

Climate Leadership Plan 2016 Alberta's Carbon and Greenhouse



Carbon and Greenhouse Gas Legislation in Alberta

April 15, 2016

Alberta Climate Leadership Plan Emissions limit on oil sands. Reducing methane emissions from oil and gas operations.

Alberta's approach to combatting pollution and climate change includes a series of initiatives aimed at encouraging industrial emitters to greatly reduce their emissions output. A key feature of these initiatives includes the creation of a climate leadership plan, which introduces carbon prices for emitters across all industries.

Climate Leadership Plan



The Alberta government announced its Climate Leadership Plan on November 20, 2015. The new government policy followed public consultations and a report by the Climate Change Advisory Panel (Panel).

Key elements of the Climate Leadership Plan include:

Carbon Pricing

Beginning on January 1, 2017, a \$20/tonne carbon price will be implemented across all sectors. The carbon price will rise to \$30/tonne on January 1, 2018, followed by an increase in real terms, suggested to be inflation plus 2%, each year after that.

Coal & Electricity

Coal-fired electricity will be phased out and replaced by renewable energy and natural gas-fired electricity, or by using technology to produce zero pollution, by 2030.

Starting in 2018, coal-fired generators will pay a \$30/tonne carbon price based on an industry-wide performance standard.

By 2030, renewable sources like wind and solar will account for up to 30% of electricity generation in Alberta.

Oil Sands Emissions

The oil sands will be subject to a legislated emissions limit of 100 mega tonnes (Mt) per year. Today, the oil sands emit approximately 70 Mt per year. There is currently no limit on oil sands emissions, either by facility or industry-wide.

Oil sands emissions will be subject to the carbon price based on results already achieved by high performing facilities.

Methane Emissions

Methane emissions from oil and gas operations will be reduced by 45% by 2025. Methane reduction targets will be achieved through new emissions design standards for new facilities, a five-year voluntary Joint Initiative on Methane Reduction Verification and regulated mandatory standards effective in 2020 to ensure the 2025 target is met.

Financial Support for Renewables

To support renewable power generators, the Panel recommended that the Alberta government purchase renewable energy credits generated by renewable projects on long-term government contracts.

The government tasked the Alberta Electric System Operator (AESO) with the development and implementation of a plan to bring new renewable electricity generation capacity to the grid by 2030. To keep the cost of doing so as low as possible, the government proposed the use of a competitive process, such as an auction.

The Specified Gas Emitters Regulation

The Panel recommended that a Carbon Competitiveness Regulation (CCR) - under which a carbon price is applied to industrial emissions – replace the existing Specified Gas Emitters Regulation (SGER) by 2018. To date, the government has not announced details regarding the CCR.

The Climate Change and Emissions Management Act and the Specified Gas Emitters Regulation

Alberta's Climate Change and Emissions Management Act (CCEMA) and its key regulation – the SGER – in place since 2007, create an intensity-based limit on industrial GHG emissions. Specifically, the CCEMA and the SGER require certain industrial emitters to reduce their emissions intensity and seek to reduce GHG emissions relative to Alberta's GDP to 50%, or less than the province's emissions levels in 1990. Under the SGER, large emitters – those facilities that produce more than 100,000 tonnes of CO₂ equivalent emissions per year – must reduce their baseline emissions intensity from July 1, 2007 by up to 20% in each compliance period. Regulated emitters can comply with this requirement in several ways including:

- improving operations during the applicable compliance period
- emission offsets (earned through the removal or reduction of GHG emissions by way of an approved and non-legally required emission offset project in Alberta and verified by third-party verification procedures)
- emission performance credits (earned by a reduction of GHG emissions lower than the emission limit in a previous compliance period and carried over into the period in which the earned credit is used)
- fund credits paid into the Climate Change and Emissions Management Fund (which can be purchased in Alberta for \$15/tonne of GHG emissions and are an alternative to the bilateral trade in emission offsets)

Alberta's emission offset projects must fit within one of the available emission offset project protocols, such as those for biomass combustion projects and wind-powered electrical generation projects.

Fund credits paid to the fund are managed by the Climate Change and Emissions Management Corporation and are used to fund emission reduction technologies, such as the implementation of a carbon capture and storage system.

We note that the measure chosen under the CCEMA is “emissions intensity”, measuring GHG emissions per unit output. As a result, the CCEMA does not place an absolute cap on Alberta’s aggregate emissions.

On June 25, 2015, the SGER was amended by, among other things:

- requiring large industrial emitters to reduce their emissions by 20% starting in 2017 (with an interim increase to 15% in 2016) instead of the previous 12%
- doubling the cost of fund credits from \$15/tonne of GHG emissions to \$30/tonne by 2017 (with an interim increase to \$20/tonne in 2016)

As detailed above, the Alberta government has indicated that it will take a broader approach to emissions regulation through carbon pricing to cover 78-90% of the province’s emissions (existing regulations currently capture less than 50% of emissions).

In November 2015, Alberta announced the Climate Leadership Plan. Key elements of the Plan include:

Implementing a carbon price across all sectors:

\$20/tonne in 2017
rising to
\$30/tonne in 2018



Legislating an emissions limit on the oil sands of:
100 mega tonnes of CO₂/year.

Phasing-out coal-fired electricity by
2030



and replacing two-thirds of existing coal-fired electricity with renewable energy.

Reducing methane emissions from oil & gas operations by:

45% by 2025



The Climate Change and Emissions Management Act & Specified Gas Emitters Regulation place intensity-based limits on industrial GHG emissions.

Resource: Osler, Hoskin & Harcourt LLP

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