

Canada's oil and gas sector faces new greenhouse emissions cap set out by federal government

Environment and Climate Change Canada has released draft regulations that aim to drop oil and gas greenhouse emissions by 35% by 2030. Amidst significant opposition and push-back to the draft proposal, partner and head of Torys' [Climate Change](#) practice [Tyson Dyck](#) spoke with [Forward Law Review](#) about the sector's reaction to the draft regulations, and what the proposal could mean for the industry's businesses and operators going forward.

"There's going to be fairly intense pressure on the federal government to make certain changes, if not to hold the presses on the final regulations completely," Tyson said.

"But I don't think the federal government is going to do that—I think they're politically motivated to move forward with final regulations by spring."

With that said, some of the draft regulations may be "more up for discussion than others" Tyson said, particularly around the initial size of the cap.

"The initial starting point for that cap is going to be the subject of a lot of discussion. Right now, the federal government is proposing to look at 2026 reported GHG emissions and create a cap that's smaller than that. So there would be an initial push to reduce emissions by the first compliance period."

"I think a lot of pressure will be on the federal government to relax the initial size of the cap so that it more generally reflects current operations, rather than a reduction relative to 2026 levels."

When it comes to clients in the industry, Tyson says there are two primary concerns: how the emissions cap will interact with existing provincial reduction schemes, and pricing. Under the regulations, operators "will need to meet at least 80% of their compliance obligations through the retirement of allowances, but a small portion of emissions can be covered by paying into a decarbonization program," the article outlines.

"The price of these contributions would initially be set at \$50 a tonne, but that \$50 a tonne really only reflects the small percentage of emissions that are eligible for those decarbonization units," Tyson said.

"How the price will shake out for the rest of an entity's compliance obligations is still an open question. The federal government hasn't proposed bells and whistles in this program that would constrain the price of allowances under the system. This is in contrast to some other cap and trade systems, like the California Air Resources Board cap and trade system, that have price containment mechanisms."

Following a consultation period between November 2024 and January 2025, the federal government plans to publish the final regulations in 2025 and ultimately bring them into effect in 2026.

[Richard Coombs](#) | Senior Manager, Marketing

416.865.3815