Alberta Canada Major Projects MOU: A Potential Game Changer for Climate Action and A Possible Blueprint for Federal Provincial Collaboration and Nation Building

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The immediate response of many environmental groups to the recent signing of a major projects Memorandum of Understanding (MoU) between the Governments of Canada and Alberta is one of disappointment and dismay that Canada bowed to the demands of Alberta and the fossil fuel industry and compromised on critical climate change policies. As part of the agreement, Canada will not implement the proposed cap on oil and gas sector emissions and will immediately suspend the Clean Electricity Regulations (CERs) in Alberta pending a new carbon pricing agreement that includes the electricity sector (1). Although these concessions may be perceived as reducing the ambition for climate action, it is important to consider how the major projects of the MoU align Canada with the global energy transition.

Major Projects. The agreement highlights a commitment to four major projects:

1. Private sector financed pipeline(s) that would carry Alberta bitumen to west coast shipping ports and thus facilitate access to Asian markets.
2. The world's largest Carbon Capture, Utilization and Storage (CCUS) project as Phase 1 of the Pathways Alliance Project.
3. Construction of thousands of megawatts of AI computing power.
4. Build out of large electricity transmission interties between BC, Alberta, and Saskatchewan.

Oilsands Production – New Pipeline Capacity, Carbon Pricing, Carbon Capture and Storage and Greenhouse Gas Emissions. Opposition to new fossil fuel pipelines is often based on the assumption that curtailment of Canadian supply to international markets will somehow result in a reduction of end use emissions. End use combustion accounts for 71-79% of total emissions from oil sands derived fuels (2). Demand for fossil fuels from Asia and other markets will be met, and end use emissions will be similar, regardless of the origin of supply.

Over the long-term, in the absence of supply curtailment, oil sands production will follow market demand. Policies for a cap on oil sands production or an overly stringent cap on total emissions may override market forces leading to supply curtailment. These curtailment policies risk challenges through investor-state dispute mechanisms tied to international trade agreements. In the latest Canada Energy Regulator report (Canada's Energy Future 2023) (3), under a scenario of a continuation of current measures, crude oil production in Canada is forecasted to increase by 10% from now to mid-century. In contrast, global implementation of policies and practices aligned with a transition to NZ emissions by 2050 is forecasted to result in an 80% cut in Canadian oil production

over the next 25 years. Stated plainly, there is much uncertainty in predicting demand for oil over the next 25 years.

Regardless of projections, Alberta, and energy companies operating within Alberta, have a right to compete and sell into international oil markets. Under scenarios of sustained demand, an allowance for increased oil sands production and private sector financed new pipeline(s) may well be justified. However, any new pipeline(s) must be contingent upon satisfactory environmental impact assessments and agreements with Indigenous peoples and other stakeholders. Further, with an allowance for increased oils sands production comes a responsibility for industry and government to cut the intensity of emissions per barrel of oil in line with ambitions to transition oil sands operations to NZ emissions by 2050.

Under the MoU, industrial carbon pricing, along with Investment Tax Credits (ITCs) are the primary drivers of emissions reduction in Alberta's oil sands industry. The MoU states that, under the Technology Innovation and Emissions Reduction (TIER) program, Alberta will ramp up to a minimum effective carbon credit price to $130/tonne. Details, such as the timeline of the ramp up, are to be finalized between the parties by April 1, 2026.

In response to the MoU, Clean Prosperity has completed an economic impact assessment and concluded that a guaranteed minimum carbon credit price of $130/tonne could drive over $90 billion in low carbon capital expenditures in Alberta (4). Critically, credit prices between $130-$150/t CO_2eq are above the abatement costs for implementation of CCUS to capture combustion emissions across multiple industries including conventional oil and gas extraction, in-situ oil sands extraction, and mined oil sands extraction. Clean Prosperity suggests that these investments would result in over 70 million tonnes per year of avoided emissions. This magnitude of abatement equates to 10% of the current national GHG inventory and would cut Alberta's emissions by 26%.

> *"This MoU could herald a major turning point for low-carbon investment and climate action in Alberta and across Canada."*
>
> Brendan Frank. Clean Prosperity - Director of Policy and Strategy.

In Budget 2025, released November 4, 2025, the federal government recommitted to the Clean Economy Investment Tax Credit programs (5). Up to 50% of the cost of carbon capture equipment is available for federal rebates. In addition, the costs of carbon transport, utilization and storage equipment, clean electricity infrastructure, and clean hydrogen production equipment, are eligible for tax credit rebates (ITCs). Provincial ITCs in Alberta provide rebates in addition to the federal ITCs.

SCSD Summary: The ITCs, when combined with a guaranteed minimum carbon credit price of $130/tonne, should motivate private capital to accelerate the decarbonization of Canadian oil production and provide a significant economic boost to Alberta's economy.

Methane Equivalency Agreement. Embedded in the MoU is a provision for an equivalency agreement designed to achieve at least a 75% emissions reduction from methane extraction and transport by 2035. However, the year 2035 implementation date is 5 years delayed from the previous federal target of 2030. The Pembina Institute estimates that this implementation delay will result an additional 1.9 million tonnes of methane accumulation in the atmosphere (equivalent to the global warming potential of 53 Mt of CO_2) (6). Given the cost-effectiveness of upgrading field

equipment to minimize leaks and venting of methane, the 5-year delay in implementation is an unnecessary compromise in ambition that will contribute to future climate change damage at a cost well in excess of any short-term savings realized by industry.

SCSD Summary: When finalizing the Methane Equivalency Agreement, Alberta and Canada should be more ambitious than the MoU and implement policies to reduce methane emissions before 2035.

Alignment of Federal and Provincial Net Zero Emissions Ambitions. After the preface of the MoU, the first "Whereas" statement reads as follows: "Canada and Alberta remain committed to achieving net zero greenhouse gas emissions by 2050." Further, Alberta commits to increasing electricity supply to meet future demand projections (including the needs of AI data centres) while simultaneously reaching NZ greenhouse gas emissions from electricity generation by 2050.

A genuine commitment to a NZ electricity sector by 2050 negates the requirement for implementation of the federal Clean Electricity Regulations. The CERs would require phase out of existing or under construction gas-fired generators 25 years from commissioning or prior to January 1st, 2050. Any realistic NZ 2050 transition pathway for provincial electricity supply would prevent any additional gas-fired generators beyond what is currently under construction and would require phase out of existing generators by end of life or during the late 2040's. As such the timeline for phase out of existing and under construction gas plants would shift from the age of existing facilities (under the CERs) to the constraints inherent in a NZ 2050 transition of the electricity sector. The MoU states that the TIER administered new carbon pricing agreement would include the electricity sector. As such, carbon pricing would replace regulations as the driver of emissions reduction. No details are provided; however, the potency of the electricity sector carbon pricing system must be sufficient to progressively drive down net emissions to zero by mid-century.

SCSD Summary: A well-designed industrial carbon pricing system can replace the Clean Electricity Regulations and transition Alberta's electricity grid to NZ emissions by 2050.

MoU missing explicit Carbon Dioxide Removal Credits

Under NZ 2050 scenarios, the Canada Energy Regulator projects 153 Mt/y of atmospheric Carbon Dioxide Removal (CDR) in Canada by 2050 (3). This magnitude of CDR would offset continued emissions from agriculture and other difficult to abate niche sources to arrive at a NZ economy-wide outcome. In the Canada Energy Regulator's model, negative emissions BioEnergy with Carbon Capture and Storage (BECCS) industrial processes along with direct air capture account for two-thirds of the total required CDR. The Western Canadian Sedimentary basin is located under much of Southern Saskatchewan and Alberta and can be described as a world class resource for the permanent geological storage of CO_2 captured through industrial process. In addition, the prairie provinces have potential access to large volumes of available biomass. Potential industrial CDR facilities located in Saskatchewan and Alberta are critical to the national ambition for a net zero economy.

Carbon dioxide removal credits are not explicitly discussed in the MoU. CDR credits are distinct from carbon credits for avoided emissions as described in the MoU (generally referred to as "carbon pricing"). The value of CDR credits should exceed the $130/t for carbon credit pricing as laid out in

the Alberta Canada MoU. Canada should define a clear value for certified CDR credits and guarantee this value over the long term via a Carbon Contract for Difference. A clearly defined, stable, CDR credit price would attract industry and institutions to invest in industrial CDR facilities. Development of a CDR industry could be included as a major project under an extended provincial-federal government agreement.

SCSD Summary: Achieving a net zero economy requires carbon dioxide removal (CDR). The parties should explicitly address atmospheric CDR credits in the final agreement on pollution pricing.

Western Canada Electricity Transmission Corridor. Demand for electricity is projected to grow sharply due to electrification of industry, transportation, and buildings sectors. An expanded interconnected supply of clean electricity is critical under any scenario of an economy-wide transition to NZ emissions. Vast reservoir systems in BC, Manitoba, and Quebec provide a hydropower advantage for Canada in transitioning to a decarbonized future. A build out of interprovincial east-west transmission corridors is essential to support a clean, affordable, and reliable decarbonized economy. A nation building project of High Voltage Direct Current (HVDC) interprovincial transmissions corridors stretching across multiple time zones and linking distant demand to clean electricity resources would unlock the vast potential of renewables and hydro power in Canada. The intermittency and variability of renewables can be effectively integrated and balanced into a dispatchable, stable, and reliable supply of clean electricity across Canada.

SCSD Summary: The MoU signed between Alberta and Canada commits to the construction of large transmission interties linking BC, Alberta, and Saskatchewan. This commitment is perhaps the most important outcome of the entire agreement and dovetails with federal commitments to Clean Electricity Tax Credits to assist with financing.

Summary and Implementation. The signed MoU between Alberta and Canada presents a collaborative, mutually beneficial, and constructive approach between governments in nation building. The MoU clearly states commitments at the national and provincial level to economy-wide and electricity sector NZ transitions by 2050. Establishing an effective minimal industrial carbon credit price will be critical in driving NZ transitions and can largely replace regulations at a much lower cost to taxpayers. A guaranteed carbon credit floor price of $130/t could unlock $90 billion in low carbon investments in Alberta with the potential to reduce emissions by 70 Mt/yr (10% of current national totals) beginning in 2030. The agreement provides flexibility for oil production to meet future global demands while incentivizing technology adoption to drive down the intensity of emissions per barrel. A 75% cut in emissions from methane production is long overdue and the 5-year delay in implementation to 2035 should be reconsidered in the final agreement. The commitment to a build out of interprovincial electricity transmission corridors and interties in Western Canada is a critical part of a national NZ electricity grid that can be achieved by 2050 to drive decarbonization of our economy while keeping our electricity affordable and reliable.

It should be emphasized that Alberta and Canada have signed a Memorandum of Understanding that is aspirational but not legally binding. However, the agreement stipulates that the parties will appoint an Implementation Committee that will be responsible for finalizing the industrial carbon pricing agreement, the methane equivalency agreement, a trilateral MoU with both governments and the Pathways companies on CCUS implementation, and a cooperative agreement on impact assessment. These critical agreements are to be in place on or before April 1st, 2026. Canada and

Alberta must work together effectively to finalize and execute these agreements. The legacy of infighting between the federal and provincial governments is hurting our economy and our environment. NZ commitments must be more than aspirational statements and ideally would be legally binding or driven by effective carbon pricing mechanisms. A compromise in industrial carbon credit pricing or a prolonged ramp up period to an effective price would undermine confidence and deter investments. In the final agreements, Ottawa and Alberta must strive to uphold the promise and potential of the MoU.

Implications of the Alberta Canada MoU for Saskatchewan. The Government of Saskatchewan would be well advised to consider working with the federal government to develop a similar set of agreements as outlined in the Alberta Canada MoU. Alternatively, Saskatchewan could enter into the existing MoU as a trilateral partner. Saskatchewan and Alberta have immense natural capacity for geological storage of captured CO_2. Both provinces are rich in potential for wind and solar electricity generation but have limited access to hydro resources within provincial boundaries. An extended HVDC Western Canada transmission corridor with intertie agreements between the provinces would have obvious benefits for Saskatchewan.

The recent announcement by the Government of Saskatchewan that the provincial fleet of existing coal fired generators would be refurbished for continued operation after 2029 opens up the intriguing possibility of adding carbon capture equipment to these units and fuel switching from coal to sustainably sourced biomass. A full retrofit of suitable existing coal-fired generators to BECCS could sequester 11 Mt/y of CO_2 from the atmosphere, while generating up to 1200 MW of baseload electricity. New build BECCS or negative emissions hydrogen production facilities could be readily added to a growing fleet of atmospheric CDR centers in Saskatchewan.

Developing supply chains for biomass residues from forestry, agriculture, municipal solid wastes and programs of climate smart forest management could be included as another high priority major project for Canada. Forest management programs designed to limit the frequency and severity of wildfires would generate vast quantities of low-grade biomass that could be directed toward negative emissions industrial processes in Saskatchewan. Under this scenario Saskatchewan is well positioned for success in transitioning to a low carbon economy and would be an important contributor to achieving a national NZ outcome by 2050.

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