Unruly Ducks

What will it take Premier Danielle Smith to get them all in a row?

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CONTENTS

EXECUTIVE SUMMARY 2
What will it take Premier Danielle Smith to get them all in a row? 4
Carbon Pricing Equivalency 5
Project Impact Assessment 7
Methane Equivalency 8
The Pathways Project 9
A WEST Coast Oil Pipeline 10
Conclusion 11
About the Author 13
About Friends of Science Society 13

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UNRULY DUCKS

EXECUTIVE SUMMARY

The Agreement in Principle reached by the governments of Canada and Alberta in November 2025 set out four near-term goals, or "deliverables", each of which required follow-up federal-provincial agreements. For Premier Smith these are the four "ducks in a row" that she must somehow prepare for and align.

They included: an agreement with the federal government on a carbon pricing regime for large Alberta industrial emitters of greenhouse gases (GHG); an agreement with the federal government on project impact assessment; an agreement with the federal government on reducing methane emissions from the oil and gas industry; and a tripartite agreement among Alberta, Canada and the industrial sponsors of the Pathways project. Premier Smith set a fifth goal, or duck in the row, which was to submit a formal application for a west coast oil pipeline before the end of June, 2026.

While the November agreement referred to a number of goals for future agreements, it did not specify what the parties would actually do to fulfill those agreements' objectives; it was an agreement-in-principle to talk more later. Detailing what exactly is to be done is proving to be far more difficult than announcing promising outcomes.

By April 1, 2026, Alberta and Canada agreed to conclude an agreement on a carbon pricing regime for large Alberta industrial emitters that will raise the effective credit price to $130 per tonne of carbon dioxide equivalent by 2030. The continuation of ever-rising carbon taxes on large industrial emitters, including major oil and gas producers and electricity generators, will impose a large cost burden on Canadian industry that will not be matched by any of our major trading partners – the United States, China and Mexico. These costs will largely be passed on through energy prices to Canadian consumers.

On March 6, 2026, the federal and Alberta governments announced an agreement in principle to work together more cooperatively with respect to the regulatory reviews of proposed energy projects, with the goals of eliminating duplication and streamlining assessment. The agreement, while desirable in terms of process, does not change any of the criteria that must be applied by the federal government in assessing the impacts of projects under the Impact Assessment Act or the Canada Energy Regulator Act. The Impact Assessment Agency of Canada (IAAC) must take into consideration eleven factors in conducting its assessment; these include "the extent to which the designated project contributes to sustainability" and "the extent to which the effects of the designated project hinder or contribute to the Government of Canada's ability to meet its environmental obligations and its commitments in respect of climate change".

On March 25, 2026 the governments announced that they had reached an agreement-in-principle on a proposed framework to curb methane emissions from the oil and gas industry. Under the framework, Alberta would implement a performance-based approach that combines regulations, offset credits, and targeted investments. The announcement of this agreement-in-principle contained no estimate of either the costs or the benefits of methane emissions. For context, in 2020 Canada's methane emissions amounted to 92 million tonnes of carbon dioxide equivalent (MtCO2e). That is 13.6% of Canada's total GHG emissions in 2020 or 0.2% (two one thousandths) of global GHG emissions in 2020. Only a third of this is from oil and gas.

The November agreement committed Alberta in principle to conclude an agreement with the federal government and the companies that are sponsoring the Pathways project that will allow the project to move ahead. The sponsoring companies have requested that governments (i.e. federal and provincial taxpayers) cover roughly 70% to 75% of the capital costs. The trilateral MOU and the approval and commencement of the initial Phase 1 Pathways Project will be a precondition to the commencement of the proposed oil pipeline to the west coast referred to in the November agreement. So, Alberta will have to make huge financial commitments before it will be assured that the Major Projects Office and the federal Cabinet will agree to deem any west coast oil pipeline as "of national interest".

Premier Smith announced that the province would aim to submit a formal application for a west coast oil pipeline before the end of June, 2026. Alberta is assuming the initial "proponent" role and has organized a team of experts to do the initial planning. This is intended to prepare the way for an eventual turnover of the proponent and planning responsibilities to private sector participants. There has been relatively little news concerning the progress of the planning process. No private sector partner or group of partners has come forward to express a willingness to take on the risks of moving a pipeline application through the regulatory processes. The opposition of the British Columbia government and of several coastal indigenous groups, as well as that of well-funded environmental groups that enjoy "charity" status will make the process of planning and seeking approval for a west coast pipeline a challenging proposition.

Alberta's energy prosperity, and Premier Smith's ordering of the ducks, may be hampered ultimately by a key provision of the November agreement – a joint commitment to achieve net zero greenhouse gas emissions by 2050. As has been documented by the Canada Energy Regulator, the increased production and sale of Canada's oil and natural gas resources is inconsistent with the net zero goal. It is only a matter of time before the conflict between these two objectives forces governments and the public to choose which objective will take precedence.

UNRULY DUCKS

WHAT WILL IT TAKE PREMIER DANIELLE SMITH TO GET THEM ALL IN A ROW?

The Agreement in Principle reached by the governments of Canada and Alberta in November 2025 was greeted by much of the Canadian media as a promising indication that the federal and provincial governments had resolved their policy differences in a way that would assure both energy prosperity and sustainable development. Almost six months later, we are approaching some of the deadlines that were set in that agreement. Now is a good time to take stock of what has happened and to assess how well Alberta Premier Danielle Smith has done in her efforts to translate the "principles" into results.

In simple terms, the November agreement set out four near-term goals, or "deliverables", each of which required follow-up federal-provincial agreements. For Premier Smith these are the four "ducks in a row" that she must somehow prepare for and align. They included: an agreement with the federal government on a carbon pricing regime for large Alberta industrial emitters of greenhouse gases (GHG); an agreement with the federal government on project impact assessment; an agreement with the federal government on reducing methane emissions from the oil and gas industry; and a tripartite agreement among Alberta, Canada and the industrial sponsors of the Pathways project. Premier Smith set a fifth goal, or duck in the row, which was to submit a formal application for a west coast oil pipeline before the end of June, 2026.

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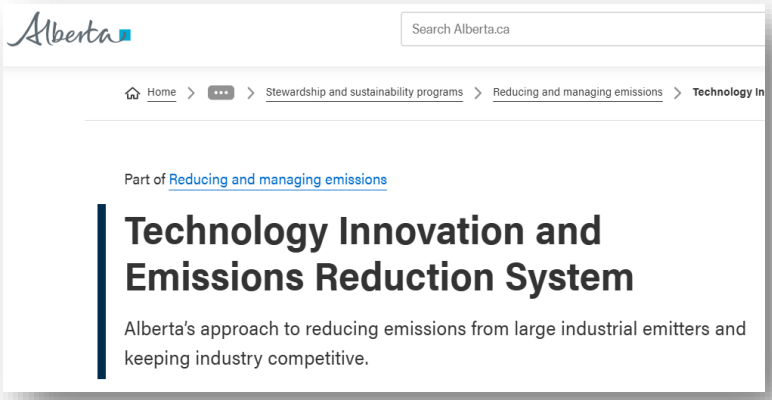
A close reading of the November agreement and experience since that time make it clear that achieving these goals is anything but simple, especially in the timeframes originally anticipated. I will explain why this is so. While the November agreement referred to a number of goals for future agreements, it did not specify what the parties would actually do to fulfill those agreements' objectives; it was an agreement-in-principle to talk more later. Detailing what exactly is to be done is proving to be far more difficult than announcing promising outcomes.

CARBON PRICING EQUIVALENCY

By April 1, 2026, Alberta and Canada agreed to conclude an agreement on "carbon pricing equivalency". This is a carbon pricing regime for large Alberta industrial emitters that will raise the effective credit price to $130 per tonne of carbon dioxide equivalent by 2030. The parties agreed to design and commit to "*globally competitive, long-term carbon effective prices, carbon levy recycling protocols, and sector-specific stringency factors for large Alberta emitters in both the oil and gas and electricity sectors through Alberta's TIER system*". They also must agree on the date for introduction of the "effective price" and price increases over time. Further, they must agree on "*a financial mechanism to ensure that both parties maintain their respective commitments over the long term to provide certainty to industry and to achieve the intended emissions reductions"*.



Excerpt: *TIER is an improved system to help industrial facilities find innovative ways to reduce emissions and invest in clean technology to stay competitive and save money. TIER is a unique solution that allows the province to reduce emissions without interference from Ottawa. TIER also builds on Alberta's 20-year record of taking action to manage emissions.*
https://www.alberta.ca/technology-innovation-and-emissions-reduction-system

Forging such an agreement will be far more complex than is generally recognized. Alberta's Technology Innovation and Emissions Reduction (TIER) system is similar to the federal government's Output-Based Pricing System, but it differs in some important respects, particularly in how emissions limits are set and how credits can be earned. These differences have tended to lower the cost for the covered firms. **The wording of the November agreement implies that the future design of the Alberta system will be subject to federal-provincial agreement, which would tend to increase its stringency.** The provision that the parties will "*agree on a financial mechanism to ensure that both parties maintain their respective commitments over the long term*" may mean that Alberta has agreed in principle to either predictable tax trajectories or the use of "contracts for differences". Contracts for differences can include government guarantees of financial benefits to a firm even if a future government choses to

eliminate carbon taxes. The issues here seem far too complex and consequential to be resolved in a hurry.

Live Carbon Prices Today

CARBON CREDITS .com Live Carbon Prices	Last	Change	YTD
COMPLIANCE MARKETS			
European Union	€74.56	+3.13%	−12.15%
UK	$40.40	-	−29.62%
Australia (AUD)	$36.30	-	-
New Zealand (NZD)	$41.50	-	+6.41%
South Korea	$10.54	+2.58%	+52.88%
China	¥97.00	-	+33.11%
VOLUNTARY MARKETS			
Aviation Industry Offset	$0.17	-	−5.56%
Nature Based Offset	$0.85	-	+240.00%

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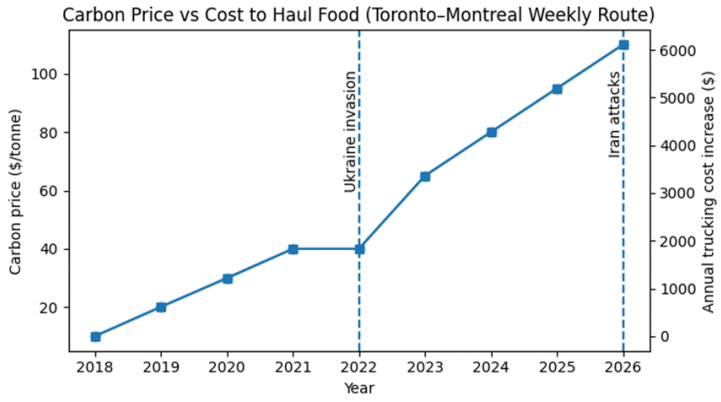
CarbonCredits.com Real-time Pricing

Click here to learn how carbon credits are priced.

As of April 1, 2026: https://carboncredits.com/carbon-prices-today/

The continuation of ever-rising carbon taxes on large industrial emitters, including major oil and gas producers and electricity generators, will impose a large cost burden on Canadian industry that will not be matched by any of our major trading partners – the United States, China and Mexico. These costs will largely be passed on through energy prices to Canadian consumers, with heavy burdens on those regions of Canada that consume oil and gas produced in western Canada, while residents in eastern Canada that consume imported oil may largely escape the additional costs. One effect will be to discourage investment in Canadian oil and gas compared to projects in other countries. While the commitment is to increase the rate of the tax burden to the equivalent of $130 per tonne in 2030, it can be safely assumed that, with no change in federal government climate policies, the rate will continue to rise thereafter.



Consumer food prices will also be impacted by the industrial carbon price, according to Dr. Sylvain Charlebois (aka @TheFoodProf).

Charlebois writes: *On April 1, 2026, the carbon price will reach* ***$110 per tonne****—more than double what it was when the Ukraine war began. For that same weekly Toronto–Montreal route, the additional carbon-tax cost alone rises to roughly* ***$6,000 per year compared with 2018****. That is more than* ***three times the burden carriers faced when the Ukraine war began****.*

And that calculation excludes the obvious: ***higher fuel prices themselves****, which inevitably accompany geopolitical shocks such as Ukraine in 2022 or the latest tensions involving Iran.*

The cumulative effect becomes clearer when looking at the national logistics system. Canada likely sees ***800 to 1,200 long-haul food truck trips each day****, many covering distances of roughly 1,000 kilometres. At a carbon price of* ***$110 per tonne****, the diesel tax component alone represents approximately* ***$34 million to $52 million per year*** *in additional costs across those shipments.*

And this estimate is extremely conservative.[1]

With the conflict in Iran and the oil and LNG supply disruption in the Strait of Hormuz, global energy prices will also rise due to the shortage of supply. These are 'black swan' events that were not anticipated at the time of signing the MOU.

PROJECT IMPACT ASSESSMENT

Alberta and Canada agreed that by April 1, 2026 they would conclude an agreement on impact assessments.

On March 6, 2026, the federal and Alberta governments announced an agreement in principle. The agreement expresses a common undertaking of both governments to work together more cooperatively with respect to the regulatory reviews of proposed energy projects, with the goals of eliminating duplication and streamlining assessment. When a proposed project is primarily within provincial jurisdiction, it confirms Canada's intention to recognize Alberta as best placed to undertake an assessment and to rely on Alberta's environmental assessment or regulatory processes to assess adverse effects of the project including those effects within federal jurisdiction, as defined in the federal Impact Assessment Act (IAA). It also expresses the parties' intention that any impact assessment required under the agreement will be completed within a maximum of two years from the receipt of the initial project description.

[1] https://open.substack.com/pub/agrifoodanalyticslab/p/the-inconvenient-truth-about-the?utm_campaign=post-expanded-share&utm_medium=web

The agreement is a desirable one in terms of reducing duplication of regulatory functions and it may help to reduce the time that projects spend in the assessment phase. However, it does not grant Alberta any role in the impact assessment of projects where those impacts occur outside of Alberta. **It does not change any of the criteria that must be applied by the federal government in assessing the impacts of projects under the Impact Assessment Act or the Canada Energy Regulator Act.**

The Impact Assessment Agency of Canada (IAAC) must take into consideration eleven factors in conducting its assessment; these include "the extent to which the designated project contributes to sustainability" and "the extent to which the effects of the designated project hinder or contribute to the Government of Canada's ability to meet its environmental obligations and its commitments in respect of climate change". It remains to be seen how construction of a major new oil pipeline will meet this requirement. **An Impact Assessment Report includes a recommendation to the Minister of Environment and Climate Change as to whether or not the project should be approved. If the Minister agrees, and if the other concerned Ministers agree, the report of the IAAC goes for final approval by Cabinet.**

METHANE EQUIVALENCY

By April 1, 2026, Alberta and Canada agreed to conclude an agreement on "methane equivalency", or how Alberta will reduce methane emissions from the oil and gas industry by 75% by below 2014 levels by 2035 (a delay from 2030).

On March 25, 2026 the governments announced that they had reached an agreement-in-principle on a proposed framework. Under the framework, Alberta would implement a performance-based approach that combines regulations, offset credits, and targeted investments. The federal government agreed to seek agreement with Alberta on an equivalency agreement under the *Canadian Environmental Protection Act, 1999*, whereby federal methane regulations would be stood down in Alberta, "*provided that the necessary equivalent emissions reductions are realized*". The parties hope to develop this equivalency agreement no later than January 1, 2027.

The announcement of this agreement-in-principle contained no estimate of either the costs or the benefits of methane emissions.

For context, in 2020 Canada's methane emissions amounted to 92 million tonnes of carbon dioxide equivalent (MtCO2e). **That is 13.6% of Canada's total GHG emissions in 2020 or 0.2% (two one thousandths) of global GHG emissions in 2020.** The emissions were largely from fugitive sources in oil and natural gas systems (32.5 MtCO2e, or 34% of Canadian methane emissions); agriculture (30% of total Canada methane emissions); and municipal landfills and industrial wood waste landfills (27% of total Canadian methane emissions).

The federal government previously estimated that the reducing methane emissions by the amounts proposed will cost Canadian industry about $15 billion between 2027 and 2040.

Gas	World Warming	Canadian Contribution	Alberta Contribution
	C/Century	C/Century	C/Century
CO_2	0.85	0.016	0.0052
Methane ⇨ CH_4	0.085	0.0016	0.00052
N_2O	0.064	0.0012	0.0037
Total	1.0	0.019	0.006

-The world warming column is from: C. de Lange, J. Ferguson, W. Happer & W. A. van Wijngaarden, **2022**, "Nitrous Oxide & Climate", *Atmos. & Oceanic Phys.* arXiv: 2211.15780.

-Canada produced 1.9% of CO_2 according to https://www.worldometers.info/co2-emissions/

-According to Environment and Natural Resources Dept. of Government of Canada in 2019 Alberta generated about 37% of Canada's carbon dioxide equivalent output.

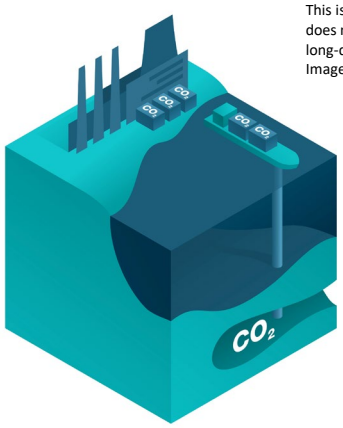
-For simplicity, we assume same emission fraction for CH_4 and N_2O as for CO_2

Above: The Canadian and Albertan GHG contributions to global warming as evaluated by W.A. van Wijngaarden and colleagues (2022).

THE PATHWAYS PROJECT

The November agreement committed Alberta in principle to conclude an agreement with the federal government and the companies that are sponsoring the Pathways project that will allow the project to move ahead. Among other things, the agreement must "*ensure that all parties will be held to account for all phases of the project, including effective enforcement mechanisms to ensure the completion of all phases of the infrastructure and the associated emissions reduction by the Pathways companies, including the related tax and regulatory measures.* The tri-partite agreement also must set out a "*multi-phased approach to delivering a set of emissions savings projects, focused predominantly on carbon*

capture and storage, solvent-based replacements or other actions taken by Pathways that reduce emissions intensity".



This is a simple representation of a carbon capture operation but does not represent the actual Pathways Project which includes a long-distance transport pipeline of CO2 in dense fluid form. Image licensed from Adobe Stock.

The Pathways project is one proposed by an alliance of oil sands producers that involves the capture, transmission and geological storage of large volumes of carbon dioxide produced mainly by the oil sands industry. The projected capital costs are in the range of $16.5 billion to $20 billion. The sponsors have not made public the projected operating costs and the revenues likely available to the project. It is virtually certain, however, that the project would not be financially viable without large government subsidies, possibly at the initial capital cost and then later operating cost stages. The project is eligible for federal government investment tax credits that cover up to 50% of capital costs for equipment. Under Alberta's Carbon Capture Incentive Program, the province has agreed to provide a grant of up to 12% of new eligible capital costs of the project. **The sponsoring companies have said this is not enough and have requested that governments (i.e. federal and provincial taxpayers) cover roughly 70% to 75% of the capital costs.** What they will pay remains under negotiation.

If governments agree to meet the industry's financial demands, the risk is that, having borne so much of the initial costs, governments will remain "on the hook" to provide ongoing operating subsidies for an indefinite period. T**he November agreement specifies that the trilateral MOU and the approval and commencement of the initial Phase 1 Pathways Project will be a precondition to the commencement of the proposed oil pipeline to the west coast referred to in the November agreement.** This is in keeping with the view that large scale carbon dioxide capture and storage is essential to "decarbonize" Alberta's oil sands production. So, Alberta will have to make huge financial commitments before it will be assured that the Major Projects Office and the federal Cabinet will agree to deem any west coast oil pipeline as "of national interest", even though that deeming does not guarantee final approval based on the reviews of the Impact Assessment process, the review by Canada's Energy Regulator or the Minister of Environment and Climate Change.

A WEST COAST OIL PIPELINE

The November agreement stated that by July 1, 2026, Alberta would "*determine the means by which Alberta can submit its pipeline application to the Major Projects Office*." Premier Smith subsequently

announced that the province would aim to submit a formal application for a west coast oil pipeline before the end of June, 2026. That timing looks increasingly difficult to meet.

Alberta is spending $14 million to initiate planning and apply for a new crude oil pipeline to British Columbia's northwest coast. Unusually, Alberta is assuming the initial "proponent" role and has organized a team of experts to do the initial planning. The team, one expects, will prepare an application that can be sent to the federal Major Projects Office with the intent of obtaining its designation as being in the national interest and therefore worthy of accelerated impact assessment. This means that the Alberta government is leading the initial planning, engineering, and environmental work to define the route and cost, rather than directly owning or constructing the pipeline. This is intended to prepare the way for an eventual turnover of the proponent and planning responsibilities to private sector participants.

This is a picture of the completed Trans Mountain Pipeline, invisible once completed. Image courtesy Rob Pearce

There has been relatively little news concerning the progress of the planning process. No private sector partner or group of partners has come forward to express a willingness to take on the risks of moving a pipeline application through the regulatory processes, although it is known that Enbridge, South Bow Corp. and Trans Mountain Corp. are participating in the initial planning.

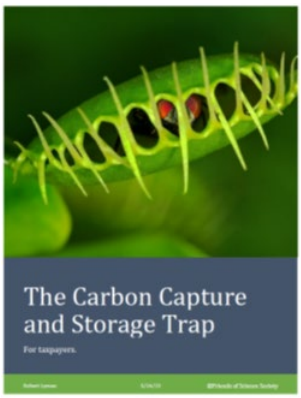
The opposition of the British Columbia government and of several coastal indigenous groups, as well as that of well-funded environmental groups that enjoy "charity" status will make the process of planning and seeking approval for a west coast pipeline a challenging proposition. It remains to be seen whether the Carney government's claim to support making Canada an "energy superpower" and to diversify energy markets away from exclusive reliance on the United States market translates into genuine action.

CONCLUSION

Premier Smith, no doubt, is seeking to take actions that will benefit the Alberta economy and ultimately contribute to Canada's economic wellbeing. It could be argued, however, that she has increasingly adopted Marc Carney's intellectual framework, in which almost all the important energy investment, trade and consumption decisions are made by governments, not companies or individuals acting in free

competitive markets. In this worldview, it is governments that decide which projects will be built, where, when and according to which government-imposed regulations. It is taxpayers who pay to make otherwise uneconomic projects viable. Government taxes and subsidies guide decisions about what can afford to be produced or consumed. It is not what people want; only the central plan matters.

Alberta's energy prosperity, and Premier Smith's ordering of the ducks, may be hampered ultimately by a key provision of the November agreement – a joint commitment to achieve net zero greenhouse gas emissions by 2050. As has been documented by the Canada Energy Regulator, the increased production and sale of Canada's oil and natural gas resources is inconsistent with the net zero goal. Energy transitions take several decades. It is only a matter of time before the conflict between these two objectives forces governments and the public to choose which objective will take precedence.



Learn more about the on-going burden of subsidies for carbon capture and storage in this report: https://blog.friendsofscience.org/2022/05/26/the-carbon-capture-and-storage-trap-for-taxpayers/

Learn more about "contracts for difference" in this report: https://blog.friendsofscience.org/2024/05/13/turning-taxpayers-into-risk-takers/

ABOUT THE AUTHOR

Robert Lyman is an economist with 27 years of experience as an analyst, policy advisor and manager in the Canadian federal government, primarily in the areas of energy, transportation, and environmental policy. He was also a diplomat for 10 years. Subsequently he has worked as a private consultant conducting policy research and analysis on energy and transportation issues as a principal for Entrans Policy Research Group. He is a frequent contributor of articles and reports for Friends of Science, a Calgary-based independent organization concerned about climate change-related issues. He resides in Ottawa, Canada. Full bio.

ABOUT FRIENDS OF SCIENCE SOCIETY

Friends of Science Society is an independent group of earth, atmospheric and solar scientists, engineers, and citizens that is celebrating its 23rd year of offering climate science insights. After a thorough review of a broad spectrum of literature on climate change, Friends of Science Society has concluded that the sun is the main driver of climate change, not carbon dioxide (CO2).

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