



PRIME MINISTER - PREMIER MINISTRE

Dear Mr. Dielwart:

As you well know, senior Government officials and senior oil and gas executives, as well as other private sector stakeholders, have met on several occasions over the past few months to discuss ways to increase certainty in the long-term development of the oil sands and the implementation of Canada's climate change commitments.

I am advised that these discussions have been extremely useful in helping to frame principles that would provide greater certainty to the environment surrounding long-term investments. I am pleased to attach, for your information, a list of principles developed through the discussions as the basis for moving forward on this important initiative.

I know that the Canadian Association of Petroleum Producers has been a central participant in these discussions, and I am grateful for your efforts in this regard. Together, industry and government can continue to find innovative ways to reduce greenhouse gas emissions, while maintaining our enviable performance in economic growth and job creation.

Yours sincerely,

A handwritten signature in cursive script that reads "Jean Chrétien".

Mr. John Dielwart
Chairman
Canadian Association of Petroleum Producers
2100 - 350 7th Avenue South West
Calgary, Alberta
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The following principles will guide the Government of Canada and the oil and gas sector in pursuing their climate change commitments.

1. *Post 2012 policy and national targets:* Future emissions-reduction targets will be guided by the commitment in the *Climate Change Plan* that “we need not – and we will not – export Canadian jobs in order to meet our climate change goals.” In particular, the government’s intention is that future emissions-reduction targets will not make Canadian oil and gas production uncompetitive.

Industry will be consulted on the technical feasibility and economic impacts of targets for the period post-2012.
2. *Efficient implementation:* The Government of Canada will seek the most efficient means of implementing climate change policies, drawing on existing reporting and regulatory processes where appropriate. It will promote harmonized policies with a single efficient, federal-provincial/territorial harmonized reporting, verification and policy enforcement system where feasible.
3. *Equitable treatment:* The Government of Canada’s commitment to a maximum emissions reduction of 15 per cent in the oil and gas sector in the period 2008-2012 reflects the important and enduring principle that no sector will be treated inequitably. This principle will continue to guide policy for the period after 2012.
4. *Other environmental regulations:* The “business-as-usual” reference for intensity targets will take into account future Federal environmental regulations. A consistent approach across all Federal policies will avoid imposing a GHG penalty on mandated actions to improve environmental performance.
5. *New project phase-in:* Emissions targets for new projects will be based on the targets for the best-practice existing facilities using similar technologies, taking into account the specific geological and other characteristics of the projects. The Government of Canada will agree to lock in the targets for new facilities for up to ten years from first production in order to provide certainty during the projects’ pay-out period.
6. *Flexible offset options:* Project operators will have flexible options for meeting emission targets. Emissions below targets will generate credits that can be banked or transferred. Offset options will include:
 - a) Offsets generated by reductions in other facilities of the operator;
 - b) Qualifying domestic and international offsets; and
 - c) Exercising the \$15/tonne CO₂ price assurance provided by the Government of Canada through 2012.

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7. *R&D expenditures:* Recognizing that innovation and technological advance are the key to significant GHG reductions over time, methods will be developed to integrate into the compliance options an incentive to increase qualifying R&D to reduce carbon intensity.
8. *Tax Treatment:* The costs incurred by taxpayers to comply with emission targets and that represent a cost to earn income will be addressed in a manner consistent with other comparable operating and capital expenses.