

**Submission to Environment  
and Climate Change Canada  
on  
*Discussion Paper: Driving Effective  
Carbon Markets in Canada***

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## **About Energy NL**

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 involved 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.

## **Comments on Discussion Paper**

Energy NL appreciates the opportunity to provide the following comments in response to the "*Discussion Paper: Driving Effective Carbon Markets in Canada*", which was recently released by the Government of Canada.

### Impact on Exploration

Implementation of any option which would have the threshold lowered to less than 25kt creates added disincentive for exploration in Canada's offshore. Under Newfoundland and Labrador's Carbon Pricing System for Large Industry, the threshold is set at 25kt, which is already quite lower than the current Federal Output-Based Pricing System. Given Newfoundland and Labrador's harsh ocean climate and environment, few Mobile Offshore Drilling Units (MODUs) - offshore drilling rigs, are available to work in our offshore jurisdiction. These rigs ply their trade in the global offshore market, moving from one offshore jurisdiction to another. Greenhouse gas emissions from many of these global MODUs, on an annual basis, already fall above the current Newfoundland and Labrador threshold. Setting the threshold below 25kt will require increased compliance measures, leaving even fewer global MODUs that will be below the threshold, and will impact on Canada's competitiveness compared to other jurisdictions. This will further limit availability of offshore rigs for work in our offshore areas. When considering the fact that contracted MODUs generally only work in our offshore a few months at a time, the overall total emissions from any offshore drilling exploration program are negligible.

Newfoundland and Labrador has tremendous potential to increase production of oil and gas in an environmentally and socially conscious manner. Our province's offshore has tremendous oil prospectivity, with an area spanning 1.8 million square kilometres and less than 10% currently held under license. Newfoundland and Labrador's crown corporation, OilCo, estimates our offshore to have over 650 leads and more than 20 prospects with large scale oil reserve potential (over 1 billion barrels). Our region is well positioned for increased offshore oil discoveries which could eventually provide the world with a reliable source of needed energy, while diversifying Canada's export markets and increasing Canadian productivity. This at a time when our country faces some monumental trade and economic threats.

### Newfoundland and Labrador's Carbon Pricing System for Large Industry

As previously referenced, Newfoundland and Labrador currently has an accepted carbon pricing system for large industry which is achieving environmental improvements in a proven and consistent manner. The existing system in Newfoundland and Labrador also provides a mechanism to support renewable projects, such as hydro developments. Energy NL has a preference to continue with this approach, as it exists, and cautions the Government of Canada against making wholesale changes to a system which is working, simply to correct gaps or loopholes which may exist in other regions of the country. Unintended consequences of regulations was a topic of discussion when Energy NL recently met with the Honourable Julie Dabrusin, Minister of the Environment, Climate Change and Nature Canada.

### General Context and Timing of the Discussion Paper

The paper has been introduced during a time when many issues regarding the Government of Canada's approach to climate change competitiveness are in a state of fluctuation. Until we see finalization and implementation of other policy instruments, such as the Memorandum of Understanding which was signed on November 27, 2025 by the Governments of Canada and Alberta, it is difficult to comment on and provide input into additional measures such as those presented in the Discussion Paper.

### Timeframe to Implement

In the Discussion Paper, under the section "Benchmark Assessment Process," a reference is made to "committed to re-assessment in 2026 for the **2027-2030** period." Energy NL understands that the 2022 assessment was for the 2023-2030 period, subject to a review in 2026 mainly as a check-in. Aiming to have significant changes to the system by 2027 does not appear to be a timeframe conducive to ensuring proper industry input; allowing appropriate alterations to existing provincial systems; or providing an adjustment period for industry in response to any changes.

### Joint Management & Role of the Canada-Newfoundland and Labrador Offshore Energy Regulator

As we have highlighted in previous submissions to Environment and Climate Change Canada, through the Atlantic Accord and the Canada-Newfoundland and Labrador Atlantic Accord Implementation Act, the Government of Canada agreed to joint federal-provincial management of Newfoundland and Labrador's offshore oil and gas activities. With that was the creation of the Canada-Newfoundland and Labrador Offshore Energy Regulator (CNLOER), which reports to both Natural Resources Canada and to the Government of Newfoundland and Labrador's Department of Energy and Mines. The CNLOER has responsibility of ensuring that offshore oil activities are conducted in an environmentally acceptable manner. Energy NL believes that emissions management is a critical aspect of the overall management of the offshore oil and gas industry for which the Atlantic Accord, joint management, and the role of the CNLOER need to be applied and fully respected.

### Other Issues

The notion of an "Emissions Reductions Account" could be an interesting approach, but much would depend on how it would be operationalized. As an example, a system which allows interprovincial corporate shifts could have negative implications for Newfoundland and Labrador if an account, largely funded by its offshore oil and gas operations were to be invested elsewhere.

### Conclusion

Energy NL has concerns regarding aspects of the Discussion Paper, specifically:

- the impact on Canada's competitiveness for offshore exploratory drilling of lowering the threshold below the existing 25kt in Newfoundland and Labrador;
- the potential unintended consequences on the successful functioning of the Newfoundland and Labrador Carbon Pricing System for Large Industry, stemming from changes to national parameters and requirements;
- the timeframe posed for implementing changes;
- the consideration of the proposed measures while the Government of Canada's approach to climate change competitiveness are in a state of fluctuation, raises uncertainty regarding the cumulative impact of additional new measures; and
- implementation of any new measures directed at emissions reductions in Newfoundland and Labrador's offshore oil and gas industry need to respect the established federal-provincial joint management regime for the industry, and the role of the CNLOER.