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*Submitted via e-mail*

**RE: Federal Clean Energy Strategy (FCES) – Role of Natural Gas in Canada and Industrial Competitiveness**

The Industrial Gas User Association (IGUA) welcomes the opportunity to highlight the critical role of natural gas in supporting Canada’s industrial competitiveness and economic resilience, particularly considering the ambitious priorities outlined in Prime Minister Carney’s recent Mandate Letter to Ministers. We applaud the government’s focus on nation-building infrastructure, interprovincial collaboration, and a strong economy that works for all Canadians. IGUA shares this commitment and believes that Canada’s natural gas system is a strategic asset that can help achieve these goals while advancing environmental progress.

The Federal Clean Energy Strategy (FCES) and Clean Energy Regulations (CER) are bold initiatives, but they must carefully balance decarbonization with the needs of Canada’s industrial base. As the Prime Minister emphasized, building infrastructure at unprecedented speeds and ensuring affordability are critical to our collective success. In this context, the CER’s potential impacts on natural gas infrastructure require urgent reconsideration to avoid negatively affecting industrial competitiveness and the very prosperity the government seeks to secure.

IGUA represents the largest industrial natural gas consumers across Ontario and Quebec from sectors including steel, aluminum, fertilizer, forest products, mining, chemicals, petroleum refining and manufacturing. IGUA’s membership employs a highly skilled workforce and comprises energy-intensive, trade-exposed (EITE) industries. We create thousands of well-paying jobs throughout both provinces and across Canada, through our vast supply chains. Many IGUA members are the anchor employers in remote and rural communities and in major industrial hubs like Montréal, Bécancour, Sarnia, Sudbury, and Hamilton. The industrial sector and its essential products are fundamental to Canada’s prosperity both in terms of domestic consumption and export revenue.

IGUA members are committed to environmental stewardship and take pride in having lowered greenhouse gas emissions (GHGs) across their diverse operations. All IGUA members have aggressive carbon reduction plans for 2030, and most have committed to net-zero by 2050. IGUA members have publicly committed to decarbonization, and they have done this while ensuring that Canada’s industries remain globally competitive throughout the transformation of energy systems. We echo the government’s priority of “building one Canadian economy” and believe that preserving reliable, affordable natural gas is essential to this mission.

**The Role of Natural Gas in Industrial Competitiveness and Decarbonization**

Canada’s industrial sector, which consumes nearly half of the country’s energy, depends on reliable and affordable natural gas—not just as fuel but also as critical feedstock and a decarbonization tool. Natural gas displaces higher-emitting fuels like coke and bunker oil, enabling real, measurable emission reductions while preserving competitiveness.



While efforts to reduce GHGs are essential, limiting natural gas availability threatens Canada’s EITE industries and supply chains. Further restrictions could lead to facility closures, job losses, and weakened industrial foundations. Current federal frameworks, including the FCES and CER, fail to adequately address these competitiveness concerns.

Natural gas-fired electricity remains essential for grid reliability, especially as emerging technologies (battery storage, SMRs, distributed generation) still face uncertainties. Its affordability, resilience, and flexibility make it uniquely capable of providing reliable, stored backup power, safeguarding industries against costly disruptions and the unknown future costs associated with electrification.

Canada’s underground natural gas infrastructure provides unmatched reliability at significantly lower costs compared to buried electricity transmission lines. Pipelines are more immune to the weather-related disruptions that frequently impact overhead electricity systems, offering industries a secure and resilient energy source. Put simply, natural gas transportation infrastructure is more reliable and less expensive to maintain than electricity infrastructure. IGUA members prize this greatly.

To attract new industrial investment Canada must maintain energy flexibility. Many industries cannot fully electrify with current technology, and those that can, remain cautious about relying solely on electricity. Preserving a balanced energy mix—including natural gas—helps secure investment and retain the many industries that prize the reliable and affordable energy system Canada has built.

IGUA supports federal efforts to advance innovation through hydrogen, Carbon Capture Utilization and Sequestration (CCUS), Renewable Natural Gas (RNG), biofuels and carbon offsets. Expanding the federal offset credit registry to include RNG and other eligible energy sources, would allow industries to achieve decarbonization goals without undermining operational viability. Newer, alternative lower-carbon gases offer pragmatic, incremental pathways to emissions reductions while maintaining economic competitiveness.

### **The FCES Cost-Benefit Challenge**

The federal government’s projected \$14.6B net economic benefit under the FCES requires closer scrutiny, as key cost factors may be underestimated:

- **Relocation of Natural Gas Generation:** Existing gas plants are strategically located near urban load centers for efficiency and reliability. Replacing them with remote generation will require costly new transmission, increase line losses, and face social significant social acceptability risk
- **Labour and Supply Chain Constraints:** Canada’s growing skilled labour shortages and supply chain bottlenecks may significantly inflate costs for new generation and transmission projects, especially if electrification efforts are rushed or intensified.
- **Industrial Competitiveness Risks:** Higher energy costs and reliability concerns could erode the Canadian industrial base, shifting investment, production—and emissions—to foreign suppliers, undermining the transition’s intent.
- **Permitting and Public Acceptance:** New transmission and generation face permitting hurdles, community opposition, and legal delays, while existing natural gas infrastructure remains highly valuable and strategically located.
- **Decommissioning Costs:** Retiring the current gas fleet risks stranding associated transmission, pipeline, and storage assets—representing efficiency losses and wasted investment.

### **Recommendations**

1. **Limit Further Changes to Electricity Generation:** With coal largely retired and scheduled for retirement,



Canada's electricity system is already among the world's least emitting. Further changes risk harming Canada's industrial competitiveness in a world where our global peers and competitors should face pressure to catch up to Canada's leading example.

2. Preserve Existing Gas Infrastructure: Natural gas pipelines and generation assets deliver reliable, flexible, and cost-effective energy to both industry and power generators. Eliminating gas generation risks undermining both sectors' viability.
3. Recognize Provincial Clean Energy Leadership: CER should acknowledge provinces like Quebec and Ontario that have already invested heavily to achieve 90%+ non-emitting electricity through coal phase-outs and strategic investments in nuclear and renewable power.
4. Conduct Full Cost-Benefit Analysis: ECCC should reassess the \$14.6B net benefit estimate to ensure all financial, economic, and competitiveness factors are fully considered.
5. Monitor Global Competitiveness: Continuously track energy and carbon policy costs in competing jurisdictions to avoid disadvantaging Canadian industry.
6. Support Innovation and Alternatives: FCES should promote technologies such as hydrogen, CCUS, RNG, biofuels, and offsets while minimizing undue financial burdens on industry.
7. Innovation: IGUA supports investments in hydrogen, CCUS, and renewable natural gas (RNG). Expanding the *federal offset-credit registry* to include RNG would advance decarbonization without sacrificing competitiveness, a pragmatic step toward the government's climate goals.

Rising energy costs pose a serious threat to Canada's industrial competitiveness and must be addressed alongside efforts to lower costs for all Canadians, as emphasized by the Prime Minister. Affordable energy is essential for the viability of large industrial sectors that drive economic growth.

Natural gas pipelines provide unparalleled reliability and resilience, serving as a critical foundation for industry. This aligns closely with the government's focus on nation-building and infrastructure strength.

IGUA is committed to working collaboratively with the new government to refine the FCES and CER frameworks, ensuring they support the Prime Minister's vision for a productive, united, and sustainable Canada. By strategically leveraging Canada's natural gas infrastructure, we can balance economic prosperity with meaningful environmental progress.

We appreciate this opportunity to engage and look forward to constructive dialogue.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Irving', is positioned above the typed name.

Jacob Irving  
President, Industrial Gas Users Association

CC.

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