

Monday, February 5<sup>th</sup> 2024

Submitted via email: [PlanPetrolieretGazier-OilandGasPlan@ec.gc.ca](mailto:PlanPetrolieretGazier-OilandGasPlan@ec.gc.ca)

**Subject: UPP comments on the proposed federal regulatory framework for an oil and gas sector greenhouse gas emissions cap**

Dear Minister Guilbeault, Dear Minister Wilkinson:

University Pension Plan (UPP) is a jointly sponsored defined benefit pension plan created by and for Ontario's university sector with over 39,000 members and \$11 billion in pension assets.

UPP is providing a submission to the Government of Canada consultation on the proposed Regulatory Framework for an Oil and Gas Sector Greenhouse Gas (GHG) Emissions Cap because Climate Change presents a systemic risk to the economy as a whole and material risks and opportunities for our investment portfolio. Our ability to realize adequate investment returns and provide retirement benefits depends on a stable climate, and our investments affect the stability of the climate. Our approach to climate change is outlined in our [Climate Action Plan](#).

In September 2022, UPP and investor peers provided a [submission](#) to the consultation on Options to Cap and Cut Oil and Gas Sector Greenhouse Gas Emissions to Achieve 2030 Goals and Net-Zero by 2050. We commend the Government of Canada for moving forward with the proposed regulatory framework.

We consider the proposed framework to be both reasonable and necessary to prepare the Canadian economy and the oil and gas sector for the low-carbon future, while protecting the health of the Canadian people and addressing the economy-wide risks and opportunities of climate change. As an investor in Canadian, including the oil and gas sector, we urge the government to finalize and implement the regulations with haste to maximize its beneficial economic and emissions impacts.

With select clarifications, the proposed framework would provide effective carbon pricing and clear emission pathways for the oil and gas sector to enable more informed investment planning and capital flows while limiting portfolio risk for both industry and investors. Specifically, we encourage the Government of Canada to address the following points in the regulations to ensure carbon price stability and interoperability with related policies:

- Clarity on the coverage of methane emissions between the draft methane regulations and this regulatory framework.
- Clarity on the relationship between this proposed cap-and-trade mechanism, the announced contracts for difference and tax credits, and existing output-based pricing systems to prevent the generation of surplus and duplicative credits or excessive volatility in the market created under the cap-and-trade system.
- Explicit provision that the decarbonization fund and offset mechanism be used for domestic solutions and reinvestment to ensure that these tools contribute to emissions reduction in line with Canada's 2030 and 2050 targets and to Canada's economic strength in a low carbon future.

Finally, we urge the Government of Canada to finalize the regulations and move to implementation by the end of 2024 to provide the certainty necessary to incentivize emission reduction at the pace and scale necessary to meet Canada's climate goals and to reduce systemic risk in our portfolios. Failure to meet our national commitments would not only add to the systemic risks of climate change it may also exacerbate the access to capital challenges of the oil and gas industry.

Thank you for your consideration,



Brian Minns  
Senior Managing Director, Responsible Investing