

Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

By:
Energy NL

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Energy NL Recommendations

Recommendation 1: The Government of Canada cancel the *Regulatory Framework to Cap Oil and Gas Sector Greenhouse Gas Emissions* and consult with industry and provincial governments on mechanisms that can effectively lead to emissions reduction and capital investment, such as the Government of Newfoundland and Labrador's *Management of Greenhouse Gas Act*.

Recommendation 2: The Government of Canada reinstate eligibility of oil and gas companies for an investment tax credit, similar to the Atlantic Investment Tax Credit.

Recommendation 3: The Government of Canada support exploration for lower-carbon offshore oil through an incentive, similar to the Government of Newfoundland and Labrador.

Introduction

Energy NL was founded in 1977 to represent the supply and service sector of the energy industry. Today Energy NL represents over 500 member organizations worldwide which are engaged in, or benefit from, the energy industry of Newfoundland and Labrador. Energy NL members are a diverse representation of businesses involved in a range of activities related to both renewable and non-renewable energy development, construction, and operations. This includes, but is not limited to, areas such as direct offshore and onshore supply, health and safety equipment and training, engineering solutions and fabricators, law firms, and human resource agencies.

Energy NL and its members are optimistic about the opportunities to come in the energy industry, with a very specific focus on two impending projects. The Memorandum of Understanding between Newfoundland and Labrador Hydro and Hydro-Québec for developments on the Churchill River presents significant opportunities for our members to participate in a nation-building project that will provide renewable energy. Similarly, our membership, and the entire business community and province, anxiously await sanctioning of the Bay du Nord project. When combined with the potential for onshore wind-to-clean fuels projects and future opportunities for offshore wind and CCUS, the Newfoundland and Labrador energy sector can be a leading contributor to supplying global energy and driving the Canadian economy. The Government of Canada can have a role in the success of these and future projects by demonstrating an openness to work with industry, attract investment, and provide clear, concise, and consistent regulations.

Budget Requests

Oil & Gas Emissions Cap Regulations

The Government of Canada must recognize the already lower-carbon oil available offshore Newfoundland and Labrador and efforts long underway to further reduce emissions and environmental impacts. The *Regulatory Framework to Cap Oil and Gas Sector Greenhouse Gas Emissions* is a tangible example of unclear regulatory process and sector targeting which impact the investment climate of Canada and does not recognize the lower-carbon oil offshore Newfoundland and Labrador. Actions such as this lead to a lack of certainty and correlate to actions by investors who look to other jurisdictions – often with more carbon intensive energy – to invest in and support energy projects. The cancellation of the *Regulatory Framework to Cap Oil and Gas Sector Greenhouse Gas Emissions* is a request of Energy NL for Budget 2025. The Government of Canada must further engage with industry and governments to clearly understand actions undertaken and results achieved, while finding a path forward for responsible development. Energy NL encourages the Government of Canada to work with provinces – such as Newfoundland and Labrador which has successfully employed the *Management of Greenhouse Gas Act* – to find solutions for energy projects and the national economy.

This recommendation will send positive signals to investors and will drive economic development through major projects. The following recommendations will only be successful if the *Regulatory Framework to Cap Oil and Gas Sector Greenhouse Gas Emissions* is first cancelled.

Energy Investment Tax Credit

Energy NL is informed by Equinor Canada that allowing oil and gas companies to once again avail of an energy investment tax credit, similar to the former Atlantic Investment Tax Credit (AITC), would accelerate the sanctioning of the proposed Bay du Nord project. This would be a significant initiative to demonstrate commitment to energy development in Canada and this nation-building project. The offshore oil and gas industry was once eligible for the AITC which provided a 10% tax credit on

capital investments. Reinstating this tax credit has been supported by not only Energy NL, but also Mining NL, the Maritimes Energy Association, and the Mining Association of Nova Scotia.

Offshore Exploration

For some time, Energy NL has been emphasizing the need to secure Canada's energy sources and support Canadian produced energy. To this point, Energy NL believes the oil offshore Newfoundland and Labrador that is 30% below the global average for emissions at extraction is a key component of Canada's energy security and energy future. For this reason, expedited development of oil offshore Newfoundland and Labrador should occur.

The Government of Newfoundland and Labrador in Budget 2025 reconfirmed its commitment to offshore oil and gas exploration by allocating \$90 million to support this critical activity. From 1982 to 1986, the Government of Canada supported the Petroleum Incentive Program (PIP) which helped spur offshore exploration and led to the current Newfoundland and Labrador offshore oil and gas industry. Energy NL requests that the Government of Canada implement an incentive similar to the Government of Newfoundland and Labrador that will lead to heightened offshore exploration and development and help provide energy security to Canadians, and indeed the world, through a lower-carbon offshore oil.

Establishing an Energy Security Initiative that includes reinstating eligibility of offshore oil and gas companies for a tax credit similar to the ATIC and offering an exploration incentive that encourages offshore exploration and development and maximizes lower-carbon oil that is at tidewater - not landlocked and not requiring pipelines – will encourage development, provide thousands of well-paying jobs across Canada, and ensure our energy security at a time of global instability. Energy NL will work collaboratively with the Government of Canada to achieve this objective.

Conclusion

There are several significant energy opportunities before Newfoundland and Labrador as we look to enhance our prosperity and develop the significant natural resources of our province. From the lower carbon oil produced offshore – a product that is 30% below the global average for emissions at extraction – to our massive hydroelectric resources, carbon storage potential, and wind-to-clean fuels opportunities, Newfoundland and Labrador is positioned to be a global energy leader.

As we navigate challenging economic times and international markets, along with the need to look inward for energy sources, the lower-carbon oil produced offshore Newfoundland and Labrador will have a “comparative advantage” and exploration to discover and develop new reserves should be incentivized. Implementing the requests of Energy NL will go a long way in repairing the international reputation of the Canadian energy industry and attract investment, which will support communities and jobs. Scraping the proposed federal emissions cap and working with industry and provincial governments to develop an approach that does not curtail production but incentivizes emissions reduction – or strengthen provincial systems which are already proving successful – is the action needed now to ensure we achieve energy security, while creating well-paying jobs across Canada. Supporting the Bay du Nord project and offshore exploration will illustrate that the Government of Canada welcomes investment and lower-carbon energy projects.

As we move toward meeting international targets of net zero by 2050, we must attract investment and raise capital to do so. The offshore oil and gas sector is one way to attract investment and supply

lower-carbon oil, while also using the capital raised to invest in renewable energy and lowering emissions. Oil will play a leading role globally in a carbon-neutral world and Canada has a comparative advantage and we must use it to build a strong, viable, and diverse energy sector that supports Canada and the world.