

**DETAILED REPORT
CANADA-EU HIGH LEVEL ENERGY DIALOGUE**

JUNE 25, 2021

SPEAKERS

- Mollie Johnson, Assistant Deputy Minister, Low Carbon Energy Sector, Natural Resources Canada
- Ditte Juul-Jørgensen, Director-General, DG ENER, European Commission
- Cristina Lobillo Borrero, Director, Energy Policy: Strategy and Coordination, DG ENER
- Jean-François Gagné, Director, International Energy Affairs, Low Carbon Energy Sector, NRCan

OBSERVERS

- Jenn Pelley, Manager, Multilateral Energy Engagement, International Energy Affairs, NRCan
- Andrew Haswell, Manager, Bilateral Relations, International Energy Affairs, NRCan
- Kristina Vivian, Policy Analyst, Europe, International Energy Affairs, NRCan
- Meghan Tibelius, Second Secretary, Environment, Mission of Canada to the EU
- Florian Ermacora, Head of Unit, International Relations, DG ENER
- Dinko Raytchev, International Relations Officer, DG ENER
- Sébastien Trenner, Desk Officer US & Canada, Americas.1, EEAS
- Luigi Scarpa de Masellis, Energy Counsellor, Delegation of the EU to Canada

Summary: On June 25, 2021, the annual steering meeting of the Canada-EU High Level Energy Dialogue was convened virtually. Canada was represented by Mollie Johnson, Assistant Deputy Minister of Natural Resources Canada’s Low Carbon Energy Sector, and Jean Francois Gagné, Director of International Energy Affairs. The European Commission was represented by Ditte Juul-Jørgensen, Director-General of the European Commission’s Directorate-General for Energy, and Cristina Lobillo Borrero, Director of Energy Policy: Strategy and Coordination.

During this one-hour meeting, the HLED co-chairs discussed a broad range of energy policy topics. Ms. Johnson and Ms. Juul-Jørgensen began the meeting by providing energy policy updates for Canada and the European Union, followed by a deeper exchange on select horizontal topics of interest. Key discussion items included: the multilateral track, including the trajectory of a just and people-centered energy transition, G20, COP26 and the UN High Level Dialogue on Energy (UN HLDE); Methane Emissions; Nuclear (SMRs and fusion); Energy Efficiency; Sustainable Finance and ESG; Hydrogen; CCUS; and LNG.

Ms. Lobillo Borrero and Mr. Gagné concluded the discussion by reflecting on progress under the Canada-EU High Level Energy Dialogue (HLED), including recent achievements and activities on the horizon. This discussion highlighted recent activities completed under the 2020-21 HLED Action Plan, particularly the National Observer Panel Discussion held between HLED co-chairs in March; the 5-part Energy Efficiency Webinar series delivered from March to July; the co-launch of CEM Empowering People Initiative at CEM12; and ongoing exploratory discussions occurring at the working level between DG ENER and NRCan.

In reflecting on the Co-Chairs’ exchange, the following key outcomes and priorities were highlighted:

- **Methane:** Both sides acknowledged a need to further explore how we can better work together on supporting methane reductions, including recognizing the value of decarbonized natural gas. This

could include joint-initiatives considering regulations and market frameworks that entice buyers to support suppliers investing in decarbonizing natural gas supplies.

- Infrastructure Investments: There was mutual acknowledgement of the need to attract the right infrastructure investments now, to meet the energy security needs of the future. In this vein, supporting the view of natural gas, and then renewable natural gas, as stepping stones to hydrogen. There is mutual interest in exploring further bilateral exchange to determine how these energy resources may be developed to support energy security and energy transition objectives.
- CEM Empowering People Initiative: The launch of this initiative in June was an important milestone in supporting a just and people-centered energy transition. We must now work together to deliver on the ambitious objectives outlined through the initiative. Next steps will involve multilateral efforts in refining and expanding upon the initiative's work plan.
- Trilateral Cooperation with the United States: There is shared interest in facilitating trilateral cooperation with the United States, as demonstrated in the coming together of the North Atlantic Alliance for G20.
- Nuclear: There is mutual interest in collaboration on waste management and innovative solutions. There is also potential for exchanges regarding the role of nuclear in providing energy access in developing countries, and potential regulatory frameworks and standards in the context of developing countries.

The following pages provide a more detailed outline of broader policy updates and horizontal discussion items.

DETAILED REPORT: CANADA-EU HIGH LEVEL ENERGY DIALOGUE STEERING MEETING (JUNE 25, 2021)

ENERGY POLICY UPDATES:

Both ADM Johnson and DG Juul-Jørgensen opened the meeting by reflecting on outcomes of the Canada-EU Leaders' Summit held June 15, 2021, during which Leaders raised a number of timely issues, including sustainable economic recovery, fighting climate change, and harnessing the potential of trade, technology, and innovation to drive a greener and more sustainable future.

The Canada-EU Joint Statement¹ also underscored the new CEM Empowering People Initiative that was co-launched at CEM12. The co-chairs reaffirmed a shared vision that the trajectory of Canada-EU cooperation, including through HLED, the IEA, and COP26, should remain people-focused, with a view towards building opportunities, creating growth, and improving the well-being of all people. On HLED, following the successful endorsement of the framing documents, co-chairs agreed that the Canada-EU cooperation on energy should transition from setting strategic objectives (where EU and Canada are aligned) to implementation of the different activities.

ADM Johnson shared news regarding energy policy developments in Canada, including:

- The Prime Minister's announcement in April committing Canada to a new emissions reduction target under the Paris Agreement of 40-45 percent below 2005 levels by 2030.
- Details around Canada's investment of approximately CAD\$60 billion in climate action and clean growth from 2015-2019, and recent announcements of additional investments of over \$32 billion – \$15 billion in Canada's Strengthened Climate Plan: A Healthy Environment and Healthy Economy and \$17.6 billion in the recent federal budget.
- How Canada's new climate measures largely complement one another and are designed to reduce emissions while prioritizing economic and social resiliency through:
 - o Additional funding for Canadians to complete home energy retrofits;
 - o \$1.5 billion to establish a Clean Fuels Fund to support new clean fuel production capacity, establish biomass supply chains, and develop enabling codes and standards;
 - o \$320 million over seven years to support research, development, and demonstrations to improve the commercial viability of CCUS technologies and a proposed investment tax credit for capital invested in CCUS projects, with the goal of reducing emissions by at least 15 megatonnes of CO₂ annually.
 - o New investments in Canada's net-zero accelerator and a 50 percent tax cut for eligible businesses to incentivize Canadian industry to develop and manufacture net zero technologies and build our clean industrial advantage.
- Important actions to improve measurement, reporting, and verification (MRV) of methane emissions, and reductions through federal, provincial, and industry collaboration resulting in policies, regulations, and programing designed to exceed Canada's 2030 climate target.
 - o Canada launched the Emissions Reduction Fund (ERF) last fall to help the oil and gas industry invest in green solutions to reduce methane emissions and retain jobs in the sector. The ERF onshore program is on track to cut, in its first year, methane emissions equivalent to 3.1

¹ <https://www.consilium.europa.eu/media/50757/20210614-joint-statement-final.pdf>

megatonnes of carbon dioxide, roughly equal to removing 674,000 cars from the road, highlighting encouraging results from the program's first intake.

- The Canadian Net-Zero Emissions Accountability Act which, if passed, would require the government to establish five-year milestone targets between 2030 and 2050, and publish plans to achieve them and report on progress.
 - o The Act would authorize an independent body to advise the government and consult with Canadians on the most efficient and effective ways to reach net-zero emissions by 2050.
 - o The initial 14 members of the Net-Zero Advisory Body (NZBA) were announced in February 2021, and the body is currently preparing to publish a preliminary summary of domestic and international net-zero pathways work.

DG Juul-Jørgensen then shared information on new energy policy developments in the EU, including:

- Steps taken over the last year to frame the energy aspects of the EU Green Deal in line with climate neutrality by 2050, including the Climate Target Plan, an impact assessment analyzing the path towards carbon neutrality.
- A number of policy/strategic documents released over the past year:
 - o Energy System Integration: Frames energy policy for the future. This considers how the EU will make better use of the different components of the energy system, linking these components to one another, reducing waste and building on interconnections across the European Market, ultimately supporting both security of supply and decarbonisation.
 - o Hydrogen Strategy: Linking energy, fuel and gas components of the energy system, and the necessary energy carrier to decarbonize sectors that cannot simply be electrified.
 - o Renovation Wave: The EU is making significant investments in renovation as part of Next-Gen EU Recovery and Resilience plans. This is necessary for greening and for climate advancements, but also for job creation. DG ENER noted related concerns regarding the heating up of the construction sector and supply chains, and potential impacts on prices, what this may mean for the next few years, and what actions could be taken to manage it.
 - o Strategies on reduction of methane emissions and deployment and scaling up of offshore energy.
- On the basis of those strategic documents, the European Commission is now working towards developing the legislative proposals.
- Fit for 55, which includes two energy components: one on renewables and another on energy efficiency. Later in the year, three more proposals will be added: i) the reduction of methane emissions; ii) gas decarbonisation and hydrogen, and iii) energy performance of buildings.
- The modernisation of the Governance Regulation is also an important legislative action foreseen for 2022. The amended regulation will reflect the increased climate ambition for 2030 and support member states in their preparations of the 2024 updates of the National Energy and Climate Plans. The interaction of EU and national level to support the governance process could be a relevant experience to share in the context of HLED.

HORIZONTAL DISCUSSION ELEMENTS:

Methane

- Both HLED co-chairs expressed interest in organizing a specific meeting bringing together methane experts to support targeted exchanges across the policy and programming ecosystem.
- In Canada, ECCC holds the regulatory tools for methane reductions, while NRCAN holds some of the programming tools. It could be an interesting opportunity to build on methane discussions by bringing together different parts of the ecosystem to facilitate a broader dialogue. The US has also shown interest, given integration in the Canada/US markets.
- There is potential to develop a coalition of countries that have technical agreements regarding action on methane emissions reductions, which could aim to bring together buyers and suppliers that have a similar level of ambition to enhance transparency.
- This is in line with the European Commission's work on the International Methane Emissions Observatory, a data-centered initiative that would support informed decision-making and actions through increased availability of data to support a measurement system. DG ENER expressed interest in working with Canada and other like-minded partners to build a partnership on measuring reporting and verification, support this international observatory, and discuss strategies for methane reduction in the energy sector.
- ***Global Architecture of International Cooperation*** HLED co-chairs discussed the importance of shaping a new rules system to help facilitate the net zero future. This includes critically considering barriers between the existing system and the one of the future. There is value in working together as likeminded partners to develop a system that supports our objectives.
- Regional approaches are a key element informing these efforts in both Canada and the EU. DG ENER noted these regional approaches are especially relevant in some parts of the transition (depending on the specificities of the region), such as in the case of developing offshore wind energy. An interconnected European market is the backbone of the EU's energy transition, ensuring security of supply and a balanced system.

Nuclear

- Both sides noted ongoing work in the field of nuclear and expressed mutual interest in advancing bilateral conversations on the topic.
- Canada is currently conducting a review of its radioactive waste policy. Part of this conversation involves considering comparative nuclear waste versus other parts of the energy value chain. Canada's SMR Action Plan was also released earlier this year, and NRCAN is currently working to advance key technologies (such as recycling spent CANDU fuel).
 - o This technology is required for baseload in certain jurisdictions, but there is also the question of the social license around it. This complex issue raises questions regarding the enabling frameworks to support public confidence in these technologies.
- European positions on nuclear are split, with a broad range of national debates. However, DG ENER anticipates increased movement on nuclear over the coming years, as it will fill a critical role in achieving climate neutrality.

Just Transition

- Both sides welcome the opportunity to continue working together to advance a just and inclusive energy transition, including as a potential theme of work through COP26, as well as under the UN High Level Dialogue on Energy and IEA Global Commission on People Centred Transitions.
- For the EU, just transition has been a key element of the Green Deal, as well as the overall energy transition. It is important to reach a balance to ensure all regions and populations are included in the energy transition and see a benefit. This is essential to drive the energy transition and meet emissions targets.
- Significant work is being undertaken on coal regions and energy poverty, including the introduction of a financial instrument on just transition to support specific carbon-intensive regions. This is a key element under the Fit for 55 package.
- NRCan noted the language of just transition has become largely loaded with loss rather than opportunity. This is an element Canada is trying to navigate as we move forward domestically. Significant progress has been made in powering past coal, including a high price on carbon and the implantation of clean fuel standards, which directly impacts peoples' pocketbooks. With that in mind, it is important to balance a human approach to decarbonization objectives.
- Both sides also flagged expectations for a stronger energy presence during COP26 (work that is led by ECCC and DG CLIMA respectively), anticipating this year will provide greater opportunities to highlight the energy transformation story, reinforce the role of energy in reducing emissions, and frame energy as a solution to climate change.
 - o Both sides aim to integrate this narrative in the run-up multilateral meetings (including under G20, IEA, etc.). It was also noted that the U.S. appears to share this line of thinking.
 - o Additionally, Canada flagged Indigenous clean energy leadership will be another element highlighted during COP26 as a significant part of Canada's diversity and inclusion approach to energy transition.