

Energy and Natural Resources
Regulatory Bulletin

January 2023

**Investment in
the Hydrogen
Economy**



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Welcome to the regulatory bulletin...

Published monthly for the last 5 years, the regulatory bulletin highlights the regulatory changes and updates within the energy and natural resource sectors in North America that the Integrated Sustainability team has been tracking over the past month.

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Feature Report

Canadian hydrogen development is gathering steam. This month's feature report spans three hydrogen regulatory updates covering a Federal Tax Incentive of upto 40% , Federal Investment in Alberta's Hydrogen Economy and Hydrogen powered rail travel through the Rockies.



Government consulting on clean hydrogen and labour conditions for clean investment tax credits

On 1st December 2022, the Department of Finance Canada launched [consultations](#) on an investment tax credit for [clean hydrogen](#) and the labour conditions attached to the [investment tax credits](#) as it was promised in the [2022 Fall Economic Statement](#). These credits are intended to encourage Canadian companies to adopt clean technologies, create jobs, reduce Canadian emissions, and ensure Canadian businesses remain globally competitive.

A refundable tax credit of at least 30 percent for clean technology investments and to receive an investment tax credit of at least 40 percent for clean hydrogen production investments were some of the incentives made in the 2022 Fall Economic Statement as well as the reduction of 10 percentage points in both tax credits if a company does not meet specific labour conditions.

Migratory Birds and Construction Season Commencing

In July 2022, the Government of Canada released the updated [Migratory Birds Regulations](#) (The Regulations) under the [Migratory Birds Convention Act](#) that addressed added protection to migratory bird nests when they are considered to have a high conservation value. One of the primary changes under the modernized

Regulations is the lengthened protection on nests of 18 migratory bird species that are known to reuse their nests across multiple years (including great blue heron, black-crowned night-heron and pileated woodpecker that can be found in Alberta and northeast British Columbia). Where these nests are identified, year-round protection may be enforced (for up to 3 years) depending on the species upon first identification. Recommended best practice for avoiding impacts on identified migratory bird nests is to establish a buffer zone of a site and species-specific setback distance where activities are prohibited from being conducted (clearing, grubbing, etc.).

The birds nesting period in western Canada can begin as early as March, and pre-construction nest surveys should be conducted as a planning measure to avoid harm to migratory birds, their eggs and nests. Initial site planning prior to the start of the nesting period is encouraged to ensure activities do not disturb or destroy these nests at any time, as well as to allow operators to draw on mitigation plans if there is a potential or known presence of high conservation value nests.

Integrated Sustainability can help identify environmental impacts and subsequent project risks with pre-construction planning. Please contact Stephanie Demers at Stephanie.Demers@integratedsustainability.ca for more information.



Pathways Alliance Proposed Carbon Storage Hub

The Pathways Alliance (Alliance) and the Government of Alberta have entered into an [agreement](#) to be able to start field testing to evaluate carbon sequestration potential at the Alliance proposed carbon storage hub in northern Alberta. The proposed hub, which has the potential to be one of the world's largest carbon capture storage (CCS) projects, would connect via pipeline to 14 oil sands facilities and support the effort to reduce CO2 and support the goal of net zero by 2050. With this recent agreement, the Pathways Alliance can begin sequestration suitability testing, with fieldwork set to start this winter. [The Pathways Alliance](#), is made up of Canadian oil sands producers, including: Canadian Natural, Cenovus Energy, ConocoPhillips Canada, Imperial, MEG Energy and Suncor Energy.

Imperial invests \$720 million in Renewable Diesel Facility

On 26 January 2023 Imperial [announced](#) an investment of \$720 million for the construction of the largest renewable diesel facility in Canada. The facility is to be located at Imperial's Strathcona refinery near Edmonton, Alberta and is planned to produce one billion liters (or more) of renewable diesel a year. The facility will use low-carbon hydrogen (sourced from Air Products) using carbon capture and storage technology, paired with biofeedstock (third party) primarily from local feedstocks.

The low-carbon hydrogen and biofeedstock and a proprietary catalyst are expected to produce premium lower-emission diesel fuel and reduce greenhouse gas emissions when compared to conventional fuel. A significant volume of renewable diesel will be supplied to British Columbia (B.C.), to support B.C. in achieving its lower carbon emissions goals, and Imperial also plans to use renewable diesel in their own operations to support their own emission reduction plans.

Regulatory approval of the project is expected in the near term, site preparation has begun, and production is anticipated for 2025.

Directive 001 Requirements for Site-Specific Liability Assessment

Alberta Energy Regulator (AER) is currently [considering revisions](#) to [Directive 001 Requirements for Site-Specific Liability Assessment](#) and has created a [public comment form](#) to gather stakeholder feedback on the proposed revisions. The deadline to complete the feedback is 8 February 2023.

The proposed changes include revising the liability assessment to include the licensee's obligation to provide care and custody from the shutdown of operations through suspension, abandonment, remediation and reclamation. The proposed updates also include the incorporation of sites regulated under the [Geothermal Resource Development Rules](#) and some of the conditions that applied to sites that triggered the Large Facility Liability Management Program are proposed to apply to all sites.

CP Hydrogen Powered Locomotive

In December Alberta hosted the Energy Council's [Global Energy and Environmental Issues Conference](#) in Banff to promote the energy sector. At the conference, Energy Minister Pete Guthrie stated that the focus of the conference was to discuss the future of the energy industry, the strength and security of the North American energy system and the role Alberta has to play. Minister Guthrie also stated that in 2021, around 62% of the crude oil imported to the United States came from Alberta – that is 10 times more than their oil imports from Saudi Arabia, and over four times more than all of OPEC and that “Alberta is ready to supply nations around the world with our reliable and responsibly produced resources.”

Federal Investment to Advance Alberta's hydrogen economy

On 17 January 2022, the Government of Canada [announced](#) an investment of more than \$9.74 million via PrairiesCan to Alberta's hydrogen economy. Moreover, to establish Alberta as a leader in the hydrogen economy by bringing Alberta's hydrogen skills, expertise, and know-how to the global energy industry. The investment will be used to support product testing, attract investment to Alberta's hydrogen industry, and raise the availability of quality training opportunities to commercialize new technologies at the same time of supporting better compensation to Alberta workers.

A total of \$3,744,000 will be given to Edmonton Global, for two main projects to boost the regional hydrogen supply chain and grow investment initiatives to develop the regional economy.

A total of \$3,000,000 will be given to the Alberta Motor Transport Association and the University of Alberta to support product testing to demonstrate the real-world capabilities of hydrogen to power heavy vehicles.

A total of \$3,000,000 will be given to [Edmonton's C-FER Technologies](#) to enhance its testing facility for hydrogen fuel infrastructure, equipment, and technologies. These hydrogen-related projects at C-FER will support the export of Alberta's hydrogen and technologies to global markets.

British Columbia

Government of B.C. and Blueberry River First Nations Agreement & B.C., Treaty 8 First Nations build a path forward together.

The Government of B.C. and Blueberry River First Nation reached an [agreement](#) and in a release from the B.C. Government, on 18 January 2023, stated that the agreement will "guide them forward in a partnership approach to land, water and resource stewardship that ensures Blueberry River members can meaningfully exercise their Treaty 8 rights and provide stability and predictability for the industry in the region".

Excerpt summarizing some of the measures to achieve these goals, found on the [B.C. Government website](#)

- \$200-million restoration fund by June 2025 for restoration of the land from decades of legacy industrial disturbance.
- An ecosystem-based management approach for upcoming land-use planning in Blueberry River's most culturally important areas, with bold timelines to complete the new local and watershed level, land use plans.
- Limits on new petroleum and natural gas (PNG) development and a new planning regime for future oil and gas activities.
- Protection for old forests and traplines during and through preparation.
- Land securities in Blueberry River's high-value areas, which includes more than 650,000 hectares of protection from new PNG and forestry activities and will advance B.C.'s 30% land protection goals by 2030.
- Wildlife co-management works, including moose management through licensed hunter restrictions to support population recovery.

Continued...



Government of B.C. and Blueberry River First Nations Agreement & B.C., Treaty 8 First Nations build a path forward together, continued...

The Ministry of Energy, Mines and Low Carbon Innovation (the Ministry) and Oil and Gas Commission (OGC) released the [Rules for Oil and Gas Development](#) (the Rules) that provides guidance for oil and gas operators on the interim approach for meeting the requirements under the Agreement. General guidance on the development principles under the Agreement include:

- Designation of High Value Areas (HV1A to HV1C) across Treaty 8 based on the cultural importance of each important zone.
- Depending on the High Value Area, operators will be limited to a specific degree of disturbance on Crown land.
- Three Priority Water Management Basin Plans will be completed by 31 December 2025 in the Upper Beatton River, paired with a portion of the Middle Beatton, Blueberry River and Lower Sikanni Chief River
- Establishment of BRFN Traplines areas where increased engagement expectations are required for operators.
- Applications submitted prior to and during negotiations, will be split into “existing priority applications” (priority) and “existing applications” (existing) and are listed under Appendix 1 of the Rules.
- Specific setback distances to environmental features (den sites, streams, wetlands, etc.) within Treaty 8 lands.

A detailed overview of the Rules is provided on the [OGC’s website](#).

Moreover, four Treaty 8 First Nations and BC have reached an [agreement](#) on a collaborative approach to land and resource planning, and to expand regional solutions to benefit people in northeastern B.C. and Treaty 8 territory. A set of initiatives have been co-developed together by BC and partner first nations, with the purpose of stewarding the land, in efforts to achieve sustainability for future generations.

Guide to Obtaining and Utilizing Subsurface Tenure for Carbon Dioxide Storage

A new Guide, the [Guidance to Obtaining and Utilizing Subsurface Tenure for Carbon Dioxide Storage](#) has been issued by the [Ministry of Energy, Mines and Low Carbon Innovation](#) (the Ministry). This provides steps and information to proponents on acquiring tenure for storage or disposal of carbon dioxide via petroleum and natural gas leases and storage reservoir licences.

The Guide provides information to proponents on how to apply if they already have a PNG lease, those seeking tenure, applying for a storage reservoir licence or an exploitation licence. Tenure is to be issued under the [Petroleum and Natural Gas Act](#) (PNGA) and permitting or licensing is to be in accordance with [Oil and Gas Activities Act](#) and proponents can to contact the B.C. Oil and Gas Commission (the Commission) and the Ministry for more details.

Guide to Obtaining and Utilizing Subsurface Tenure for Carbon Dioxide Storage

[The Summary of Activities 2022: Minerals and Energy & Water volumes](#) is currently available, this summary was based on research papers on Geoscience BC minerals, energy and water research projects and scholarships. The summary of [Activities 2022: Minerals](#) focuses on two principal objectives: identifying new natural resource opportunities and advancing science and innovative geoscience technologies. The summary of [Activities 2022: Energy and Water](#) indicates meeting strategic objectives of identifying new natural resource opportunities; helping responsible natural resource development; supporting clean energy; and understanding water.

Feature Report

Term Licence Reports & Sec 9/10 Reports Due!

For water licence holders under the [Water Act](#) in Alberta, monthly water use reporting is required as well as annual reports. Annual reports are often a condition required in the licence for water usage of are due on or before March 31 of the year following the year in which the information was obtained. Report requirements vary based on water purpose, however for hydraulic fracturing water users this often entails; data from Water Survey of Canada gauges, water use per well, location of water use, the volume of water released to the environment, previously forecast water demand vs. actual usage, an estimate of upcoming water required, changes to sub-surface mineral lease and well density plan, schedule updates for project development.

In B.C., licence holders under the [Water Sustainability Act](#) may be required to submit quarterly reports on or before January 25, April 25, July 25 and October 25 for the previous three months.

Integrated Sustainability offers support in compiling and submitting monthly, quarterly and annual reports. We also provide support for clients who have missed report submissions and need help with compliance.

For more information or assistance, please contact Stephanie Demers, Environment & Regulatory Manager, at Stephanie.Demers@IntegratedSustainability.ca



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Integrated Sustainability acknowledges that our Vancouver Office is located on the unceded territories of the xʷməθkʷəy̓əm (Musqueam), Skwxwú7mesh (Squamish), and Selilwítlh (Tsilil-Waututh) Nations.

Furthermore, we also acknowledge that our Calgary Office is located on the traditional territories of the Blackfoot Confederacy (Siksika, Kainai, Piikani), the Tsuut'ina, the Îyâxe Nakoda Nations, the Métis Nation (Region 3), and all people who make their homes in the Treaty 7 region of Southern Alberta. We thank all these peoples for having cared for these lands and waters since time out of mind.