

# Alberta moves to introduce carbon capture and storage “hubs”

June 07, 2021

A recent announcement from Alberta Energy marks a significant development in using the province’s ample carbon capture and storage potential.

[Through an Information Letter](#), the Alberta government shared preliminary information regarding a competitive process through which the government will award rights to develop carbon capture utilization and storage (CCUS) “hubs” in Alberta. This announcement follows the establishment of the [Alberta-Canada CCUS Steering Committee](#) and continued dialogue between the federal and provincial governments regarding the driving down of emissions of the Canadian energy sector through measures such as [the carbon capture tax credit](#) announced in the Federal Budget.

CCUS involves capturing carbon dioxide from industrial emitters, transporting it, and injecting it into carefully selected sites deep underground for safe, long-term storage. Alberta’s pre-existing energy infrastructure and expertise, paired with geology suited for long-term CO<sub>2</sub> storage, positions the province as a potential leader in the CCUS industry. Currently there are [two commercial-scale carbon capture and storage projects](#) in Alberta, with the collective potential to reduce industrial producer emissions by 2.76 million tonnes each year. CCUS technology is expected to play a central role in reconciling Canada’s economic dependence on the energy industry with the country’s GHG emission reduction targets.

## Competitive process parameters still in development

The Information Letter stresses the fundamental role that CCUS projects will play in Alberta’s economic and environmental future, and the need for a strong regulatory scheme that would ensure the industry’s longevity. A key objective underlying the competitive process of issuing sequestration rights is the need for developing **strategically-located carbon storage “hubs,”** which will provide sequestration services to several industrial facilities.

Employing a hub-based model for sequestration is seen as a means of achieving greater economies of scale and minimizing the risk of pore space sterilization by limiting perforations and development in storage zones. The competitive process outlined in the Information Letter is specific to geologic storage hubs, and does not relate to projects

that utilize CO<sub>2</sub> injection for enhanced oil and gas recovery (though such projects are not precluded).

The competitive process - expected to be released in the coming weeks - is still under development, but Alberta Energy has highlighted its general expectations for proposals, which should:

- Identify approximate geographic locations for injection operations;
- Identify a transportation system for captured carbon;
- Provide for open access to the hub;
- Provide fair service rates;
- Account for carbon offsets or future credits; and
- Provide Albertans the opportunity to realize fair economic benefit as operations advance.

A “highly qualified proponent” eligible for selection through the process will need to demonstrate the technical, financial and operational capacity to take on developing and managing a CCUS hub. The successful party will be expected to adhere to existing legislative and regulatory requirements and obtain the necessary approvals from the AER.

Alberta Energy reports that it has received “a very large number” of inquiries relating to sequestration opportunities, and thus it notes in the Information Letter that additional storage hubs may be solicited for approval in the future, pending market demand.

## **CCUS investments increasing; hydrogen production through CCUS to grow**

Existing operations in Canada currently capture more than four megatonnes of carbon annually, while the recent Federal Budget has set a goal of capturing 15 megatonnes annually. The budget incorporated two measures to support further development of CCUS: \$319 million over seven years to support research, development and demonstrations to improve the commercial viability of CCUS initiatives, and an investment tax credit for capital invested in CCUS projects.

Legislation implementing the tax credit is to be introduced following a 90-day consultation period, though the federal government has already signalled that the credit will not be available for projects that use captured carbon for enhanced oil recovery. It will, however, be available to support hydrogen production, an [area of major growth potential](#). Existing uses of CCUS in Alberta produce “blue” hydrogen from fossil fuel operations, with the federal government having recently set a goal to increase CCUS for hydrogen production to capture 50 per cent of GHG emissions as soon as possible, and 90 per cent of GHG emissions through CCUS by 2030.

Reach out to any of the key contacts below if you have questions about Alberta’s CCUS strategy.

By

[Clay Jacobson](#), [Myles Fish](#), [Jack Goranson](#)

Expertise

[Environmental](#), [Energy - Oil & Gas](#), [Government & Public Sector](#), [Alternative Fuels](#)

---

## **BLG | Canada's Law Firm**

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

[blg.com](http://blg.com)

### **BLG Offices**

#### **Calgary**

Centennial Place, East Tower  
520 3rd Avenue S.W.  
Calgary, AB, Canada  
T2P 0R3

T 403.232.9500  
F 403.266.1395

#### **Ottawa**

World Exchange Plaza  
100 Queen Street  
Ottawa, ON, Canada  
K1P 1J9

T 613.237.5160  
F 613.230.8842

#### **Vancouver**

1200 Waterfront Centre  
200 Burrard Street  
Vancouver, BC, Canada  
V7X 1T2

T 604.687.5744  
F 604.687.1415

#### **Montréal**

1000 De La Gauchetière Street West  
Suite 900  
Montréal, QC, Canada  
H3B 5H4

T 514.954.2555  
F 514.879.9015

#### **Toronto**

Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada  
M5H 4E3

T 416.367.6000  
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing [unsubscribe@blg.com](mailto:unsubscribe@blg.com) or manage your subscription preferences at [blg.com/MyPreferences](http://blg.com/MyPreferences). If you feel you have received this message in error please contact [communications@blg.com](mailto:communications@blg.com). BLG's privacy policy for publications may be found at [blg.com/en/privacy](http://blg.com/en/privacy).

© 2024 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.