The fund, which will be established as a dedicated revenue fund, will be used to develop infrastructure to reduce emissions or to support research into innovative climate change solutions. Large emitters will be required to pay \$15 per tonne to the technology fund for every tonne above the 12% target.

Alternatively, large emitters could also invest in projects outside their operations that reduce -- or offset -- emissions on their behalf. The projects must be Alberta-based. For example, a facility may purchase offsets from a farming operation that has changed its tillage practices so as to release fewer greenhouse gas emissions compared to normal tillage practices. Prior to purchase, the offset reductions offered by an operation must be verified by a third party to ensure the emission reductions are real.

Hot on the heels of Alberta's announcement, Prime Minister **Stephen Harper** joined premier **Ed Stelmach** in Edmonton to announce a joint federal-provincial initiative that will see a task force established to further study and make recommendations of how best CO₂ capture and storage could be implemented on a large scale.

Called the Canada-Alberta ecoENERGY Carbon Capture and Storage Task Force, the entity will build upon a CO₂ capture and storage technology roadmap that was released by **Natural Resources Canada** last year. **Bill Gunter**, director of the **Alberta Research Council** and a participant in developing the federally-sponsored carbon capture roadmap, recently estimated that as much as 30 million tonnes of CO₂ a year could be removed from Canada's fossil fuels by 2030 through the use of capture and clean coal technologies.

"Instead of pumping tons of carbon dioxide into the earth's atmosphere, we may be able to collect it from our oilsands operations, our coal-fired electrical plants, and other industrial emitters, and pump it deep underground where it will remain for eternity," Harper said. "This is a promising technology that could leverage Canada's expertise and Canada's geography."

The prime minister told reporters in Edmonton that the task force will consider the "economic, technical and regulatory hurdles that lie in the road of large-scale implementation of carbon capture and storage."

Based on its examination, the task force will provide a comprehensive set of options describing how government and industry can work together to take advantage of those opportunities.

The chair of the ecoENERGY Carbon Capture and Storage Task Force will be **Steve Snyder of TransAlta Corporation**.

Harper also announced that the federal government will provide Alberta with \$155.9 million as part of a new ecoTrust that has been established to help fund provincial projects designed to reduce GHG emissions and other air pollutants.

The Alberta government will use the funding to move forward on several clean-energy related projects, which may include support for:

- identifying the opportunities and addressing the challenges associated with developing a large-scale carbon dioxide capture and storage system, to capture and transport CO₂ for use in enhanced oil recovery or for underground capture and storage. These projects will be undertaken in association with the work to be done by the joint Canada-Alberta ecoENERGY Carbon Capture and Storage Task Force;
- supporting a clean coal front end engineering design (FEED) project as the first step towards creating a coal-fired electricity generation facility capable of near-zero emissions;
- a waste-to-energy project in Edmonton to convert municipal waste into electricity. In addition to developing environmentally-responsible and economic alternatives to landfills for municipal waste disposal, this project may also demonstrate the potential for the production of fuels and energy from agricultural and forestry waste; and
- a hydrocarbon upgrading demonstration program, which will invest funding in projects that explore commercial opportunities to upgrade Alberta energy resources into other consumer products, while minimizing environmental impacts.

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