

June 30, 2022

Canada Energy Regulator Suite 210, 517 10 Avenue SW Calgary AB T2R 0A8

RE:

Canadian Natural Resources Limited Feedback on Onshore Pipeline Regulations Review-Discussion Paper under the Canada Energy Regulator

#### Dear Sir/Madam:

Canadian Natural Resources Limited (Canadian Natural) appreciates the opportunity to provide its feedback to the Onshore Pipeline Regulations Review Discussion Paper dated January 12, 2022, and looks forward to future engagement opportunities during this review process.

Canadian Natural is the operator of a few CER regulated pipelines critically important to the distribution of product to the market. We believe the existing regulations are effective in ensuring the safe and secure operation of these lines through the existing framework/regulations. We believe the opportunity exists to make improvements by strengthened CER reliance on consensus-based standards such as CSA Z662. We are concerned the changes proposed by the CER are duplicative of other process and will result in unwarranted operational costs and not meaningfully contribute to the effective and safe operation of CER regulated pipelines.

Canadian Natural is a contributor to and supports the Canadian Association of Petroleum Producers (CAPP) submission.

#### **Indigenous Engagement**

The discussion paper references alignment with the principles of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) at various points. Canadian Natural agrees that successful implementation of UNDRIP is an important aspect of reconciliation and it endorses the principles of UNDRIP as an essential framework for reconciliation. Canadian Natural continues to support its implementation in a manner that is consistent with the Canadian Constitution and law.



Canadian Natural understands the OPR apply to the design, construction, operation and abandonment of onshore pipelines, but they do not apply to the approval process; rather, these regulations form the rules that companies with authorizations to build must follow.

Canadian Natural understands that consultation must occur before the project is approved. We acknowledge this consultation may result in changes to how a pipeline is constructed and the way a company conducts its operations. Therefore, the CER already regulates consultation with Indigenous peoples at the approval stage of the project. The CER outlines its expectations of proponents to engage potentially impacted Indigenous communities during the pre-application phase and during the application phase. The engagement phase includes the identification of culturally significant sites and, where available, the inclusion of local Indigenous knowledge.

The Discussion Paper outlines an intent to increase CER's oversight of the protection of heritage sites and sites of significance, to consider Indigenous knowledge, and to increase Indigenous participation in the oversight of activities regulated under the OPR. Canadian Natural asserts that this direction lies outside the scope of the OPR, is duplicative of other processes, and adds unwarranted delays and costs to operational projects.

Canadian Natural supports appropriate Indigenous involvement during the operational phase, but is concerned about sections in the discussion paper that may add additional burden and red tape when it comes to maintenance that may be of a routine or emergency nature. Often this maintenance work is required to maintain the safe operation and integrity of pipelines. Although we believe the oversight of heritage resources, traditional land use, and Indigenous knowledge is better suited to other existing CER processes, we understand there is a role for CER at the operations phase to include Indigenous participation through monitoring. The CER's Indigenous Monitoring Committee is an excellent example of how engagement in pipeline oversight can be meaningfully realized, while still offering our members the operational flexibility required in conducting maintenance activities. Canadian Natural believes that supporting programs such as these is an effective means to involve Indigenous peoples to ensure that development continues to align with values.

Consultation in advance of project development is addressed in other governmental processes, the addition of consultation provisions to the OPR would be duplicative and would not add value. Canadian Natural is concerned that added regulations with respect to Indigenous consultation would add confusion and complications to these engagements. Indigenous people are not homogeneous, and neither are circumstances



surrounding resource development projects. Canadian Natural believes that having flexibility for the different projects and Indigenous communities would build positive long lasting relationships with the communities in and around its areas of operations. Canadian Natural believes that added regulatory oversight at the operations phase risks mandating a prescriptive, one-size-fits-all approach that might not work for either the proponent or the community. Furthermore, duplicative regulations creates more opportunity for misalignment among regulatory officials as well as added points of delay. Doing so frustrates the process from a regulatory perspective and undermines the objective of global competitiveness as outlined in Section 4 of the Discussion Paper. The CER's aim to enhance Canada's competitiveness through predictable and timely oversight requires a smooth process flow.

Please find attached comments to the specific questions asked in the discussion paper. Canadian Natural appreciates the opportunity to provide these initial comments and look forward to further engagement as the review of this regulation proceeds.

If you have any questions, please contact the undersigned at and
Yours truly
, Manager, Corporate Indigenous & Stakeholder Relations
Lead, Asset Integrity

### Responses to Onshore Pipeline Regulations (OPR) Discussion Paper

1. What's working well in relation to the OPR, and its implementation, and what could be improved?

#### Working well:

The CER is involved with standards bodies (e.g. CSA) and the main industry standards are adopted by reference in the OPR. This has worked very well. If the CER strengthens its reliance on CSA Z662 while ensuring the content meets its needs, it could reduce or eliminate the need for additional technical requirements within the OPR.

Other things that have worked well include electronic accessibility of regulator documents, including ORDERS and regulations (REGDOCS). Also Information Filings Portal ease of use.

### Improvement opportunities:

# Simplification of regulation of small/short provincial trans-boundary pipelines.

By definition within the *Canada Energy Regulator Act* (CER Act) any pipeline used for the transmission of oil, gas or any other commodity between provinces is a pipeline regulated under the CER.

For large diameter transmission pipelines, this ensures a singular Federal regulatory regime applies allowing for consistent regulation across provinces. In turn, it removes ambiguity for these pipelines and allows for optimization of the programs required through the regulations made under the CER Act.

The outcome is less efficient for smaller low-risk transboundary pipelines often used for gathering and collecting produced fluids within the upstream sector. These gathering lines (sometimes referred to as "sausage links") are often designed, constructed, operated and ultimately abandoned under 3 regulatory regimes — each with unique requirements.

Consider a pipeline operating near the boundary between Alberta and BC but wholly within the province of BC. That pipeline is clearly regulated under the Oil and Gas Commission Act by the BC Oil and Gas Commission (OGC). The same company operating the aforementioned pipeline may also own and operate a different pipeline wholly within Alberta regulated by the Alberta Energy Regulator (AER). If the company then constructs a pipeline to link these systems which crosses the provincial boundary — a third pipeline (or portion there-of) is now regulated by the CER.

The end result is a complex mix of regulation that arguably does little to improve safety. In fact, there is an agreement (February 17, 2015 BC Order in Council) under the Trade, Investment and

Labour Mobility Agreement between Alberta and British Columbia that specifically addresses this complexity by acknowledging that the regulatory regimes between BC and Alberta provide an equivalent level of safety and environmental protection:

#### RECOGNITION OF SUBSTANTIAL EQUIVALENCY

For the purposes of the Rules, the Parties recognize and agree that the regulation of upstream oil and gas and pipeline regulatory regimes, and their respective regulatory system objectives for the protection of public safety, the environment, resource conservation and economic development are substantially equivalent.

Assuming a similar agreement could be developed between the CER and the various provincial authorities, it seems possible that by recognizing this within the OPR a singular regime could be applied to these smaller, transboundary pipelines that could be regulated under provincial jurisdictions that employ regulations based on the same foundational pipeline standard (Z662).

## Performance based approaches and risk based compliance

The discussion paper also speaks to performance based approaches and risk based compliance. These approaches have been well adopted in the Upstream, but further work needs to be done from the regulatory side. A large diameter, high pressure transmission gas line in proximity to high density populated areas, does not equate the same safety risk as a small diameter low pressure line in an unpopulated forested area. This seems to not be well recognized in regulations (further supporting discussion above on "sausage links"), and neither is the way how the current regulations are being applied by the regulator.

Regulations and their implementation should also be made more goal oriented with regular audits performed to ensure a company's systems are robust enough to achieve the desired outcome. Audits can also be done at a higher frequency on poor performers and lower frequency on good performers. In respect to the risk associated with the managed assets, note that one of the important principles of pipeline management systems is scalability. The CER should take management system scalability into consideration when performing audits based on the risk that the assets under CER jurisdiction pose to the public and environment. Right now, the audits produce fairly black and white outputs while in reality some of the stated requirements may now carry nearly the same weight depending on the risk that the managed assets pose.

2. How can the OPR contribute to the advancement of Reconciliation with Indigenous peoples?

Canadian Natural supports an approach to resource development that preserves and enhances opportunities for reconciliation, including economic, social and environmental benefits for Indigenous communities. Resource development has been one of the strongest paths for building Indigenous prosperity and sustainability in Canada. An important objective of the OPR should be to create conditions that support investment attraction for

resource development, including Indigenous territories. Investment attraction and the possibility of projects, is a fundamental underpinning of the economic reconciliation that has occurred in the sector.

From a regulatory perspective, the OPR applies to the design, construction, operation and abandonment of onshore pipelines. Ensuring that the OPR supports predictability through clear outcomes focused rules that support multiple paths to compliance is critical. We would note that consultation with Indigenous peoples is currently regulated by the CER at the pre-application and application phases.

Canadian Natural actively seeks to build positive relationships with Indigenous communities where we operate. We recognize the value in maintaining ongoing dialog with communities beyond the approval process, and where feasible providing opportunities locally results in the realization of shared benefits, during operations. The economic participation of Indigenous peoples in resource development – and engagement grounded in respect, cultural awareness, and a spirit of cooperation – can advance and even accelerate reconciliation.

Once construction begins, it is imperative that operations run smoothly. Efficiency during the operations phase avoids unnecessary cost overruns through delays – every day of interruption adds considerable cost to a project. Furthermore, smooth and timely maintenance fosters safety for workers and the public. Awaiting further regulatory approvals during this time-sensitive period are unhelpful to a project's success and negatively impact Indigenous interest in the project.

Recommendation: Given the importance of prior consultation, and considering that policies related to Indigenous engagement are addressed in other government processes, it is important that any new provisions in the OPR do not duplicate, complicate, or conflict with those processes. It is also important that regulations during the operations phase enable mutually agreed solutions between producers and communities to continue. The CER should have as a reconciliation objective, improving investment attraction for Indigenous lands.

3. Although many aspects of engagement are addressed in other CER processes, we believe monitoring can play a role in advancing reconciliation at the operations phase. The OPR can build on existing processes such as the CER's Indigenous Monitoring Committee to ensure Indigenous peoples are properly engaged in pipeline oversight.

4. How can the OPR contribute to the protection of heritage resources on a pipeline right-of-way during construction, and operations and maintenance activities?

The protection of heritage resources is important in the development of infrastructure projects such as pipelines. Provincial policy and regulatory frameworks are found in every province. Provincial jurisdictions have robust measures in place to work with Indigenous communities to preserve and protect cultural heritage sites. If a historic resource is found during the course of a development project, developers are required to report the site to the provincial jurisdiction, and outline actions to be taken to ensure proper treatment and protection of sites.

- 5. Recommendation: The OPR should aim towards equivalency with provincial Indigenous heritage protection policies to avoid duplication and associated negative impacts. In all policy processes, including changes to the OPR, it is essential that governments, Indigenous peoples and all stakeholders understand and be aware of the existing policy and regulatory framework, which are currently working well.
- 6. How can the OPR contribute to the protection of traditional land and resource use, and sites of significance for Indigenous peoples on a pipeline right-of-way, during construction, and operations and maintenance activities?

Pipeline design and in particular pipeline route selection is typically informed through dialogue during consultation and engagement with Indigenous peoples, governments, rights holders and stakeholders. Robust consultation processes are in place both federally and provincially that must be satisfied prior to any project approvals. In many cases, this dialogue is successful in the identification of traditional land and resource use, as well as sites of significance, and mitigation efforts are discussed and agreed upon if necessary by the parties. Mitigation efforts may consist of avoidance or other means such as less intrusive construction methods.

Recommendation: No additional role for the OPR is recommended as it would be duplicative of existing processes and provisions in other regulations and legislation. Focus on relationship development, including prior consultation, and the process of dialogue to inform route selection and if necessary, mitigation measures will continue to be followed

by proponents as a best practice. This approach enables Indigenous right-holders who are most affected to engage directly with proponent on their priorities in in terms of traditional land-uses in the context of local development.

7. How can the use of Indigenous knowledge be addressed in the OPR?

It is our understanding that the federal government is developing an Indigenous Knowledge Policy Framework which seeks to standardize how Indigenous knowledge is considered and utilized across several federal statutes. Canadian Natural contributed to the CAPP submission on the framework, where we proposed the incorporation of Indigenous knowledge should include the following features:

- 1. A process supported by Indigenous communities, industry and government should clearly establish what is understood as Indigenous knowledge in the context of development.
- While Indigenous knowledge and (western) science often complement one another, the federal government should develop a decision pathway to address situations where there is a divergence between knowledge sets in the context of project review.
- 3. The federal government should provide Indigenous groups with stable and predictable funding to support the capacity of Indigenous groups to document knowledge at the community level and to use this information to inform their own strategic planning initiatives.
- 4. Indigenous knowledge should be shared early in the process in a way that is transparent to project proponents. The resources, participants and timelines associated with the sharing of Indigenous knowledge and its application should be established at the outset.

Recommendation: CER should transparently share Indigenous Knowledge when such knowledge is being applied to decision process that affect our operations. While an emphasis on the confidentiality of Indigenous knowledge is important with respect to the public, it is critical that such knowledge is transparent to proponents.

Recommendation: Follow the Impact Assessment Agency guidance on Indigenous knowledge to avoid proliferation of differing guidance on approach. The inclusion of Indigenous knowledge in the OPR should be coordinated with other federal processes. Much of the consideration of Indigenous knowledge will occur during the approval phase a project – the OPR should not be duplicative but should complement those efforts.

8. How can the OPR address the participation of Indigenous peoples in pipeline oversight?

The CER's Indigenous Advisory and Monitoring Committee is an excellent example of how Indigenous people can be meaningfully engaged in pipeline oversight.

In addition, there are dozens of Indigenous Guardian Programs encompassing a wide variety of activities across Canada, including the monitoring of resource development, environmental monitoring, compliance monitoring and cultural activities such as heritage and language preservation or traditional practices.

These programs play an essential role in the development of long-term relationships among project proponents, provincial and federal governments, and Indigenous peoples:

- Providing meaningful participation of Indigenous people in infrastructure projects such as pipelines;
- Creating relationships between Indigenous peoples, project proponents and government;
- Enhancing the understanding of Indigenous people in the policy and regulatory framework governing projects;
- Providing an avenue for Indigenous knowledge to be employed by governments and project proponents; and
- Providing meaningful employment within Indigenous communities.

The most successful programs to date have been developed through a collaboration between Indigenous people and government and industry as partners.

Many Guardian Programs have been designed around the monitoring of all disturbances to the land base, instead of a single sector. Opportunity exists for expanded programs and funding through collaboration between the federal and provincial governments.

Recommendation: Increased resources from the CER to support participation of Indigenous people in programs for pipeline monitoring or other key activities. These should support Indigenous/Industry dialogue around the priorities and best models for each project.

Recommendation: The development of a monitoring program should not create duplicative process or add additional regulatory burden that would reduce Canada's global competitiveness.

9. How can the OPR support collaborative interaction between companies and those who live and work near pipelines?

Awareness is a key element of damage prevention. The OPR includes a requirement for regulated companies to have damage prevention programs under section 47.2 and in accordance with the CER's *Pipeline Damage Prevention Regulations — Obligations of Pipeline Companies*. Section 16 of these regulations outlines a company's obligations for awareness programs.

By placing these requirements in law through federal regulation, the same requirements do not apply to provincially regulated pipelines (unless specifically enacted by each provincial regulatory authority). As such, there is no consistent requirement for the content or execution of damage prevention programs across Canada. A significant opportunity exists to migrate the requirements of the CER regulations into the CSA, within CSA Z662 or CSA Z247 Damage Prevention for the Protection of Underground Infrastructure.

Recommendation: The requirements for damage prevention programs and, correspondingly, awareness programs could be made universal if included in CSA and elevated to law through adoption. This would also mean a universal audit system could be developed for use by all regulatory authorities, replacing the need for individual audits by each jurisdictional authority in situations where companies operate in multiple jurisdictions.

10. How could communication and engagement requirements in the OPR be improved? The volume of communication and engagement with energy and pipeline companies (as well as companies representing other sectors) can be overwhelming and inefficient, given the volume of materials and the demands on time for meetings and other engagement. Consider a rural community with 15 or more pipeline companies and producer companies operating within its boundaries. Requiring each company to have their own engagement program and materials for emergency management is inefficient, confusing and potentially harmful.

Recommendation: Collaboration in the development of consistent messaging and joint sessions could significantly reduce the number of interactions and ensure more effective communication while fostering enhanced relationships.

11. How could the CER improve transparency through the OPR?

Transparency needs to work both ways and not just with industry. It can be improved by being clear on what requested documents are being used for. Documents should be used

as a demonstration of work performed to ensure compliance. Management Systems and competency requirements currently in place for industry, should also be transparent from the regulator.

The professional credentials of regulatory personnel assessing requested information from the industry should be transparent. The regulator's personnel should employ the same level of competency and professionalism expected from the industry.

- 12. Gender and other intersecting identity factors may influence how people experience policies and initiatives. What should the CER consider with respect to:
  - a. those people implementing the OPR; or
  - b. those people who are impacted by the operational activities addressed in the OPR?

Canadian Natural does not have any input or recommendations in regard to this question.

13. How can the OPR support a predictable and timely regulatory system that contributes to Canada's global competitiveness?

See above comments for #1. Regulations need to be fit for purpose and risk based. Regulatory screening should be performance and risk based – moving attention from good performers and low risk systems to poor performers and on systems with high inherent risk. Upstream Sausage links should be removed from CER purview to provincial regulators to free up resources for focused attention on high consequence transmission systems.

14. How can the OPR support innovation, and the development and use of new technologies or best practices?

The OPR needs to recognize that an engineering assessment accepted by the CER may be performed to override particular rules. As the OPR deals at a high level with processes this many not be as applicable, but somehow it needs to be stated that regulations leave room for proven technologies and approaches. This can be solved through true goal based regulation vs prescription.

15. What company-specific or industry-wide performance metrics could the CER consider to support enhanced oversight and transparency for CER-regulated facilities?

Not all incidents are equal, and inconsequential, or low consequence incidents should not be lumped together with high consequence ones that have root cause in poor management.

Many low-consequence incidents should not be necessarily taken as a precursor indicator for potentially larger ones as the background of the pipeline management system strength needs to be understood before making conclusions.

16. Are there opportunities within the OPR for data and digital innovation that could be used by the CER and by companies regulated by the CER?

Perhaps some of the current bottlenecks (e.g. slow responses) could be eliminated through automation (self-serve process). Then regulatory focus can be focuses on auditing of those processes.

17. How can the OPR be improved to address changing pipeline use and pipeline status?

Most substance classifications the CER uses are more oriented to transmission systems, not those of the upstream, often forcing best fit criteria. Per #1 above, perhaps best to divest regulator jurisdiction to provincial regulators or adopt their substance classifications for these types of pipelines.

18. What further clarification, in either the OPR (e.g., structure or content), or in guidance, would support company interpretation and implementation of management system requirements?

Management system requirements are already well covered in CSA Z662. If further improvements are deemed necessary, they should be taken to the respective CSA committee for consideration.

- 19. How should information about human and organizational factors, including how they can be integrated into a company's management system, for both employees and contractors, be provided in the OPR, and/or described in related guidance?
  - The existing regulation is sufficient in this regard. CSA Z662 is already looking at this issue to better address the subject within the standard.
- 20. How can the OPR improve the connection between company safety manuals and the overarching Safety Management Program, for both employees and contractors?

As discussed above, there needs to be acknowledgment that upstream companies may have elements in overarching safety management systems that cover safety for all their business aspects, not just pipelines. Duplicating these systems purely for pipeline systems does not add value. Perhaps an organization like the Western Regulators Forum could review the safety performance of regulated companies and discuss how they (as oil and gas regulatory agencies) might change the regulatory framework to improve the safety performance of the pipeline industry.

21. How can respect and personal workplace safety be assured at CER regulated sites?

The *Canada Labour Code* and the CER's *Enforcement Policy* already provide a comprehensive enforcement framework that can be used effectively for both education and punitive action. Duplicating regulation should be avoided.

- 22. How should the CER be more explicit about requirements for contractor management? CSA Z662 already covers aspect of personnel management, regardless if they are employee, contractor or subcontractor. If further improvements are deemed necessary, they should be brought to the attention to the respective CSA Subcommittee for potential inclusion in the next edition of the standard.
- 23. How should the OPR include more explicit requirements for process safety?

The need for process safety is already implicit with clause 3.1.2 Safety and Loss Management Systems of CSA Z662. If more explicit requirements are deemed necessary, they should be brought to the attention of the responsible technical subcommittee for consideration in the next edition.

24. How can the OPR drive further improvement to the environmental performance of regulated companies?

The use of true goal based regulation and risk based approaches would drive further improvement.

- 25. How can the connection between the Environmental Protection Plan, specific to an individual pipeline, and the company's Environmental Protection Program, designed for a company's pipeline system, be improved?
  - Current requirements are adequate.
- 26. How can contaminated site management requirements be further clarified, in the OPR or in guidance?

Once deleterious materials or contaminants are introduced to the environment through spills, emissions or other mechanisms, they are rarely confined to the immediate federally regulated footprint of the infrastructure. As such (and as noted in the Discussion Paper), both federal and provincial legislation and regulatory regimes apply. This makes remediation complex as companies must meet with multiple levels of government in executing their initial response and subsequent site remediation, which may take years.

Recommendation: The CER could consider equivalency agreements (or similar) with provincial authorities for remediation and reclamation: accepting a single regime and established criteria for remediation which would be consistent with the surrounding environment outside of the confines of the federal infrastructure

27. Are there any matters related to the Emergency Management Program in the OPR that require clarification? If so, what are they? Are there any matters for which further guidance is required?

As noted in the Discussion Paper (paraphrased for clarity):

CSA Z246.2 Emergency preparedness and response for petroleum and natural gas industry systems (CSA Z246.2) allows a standardized approach to be taken across jurisdictions when coordinating an emergency response process.

Recommendation: The CER, in collaboration with the Western Regulators Forum and across the balance of Canada, should work collectively to ensure the requirements within CSA Z246.2 fulfill their regulatory needs. A uniform and well-regulated basis for emergency management in Canada's pipeline and energy sector is critical to safety and environmental protection. In addition, the CER and its colleagues should continue/expand their work with other regulatory agencies responsible for emergency management and response, ensuring that practices are shared across sectors and enhancing opportunities for mutual aid.

In addition, we would like to offer the following comments:

Clearer lines of communication with Indigenous communities would be beneficial
when it comes to emergency management. Companies are required to have
Accountable Officers. There would be a benefit to industry if the CER worked with
Indigenous communities to determine a point of contact in each community should

an emergency occur so companies have an official designated representative with whom to communicate and who is authorized to make decisions on behalf of the Indigenous community. There would also be a benefit in the sharing of consultation area boundaries so companies would know which Indigenous communities should be contacted in the case of an emergency.

The oil and gas industry is required to invite provincial/federal regulators and emergency management authorities. While operators understand the intent to invite local participants, the CER is encouraged to recognize that requiring companies to invite a broad spectrum of those who are not emergency responders to mandatory exercises could distract from the primary purpose of ensuring operations are prepared for emergency situations and require additional resources and capital to ensure compliance.

- 28. How could the requirement for a Quality Assurance Program be improved or clarified in the OPR?
  - Further improvement here is not needed. These requirements are already well covered in CSA Z662
- 29. How can the OPR incorporate the key issues identified in the Safety Advisory regarding the strength of steel and the relative strength of the weld area?
  - CSA committee have discussed this issue at length and changes to the Z662 standard are likely for the upcoming 2023 edition.
- 30. What are your recommendations for compliance promotion at the CER?
  - The use of true goal based regulation and risk based approaches would promote compliance at the CER.
- 31. How do you want to be engaged by the CER in the development of technical guidance?
  - Continued engagement with industry through focused work groups (as was done for the Quality Assurance white paper) and further dialogue through the various CSA committees.