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# ***Turning the Corner: Canada's Regulatory Framework for Industrial Greenhouse Gas Emissions***

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## Canada's greenhouse gas emissions have grown steadily since 1990

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- At Kyoto, Canada committed to a target of 6% below 1990 levels
  - However, Canadian emissions have grown steadily since 1990
- Canada's annual greenhouse gas (GHG) emissions are currently more than 25% higher than they were in 1990 and 32% higher than Canada's Kyoto Protocol target
  - This growth is due in part to the continued expansion of Canada's production and export of oil & gas
- Without immediate action, our emissions from all sectors could increase by another 26% to reach 940 megatonnes in 2020



## Canada is now taking aggressive action to achieve an absolute 20% reduction in GHGs by 2020

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- The Government of Canada has now committed to reducing Canada's total emissions, relative to 2006 levels, by 20% by 2020 and by 60-70% by 2050
- The level of effort required to achieve these goals will be significant, as Canada has a growing population, a growing economy and increasing energy exports
- To achieve these goals, the Government has launched a series of ambitious regulatory and technology initiatives
- Most recently, the Government has announced further details of one of the world's toughest regulatory regimes for industrial GHG emissions
  - It is estimated that these reductions will cost Canadians up to 0.5% of GDP



# Canada's plan to cut GHG emissions consists of several elements including industrial regulations

## 1. Industrial GHG Regulation

Comprehensive regulations to force industry to cut GHG emissions

- Focusing on key sources of emissions, including oil sands and coal-fired electricity plants
- Setting up a carbon emissions trading market
- Establishing a market price for carbon
- Deploying new clean technologies

## 2. Clean Electricity

Canada is building one of the world's cleanest electricity systems

## 3. Transportation

Regulation and investment to cut emissions from transportation

## 4. Buildings and Appliances

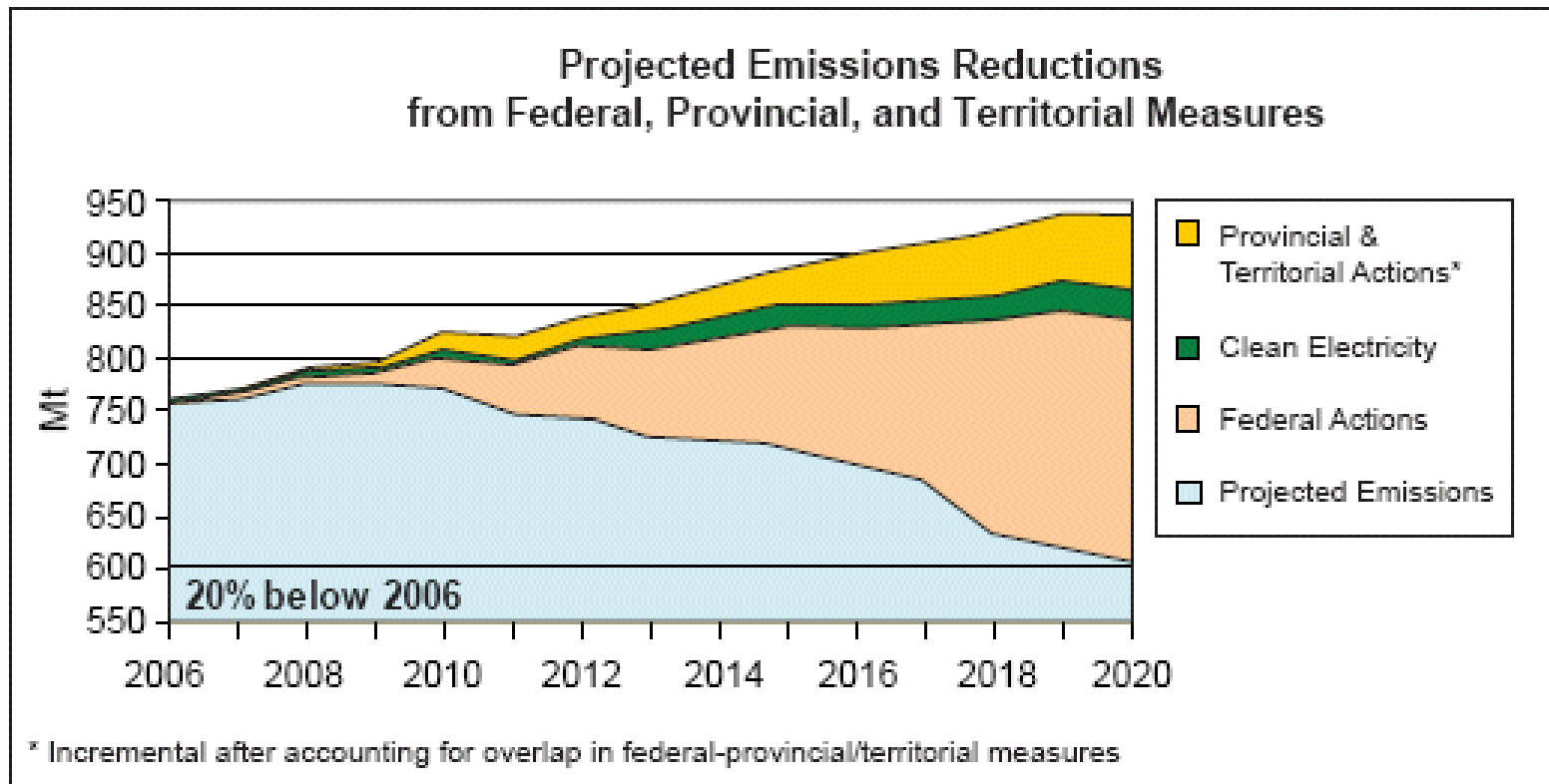
Action to cut emissions from buildings and appliances

## 5. Other Actions

A range of other actions



# Action by all levels of Government will enable Canada to reach its national goal



Source: Environment Canada.



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# Canada will require industry to reduce emissions by 21% from current levels by 2020

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- Canada's industrial greenhouse gas regulations will yield about half of the emission reductions required to meet our 2020 target
- These regulations will apply to all major industries, including oil sands, electricity, petroleum refining, chemicals, pulp & paper, aluminum, cement and iron & steel
- Regulated industries will be required to improve the emissions intensity of their existing facilities by 18% by 2010, and achieve 2% continuous improvement each year thereafter
  - Intensity reductions of this magnitude will yield absolute emission reductions even as the economy grows
  - Firms will, for a limited time, receive incentives to encourage them to invest in green technology development and deployment
- New facilities built by firms in regulated industries will have to meet stricter emissions standards based on the use of cleaner fuels



## A carbon emissions trading market is a key element of the plan

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- Canada is setting up a domestic carbon trading market and will consider linking with international markets in the future
- There are flexible compliance mechanisms that regulated entities can use to meet their obligations:
  - Achieve in-house reductions
  - Contribute to the Technology Fund
  - Retire tradable units
    - Surplus credits
    - Offset credits
    - Early action credits
    - Credits from the Clean Development Mechanism



# Offset System

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- The Offset System will:
  - Provide an incentive for cost-effective domestic GHG reductions outside of regulated activities by issuing tradable offset credits for GHG reductions/removals that meet system requirements
  - Provide a compliance mechanism for industry as regulatees will be allowed to use offset credits to meet their compliance obligation
- Credits will be issued for incremental real, verified domestic reductions or removals of greenhouse gas emissions in activities outside the regulations
- Only emission reductions or removals that are achieved after January 1, 2008 could generate credits
  - And only projects that began to achieve reductions after January 1, 2000 will be eligible
- Reductions must be quantified as specified in an Offset System Quantification Protocol





# Credit for Early Action and the Clean Development Mechanism

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- Credit for Early Action Program
  - Firms that took verified early action to reduce emissions will be eligible for a one-time allocation of 15 Mt in credits
    - 5 Mt credits issued in each of the years 2010, 2011, and 2012
  - Reductions must have been achieved between 1992 and 2006 and be the result of an incremental process change or facility improvement
  - Reductions must have occurred within the facility boundary
  - Allocation decisions will be made by summer 2009
- Clean Development Mechanism
  - Firms may use credits from the Kyoto Protocol's Clean Development Mechanism – with the exception of credits from forest sink projects – to satisfy up to 10% of their regulatory obligation



# Trading and Use of Compliance Units

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- The government will establish a system for tracking credits from issuance to retirement or cancellation
- Entities that receive, retire, cancel, bank or trade credits will need to establish an account in the unit tracking system
- The financial value of credits will be determined by supply and demand in the marketplace
- The government will not buy credits or otherwise participate in the carbon market
- Private sector will conduct trading including
  - Providing brokerage services
  - Operating exchanges



# Implementation Timing

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- The domestic credit tracking system will be open in January 2009 for offset credits
  - Other compliance units will be not issued until 2010 or later
- Canada's National Registry will provide access to credits from the Clean Development Mechanism



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## Turning the Corner: Taking Action to Fight Climate Change

(March 10, 2008)

<http://www.ec.gc.ca/default.asp?lang=En&n=75038EBC-1>

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