Federal Budget 2012: regulatory efficiency for the energy sector

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Last Thursday, the federal government released Budget 2012. It contained a number of proposals to improve efficiency and predictability in the review and approval process for major resource development projects while shifting tax incentives and strengthening environmental protection and free trade.

One project, one review

The government plans to create a “one project, one review” policy in coordination with the provinces and territories for environmental assessments (EAs) and associated regulatory processes. Provincial EAs would substitute for federal EAs, and responsibility for review would be consolidated significantly from at present over 40 departments and agencies. Federal and provincial governments would also coordinate Aboriginal consultations and fully integrate them into project reviews.

Review Time

The government is proposing new fixed timelines as follows:

- 24 months for panel reviews
- 18 months for National Energy Board (NEB) hearings
- 12 months for standard EAs

The Major Projects Management Office initiative would receive $54 million over two years to continue its work that has already shortened the average approval process from 4 years to 22 months for a number of major natural resource projects, including for oil and natural gas pipeline and offshore oil developments. As motivation for these changes, the government cites delays between the NEB and federal approvals, and delays between federal approvals and provincial approvals of up to 2 years for projects including a $2 billion pipeline proposed by Enbridge and a 396 MW offshore wind project proposed by NaiKun Wind Energy Group.

Responsible Energy Development

The government is proposing to invest $35.7 million over two years to strengthen regulation over tanker inspection, the double hulling of vessels, oil spill emergency preparedness and response, oil products handling, research on marine pollution risks, and a further $13.5 million for the NEB over two years to strengthen pipeline safety.

Tax

The government intends to enhance the neutrality of the tax system by phasing out fossil fuel subsidies. Specifically, it will eliminate the 5% tariff imposed by a Canada Border Services Agency ruling on certain imported fuels used as manufacturing inputs in energy and electricity production, and will phase out the 10% Atlantic Investment Tax Credit for the oil and gas sector. On the other hand, the government proposes to extend tax support to certain thermal energy equipment fuelled by waste and plant residue.

Foreign trade and investment

With the launch of the Action Plan on Perimeter Security and Economic Competitiveness with the United States this past December, pilot projects at Prince Rupert and Montréal will soon begin to replace multiple freight inspections with a single screening. Through the Canada-United States Action Plan on Regulatory Cooperation also announced in December, the government is committing to align regulations with those in the United States in areas including the environment.

Deeper and more liberalized economic ties with other major trading partners including China, the EU, India, Japan, ASEAN and Mercosur are being pursued. The conclusion of a Foreign Investment Promotion and Protection Agreement with China this past February will facilitate investment flows between Canada and China by providing a more stable and secure environment for investors. The government also plans to "refresh" the Global Commerce Strategy of consultations with Canada's business community in 2013 to better align trade and investment objectives with high-growth markets.