

Minimize Impacts of Methane Reductions on Northeast Alberta

ISSUE:

Investment and activity in the heavy oil sector in Lloydminster and the surrounding area is critical to the economic well-being of employees, businesses, and the community of Lloydminster. The Government of Alberta has committed to reducing methane emissions from the oil and gas sector by 45 per cent by the year 2025. Meeting these reduction targets will come at a significant cost to Lloydminster and area in the form of fewer investment opportunities and fewer jobs in Cold Heavy Oil Production with Sand (CHOPS). Therefore, we need to ensure that the methane emissions regulations are implemented in a manner that protects jobs and investment.

BACKGROUND:

Lloydminster and area will be affected by the methane reductions more than other communities in Alberta due to the way that our oil is produced. Lloydminster oil is from the Heavy Oil Belt and produced by the process of Cold Heavy Oil Production with Sand (CHOPS). CHOPS production is used in shallow oil deposits.¹ Due to the nature of CHOPS production, it is economically challenging to meet the methane venting limits at each facility like it can be in Thermal production. Industry will be more likely to cut investment in CHOPS, which has the potential to economically devastate our region. “If a venting limit of 250 m³/month is imposed, one operator’s inventory of future heavy oil well locations will be decreased by 70 per cent. The loss gross economic opportunity associated with these locations is over \$2 billion which include revenues (royalty and tax) in northeast Alberta and northwest Saskatchewan. The drilling and construction of these lost heavy oil well locations would have created 4,300 person-years of direct, indirect and induced employment.”²

We support the Canadian Association of Petroleum Producers (CAPP) and their *Comments on Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds*. CAPP’s proposal speaks to the concerns surrounding the threats methane reductions will have on CHOPS. According to CAPP, “a fleet average solution for CHOPS recognizes the unique production method for heavy oil and allows a portfolio management approach at CHOPS facilities rather than prescriptive, economically challenging venting limits at each facility.”³

Communities in the Lloydminster area rely on the oil and gas industry as the economic driver which fuels all other businesses, our economy is intertwined, and we need to minimize the impact to our local economy. It’s not just the oil companies who will be affected, when investment in heavy oil decreases, everyone in Lloydminster will be affected from our restaurants, retail stores, trades, construction,

¹ Cold heavy oil production with sand. (2016, January 18). Retrieved from http://petrowiki.org/Cold_heavy_oil_production_with_sand

² CAPP Comment on Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds. Canadian Association of Petroleum Producers. July 26, 2017.

³ CAPP Comment on Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds. Canadian Association of Petroleum Producers. July 26, 2017.

manufacturing, housing market, etc. Lloydminster is still rebounding and struggling from the oil price drop in 2014/2015. In the past year, business licenses issued by the City of Lloydminster have fallen from 1 770 to 1 563 in 2017, representing a loss of 207. In a community of 31 400, a net loss of 207 businesses in one year is substantial. In 2011, Lloydminster's unemployment rate was 3.9 per cent, rising to 11.5 per cent in 2015.⁴ In terms of real-estate, prices have reached a 5-year low, available listings have reached a 20-year high, and building starts have reached a 20-year low. Our community is still struggling.

We are not opposed to reducing methane emissions; but for the welfare of our community and province, we need to make sure that the methane reductions do not discourage investment in our oil and gas industry.

The Lloydminster region will be making a big sacrifice to help Alberta meet the 45 per cent target in lost activity and employment. We believe the Government of Alberta must ensure that the sacrifice is no bigger than necessary.

RECOMMENDATION:

The Lloydminster Chamber of Commerce supports oil companies in our community who play an integral role in creating a lower carbon future. In order to balance the need to reduce methane emissions while remaining competitive and financially viable, the Lloydminster Chamber of Commerce recommends that the Government of Alberta:

- (1) Ensure that the emission reduction regulatory requirements are not so burdensome that they decrease investment opportunities and increase unemployment
- (2) Avoid a prescriptive regulatory process that overshoots the 45 per cent reduction target
- (3) Allow industry to follow a path that meets the 45 per cent reduction target at the lowest possible cost
- (4) Special consideration to be provided to Cold Heavy Oil Production with Sand (CHOPS)
- (5) A fleet average solution, recognizing the unique production method for heavy oil and allowing a portfolio management approach at CHOPS facilities
- (6) Continue to work with industry and industry groups to determine a cost-efficient, risk-based, competitive model

⁴Census Profile, 2016 Census. Retrieved from: <http://www12.statcan.ca/census-recensement/2016/dp-pd/prof/details/page.cfm?Lang=E&Geo1=POPC&Code1=0478&Geo2=PR&Code2=48&Data=Count&SearchText=Lloydminster&SearchType=Begins&SearchPR=01&B1=All&GeoLevel=PR&GeoCode=0478&TABID=1>