



Québec Cap-and-Trade System for GHG Emissions, linked with California and Ontario

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Outline

1. Context
2. Basics of the Québec Cap-and-Trade system
3. How offset credits are generated
4. Features and benefits of offset credits, including means to ensure quality
5. Where/How potential buyers can purchase offset credits
6. Tracking of offset credits

1. Context



- Québec Cap-and-Trade is a Sub-national Compliance C&T system, in operation since Jan 1st, 2013
- Became linked with California's on Jan 1st, 2014, and Ontario's on Jan 1st, 2018
- Each jurisdiction has its own legislations/regulations to establish and implement its system, but all 3 systems have been designed based on the same principles and criteria (Western Climate Initiative – WCI), hence are fully compatible
- ✓ *Make up a fully fungible regional carbon market, the largest in North America and the first to be designed and managed by sub-national governments in different countries*



2. Basics of the C&T system



Scope (same general rules for all WCI Jurisdictions)

- Industry and Electricity : ≥ 25 kt CO₂ eq. per year
- Fuel distribution : ≥ 200 liters of fuel in Québec per year
 - 80-85% of GHG emissions in Québec are covered by the cap-and-trade system (not covered : e.g. emissions from agriculture and waste)

Compliance periods (same general rules for WCI Jurisdictions)

- 3 compliance periods: 2013-2014; 2015-2017; 2018-2020

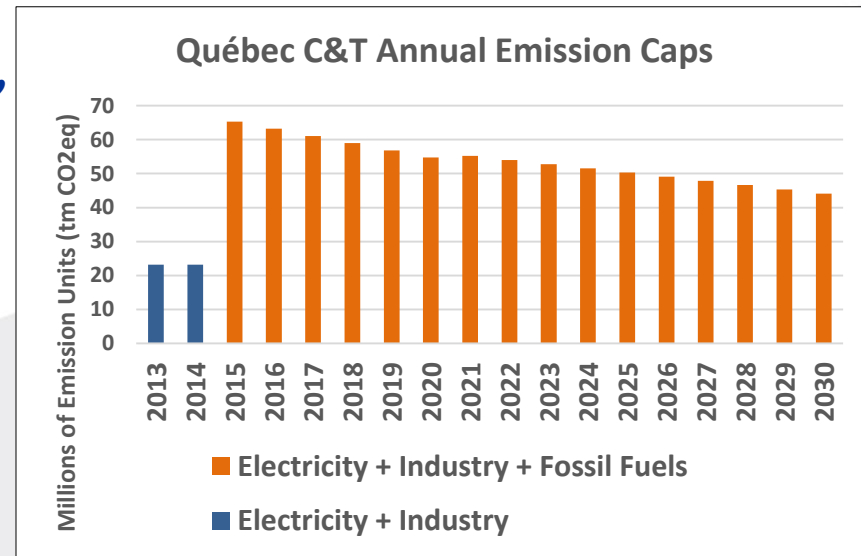
2. Basics of the C&T system



Emissions caps

Caps (same general rules; caps specific to each)

- **Compliance obligation:** For a compliance period, each covered emitter must acquire a number of emission units corresponding to its actual GHG emissions for that period
- **Caps:** Sum of all emission units available for all covered emitters together
- Determined to contribute to achieve Québec's targets in 2020 (-20%) and in 2030 (-37,5%) below 1990



Distribution of emission units

- **Free allocation** (flexibility to WCI Jurisdictions): Emission units are distributed for free to some covered trade-exposed industries to take into account competitiveness issues
- **Auctions** (same general rules) : Emissions units may be bought at quarterly joint auctions (now held jointly Québec-California-Ontario), using an electronic platform
 - Québec auction revenues transferred to the Green Fund : 618 M\$ in 2017

2. Basics of the C&T system



Offset Component (same general rules for all WCI Jurisdictions)

WHAT

- **Complementary Market-Based Tool**, as a component of the C&T
- Enable implementation of projects carried out by promoters on a voluntary basis, to reduce GHG emissions **in sectors other than those subject to C&T compliance obligations** (e.g. agriculture, waste, forest, ...)
- Promoters may be awarded **offset credits**, which they can sell to covered emitters to comply in any of the WCI partners jurisdictions
 - ✓ *Primary use of WCI offset credits*

WHY

- **Decrease compliance costs** assumed by covered emitters without compromising the environmental integrity of the C&T
- **Encourage GHG emission reductions and support technology development & innovation** in those other sectors, through financial incentives

3. How offset credits are generated



Project types

- **Eligible projects – Currently five protocols in Québec :**
 1. Covered manure storage facilities – CH₄ destruction
 2. Landfill sites - CH₄ treatment or destruction
 3. Destruction of ozone depleting substances contained in insulating foam or used as refrigerants removed from refrigeration, freezer and air-conditioning appliances
 4. Active coal mines – Destruction of CH₄ from a drainage system
 5. Destruction of CH₄ from ventilation air

- **Protocols in development (for new project types) :**
 - Carbon sequestration projects from afforestation or reforestation on private land in Québec
 - Project being carried out jointly by Ontario and Québec to adapt up to 13 protocols to meet WCI requirements and specificities of Ontario and Québec, and as possible, be applicable across Canada, in sectors such as agriculture, forest, waste, refrigeration systems

3. How offset credits are generated



Registered projects & offset credits issued

- In Québec: 11 projects for a total of 563 993 offset credits (Sept. 2017)
- All project reports, verification reports and information on credits : publicly available on the on-line Québec Register

http://www.mddelcc.gouv.qc.ca/changements/carbone/credits-compensatoires/registre_creditscompensatoires-en.htm

Offset credit projects and credits issued on September 27th, 2017

Protocol	Project title	Credits issued (tCO ₂ e)
Landfill sites – CH ₄ destruction	LE001 - Reduction of GHG emissions at the closed landfill Marchand	33 558
	LE002 - Reduction of GHG emissions at the closed and opened landfill La Lièvre	15 372
	LE003 - Capture and Destruction of Biogas - Area B at the opened landfill RDL	14 667
	LE004 - Reduction of GHG emissions at the closed landfill Saint-Raymond	8 492
	LE005 - Reduction of GHG emissions at the opened landfill Marchand	3 335
	LE006 - Reduction of GHG emissions at the opened landfill Saint-Flavien	4 116
	LE007 - Reduction of GHG emissions at the opened landfill Gaspé	
	LE008 - Capture and Destruction of Biogas – opened landfill Nouvelle-Beauce	
	LE009 - Reduction of GHG emissions at the opened landfill Val d’Or	
Destruction of ozone depleting substances	SACO-001 - ODS Extraction and destruction	161 510
	SACO002 - Extraction and destruction of ODS contained in isolating foam or used as refrigerants	322 943
Total		563 993

4. Features & benefits of offset credits



A key benefit

- ✓ All offset credits (and emissions units) issued by any of the 3 WCI Jurisdictions are fully fungible in the WCI carbon market

A unique feature : Environmental Integrity Account (Québec and Ontario)

- Funded by the automatic withholding of 3% of the offset credits issued for offset projects
- Can be used to replace any offset credit deemed illegitimate after issuance
- ✓ Québec and Ontario offset credits are thus 100% guaranteed and cannot be cancelled, which reduces market uncertainty

4. Features & benefits of offset credits



Core criteria to ensure offset credit quality and market environmental integrity

- GHG emission reductions must be : **Additional, Real/Quantifiable, Permanent, Verifiable, Enforceable**
- Ownership : Promoters must have legal ownership of the emission reductions resulting from the project
- Verification : Emission reductions must be verified in accordance with ISO 14064-3 by a verification body accredited under ISO 14065 in Canada or USA
- Use of approved protocols only : Contain clear, specific eligibility and quantification requirements – Robust protocol development process, with stakeholder and public consultations
- Prevent double counting : Emission reductions for which offset credits are requested cannot have received credits in WCI market or another program

5. Where/How to buy offset credits



Where/How to buy credits :

- Directly from offset project promoters
- Through a broker
 - *The government does not control or intervene in the buying/selling of credits, but the final exchange of credits must be tracked in the system*

Some requirements for non-emitter buyers to gain access to offset credits :

- Must be registered in the system as a participant
- Must have a domicile or an establishment in Canada (Québec system)
- Will get an account in the system and be able to exchange credits with other participants or emitters

6. Tracking of offset credits



Key infrastructure to support C&T operations

Compliance Instrument Tracking System Service (CITSS)

- Electronic-platform system common for all WCI partners
- Manages accounts and tracks compliance instruments issued through participating WCI Jurisdictions
 - Compliance instruments: **emissions units** and **offset credits**, each identified by an individual serial number
- Tracks compliance instruments from the point of issuance by Jurisdictions, ownership, transfer by emitters and participants, and up to final compliance retirement
- Enables verification of compliance and avoidance of double-counting in the WCI market



For more information:

Québec:

http://www.mddelcc.gouv.qc.ca/changesclimatiques/marche-carbone_en.asp

Ontario :

<https://www.ontario.ca/page/cap-and-trade-ontario>

California :

<https://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>

Thank you !