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## **Sierra Club BC Submission to BC's Royalty Review Process**

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Sierra Club BC appreciates the opportunity to share our views on B.C.'s Royalty Review Process. That being said, there is little time for 'talk and drill'. Considering the escalating climate emergency, governments that want to do their part to avert catastrophic climate change must act with courage and speed to phase out fossil fuel production and all forms of fossil fuel subsidies as quickly as possible.

Our organization works to support people stewarding abundant ecosystems and a stable climate, while building resilient, equitable communities. We advocate for a rapid shift away from fossil fuels to a low carbon, equitable economy. We work to inspire British Columbians to advance climate justice and ecosystem protection by uplifting grassroots-led change. We work with children and youth to foster environmental literacy and to nourish the environmental leaders of tomorrow. Sierra Club BC relies on science-based research and peaceful, democratic means to advocate for change. We have about 30,000 supporters in B.C.

Sierra Club BC has been working for many years to raise awareness about the climate crisis and the role of B.C.'s fossil fuel sector in the ongoing failure in reducing provincial emissions. We are particularly concerned about the climate and environmental impacts of fracking and the violation of the rights of Indigenous Peoples caused by fossil fuel production and infrastructure permitted and subsidized by provincial and federal governments<sup>1,2,3</sup>

New data shared at the UN climate summit in Glasgow showed that current climate pledges and commitments to deliver them are nowhere close to what's needed to avoid catastrophic climate change.<sup>2</sup> The heatwaves, wildfires, flooding and mudslides of 2021 show that time is running out.

Credible climate action requires strong targets and consistent policies to reduce all our emissions as fast as possible.<sup>3</sup> In addition to ending fossil fuel subsidies, the province must introduce binding mechanisms such as caps and moratoria that make it impossible to keep approving and subsidizing new fossil fuel projects and production, in many cases projects that infringe on the rights of Indigenous Peoples who seek to defend their lands and waters, leading to conflict and police violence.

In light of the climate emergency, it is paramount that the B.C. government acts quickly to reform royalty systems to fully reflect the cost of climate change, fully eliminate ALL fossil fuel subsidies instead of designing new ones (particularly with any form of capital recovery mechanism as discussed in two options in the discussions paper), reduce transition periods to a minimum and put in constraints to limit how much companies can benefit from credits already received.

Unfortunately, instead of accurately reflecting the climate emergency, both the Independent Assessment and Discussion paper discuss climate change in a superficial way and frame options for royalty reform in a

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<sup>1</sup> <https://www.straight.com/news/anjali-appadurai-and-jens-wieting-bc-is-failing-to-do-its-part-to-address-global-climate-and> as well as several recent media releases <https://sierraclub.bc.ca/media-centre/press-releases/>

<sup>2</sup> <https://climateactiontracker.org/press/Glasgows-one-degree-2030-credibility-gap-net-zeros-lip-service-to-climate-action/>

<sup>3</sup> <https://thenarwhal.ca/b-c-s-climate-action-must-address-three-elephants-in-the-room/>

manner that assumes fossil fuel production could continue for decades without disrupting life as we know it on a planet with a livable climate.

The oil and gas sector only contributes a fraction to B.C. jobs and GDP but upstream emissions made up about a fifth of B.C.'s emissions in 2019.<sup>4</sup> Experts have warned for years that “because of leaks of methane, the main component of natural gas, the gas extracted from shale deposits is not a “bridge” to a renewable energy future — it’s a gangplank to more warming and away from clean energy investments.”<sup>5</sup> Yet, B.C. gas production in 2020 was double the amount it was in 2007, the year the previous B.C. government launched its climate action plan.<sup>6</sup>

In November, Bill Hare, chief executive of Climate Analytics and lead author of a new report “Why gas is the new coal”<sup>7</sup> stated “Natural gas is not a bridging fuel. It is a fossil fuel. Governments, investors and the financial sector must treat it the same way as they do coal: phase it out as soon as possible.”

In summary, Sierra Club BC recommends the province

- eliminates ALL forms of fossil fuel subsidies as quickly as possible, including the subsidies enabled by the royalty credit mechanism. Any delay could result in further investment in fracking wells, locking in catastrophic climate impacts, more local conflict and pollution, stranded assets and a loss of taxpayer dollars that are needed for climate solutions and a just transition for industry workers.
- raises royalty rates to reflect the climate, environmental and social impacts of this industry. We support a flat rate without any form of capital recovery mechanisms (discussed in two of the options presented in the discussion paper) because these could result in business risks shifting to the taxpayer. The new rates must be designed to quickly wind down gas production and use the revenue to finance climate action and a just transition, creating new, non-polluting jobs. The use of outstanding credits should be restricted by placing a cap on how much can be claimed per year or ensuring a minimum net royalty is paid per unit extracted.
- respects Indigenous jurisdiction. Any new royalty system must be developed in full partnership with Indigenous peoples whose territories have been impacted and polluted by the extraction, transport, and processing of gas.
- Includes reforms on water use by the fracking industry.<sup>8</sup> The sector pollutes billions of litres of water a year and pays almost nothing for it. The current review should be used to introduce stricter regulations to prevent pollution and drastically raise royalty rates for the use of water.

Sierra Club BC is urging the B.C. government to act with courage and immediately implement a new royalty system reflecting the costs of climate change as part of a framework that effectively manages a wind down of the industry while ensuring a just transition for workers and returns to communities and Indigenous Nations during the wind down period.

It’s time to make polluters pay and ensure taxpayer dollars support climate solutions, not economic activities that destroy our future and further contribute to global warming.

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<sup>4</sup><https://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2021/12/BC%20royalty%20review%20submission%20December%202021.pdf>

<sup>5</sup><https://www.nytimes.com/2013/07/29/opinion/gangplank-to-a-warm-future.html>

<sup>6</sup><https://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2021/12/BC%20royalty%20review%20submission%20December%202021.pdf>

<sup>7</sup>[https://climateanalytics.org/media/gas\\_is\\_new\\_coal\\_nov\\_2021.pdf](https://climateanalytics.org/media/gas_is_new_coal_nov_2021.pdf)

<sup>8</sup> <https://www.policynote.ca/fracking-water/>