

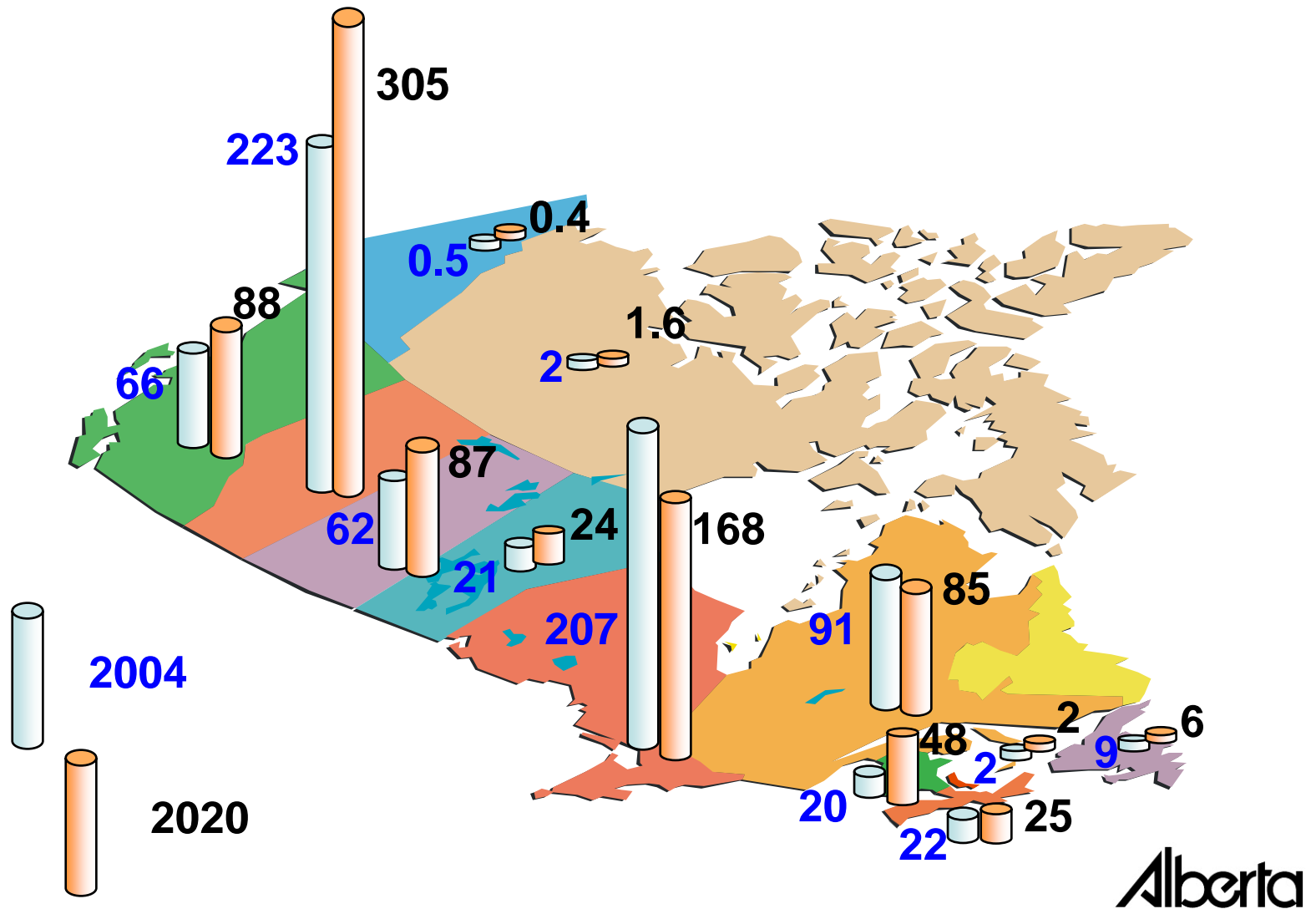


# meeting the challenge

# Outline

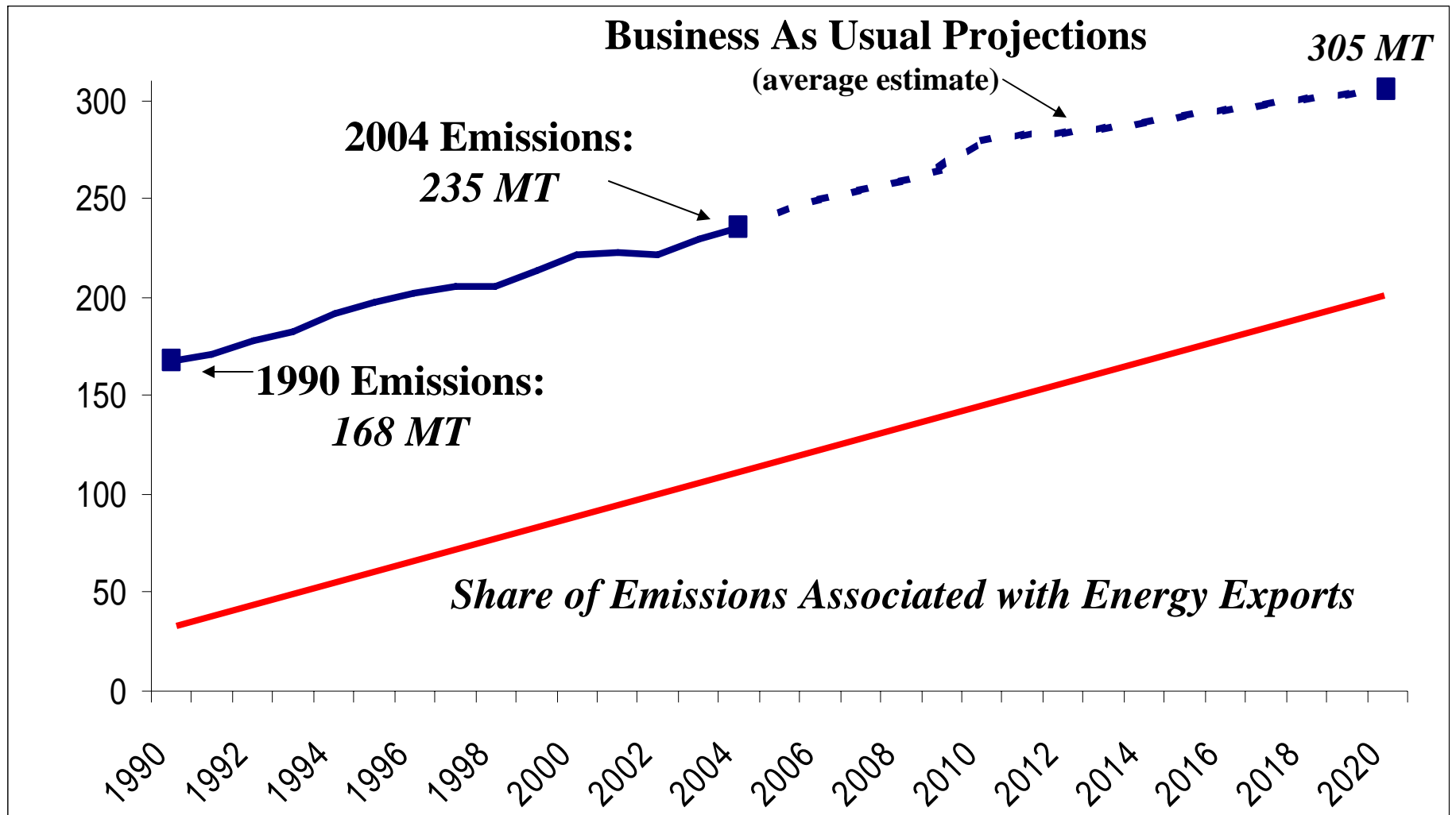
- Context
- Renewing Alberta's Climate Change Plan
- *Specified Gas Emitters Regulation*
- Moving Forward

# Alberta's GHG Emissions in the Canadian Context



# Alberta's Emissions

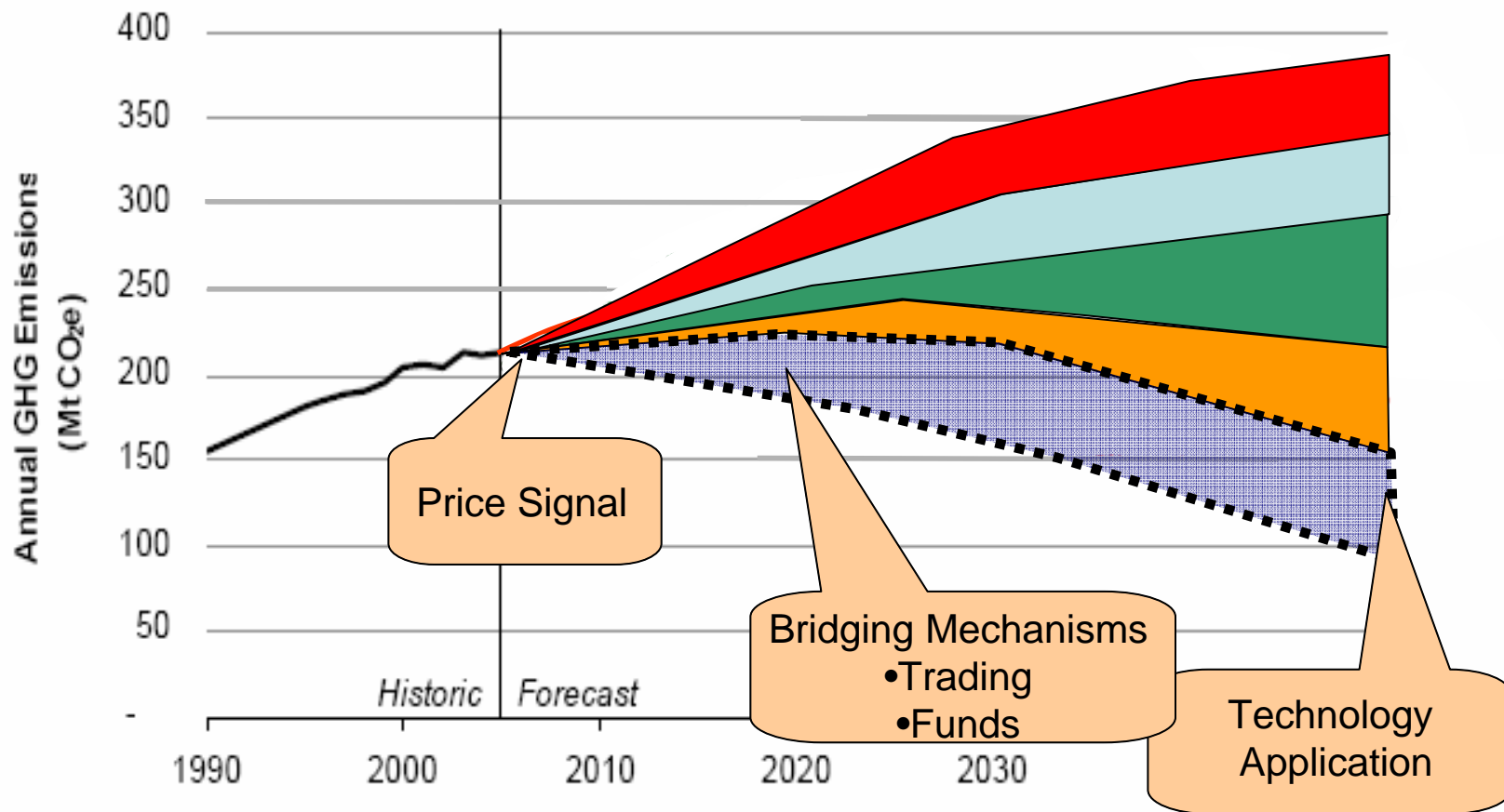
(Million Tonnes of CO<sub>2</sub> Equivalent)



# Alberta Approach

- Long term issue
  - Need to start with practical, achievable objectives
- Policy certainty for industry
  - Large investments being made now – expensive to retrofit, investment is for 40 years+
- Implementation of new technology will be a big part of the long-term solution.
  - Linked to our unique role as North America's energy supplier
- Market instruments are needed to bridge the gap between current emissions and long-term solutions.
- Consumers must be part of the solution
- Requires strategic and focused investment in transformational changes (technology, behavioral, etc.)

# Alberta Mitigation Strategy



# Where have we come from?

- *Taking Action on Climate Change – 2002*
  - ✓ Provincial 50% GHG intensity/GDP target by 2020
  - ✓ Seven thrusts, including:
    - Government Leadership
    - Energy Conservation
    - Carbon Management/ Technology and Innovation
    - Renewable and Alternative Energy
    - Enhancing Carbon Sinks
    - Adaptation
- ✓ Climate Change and Emissions Management Act
  - GHG regulations on:
    - ✓ Mandatory reporting of GHGs by industry - 2003
    - Intensity targets for large facilities - 2007

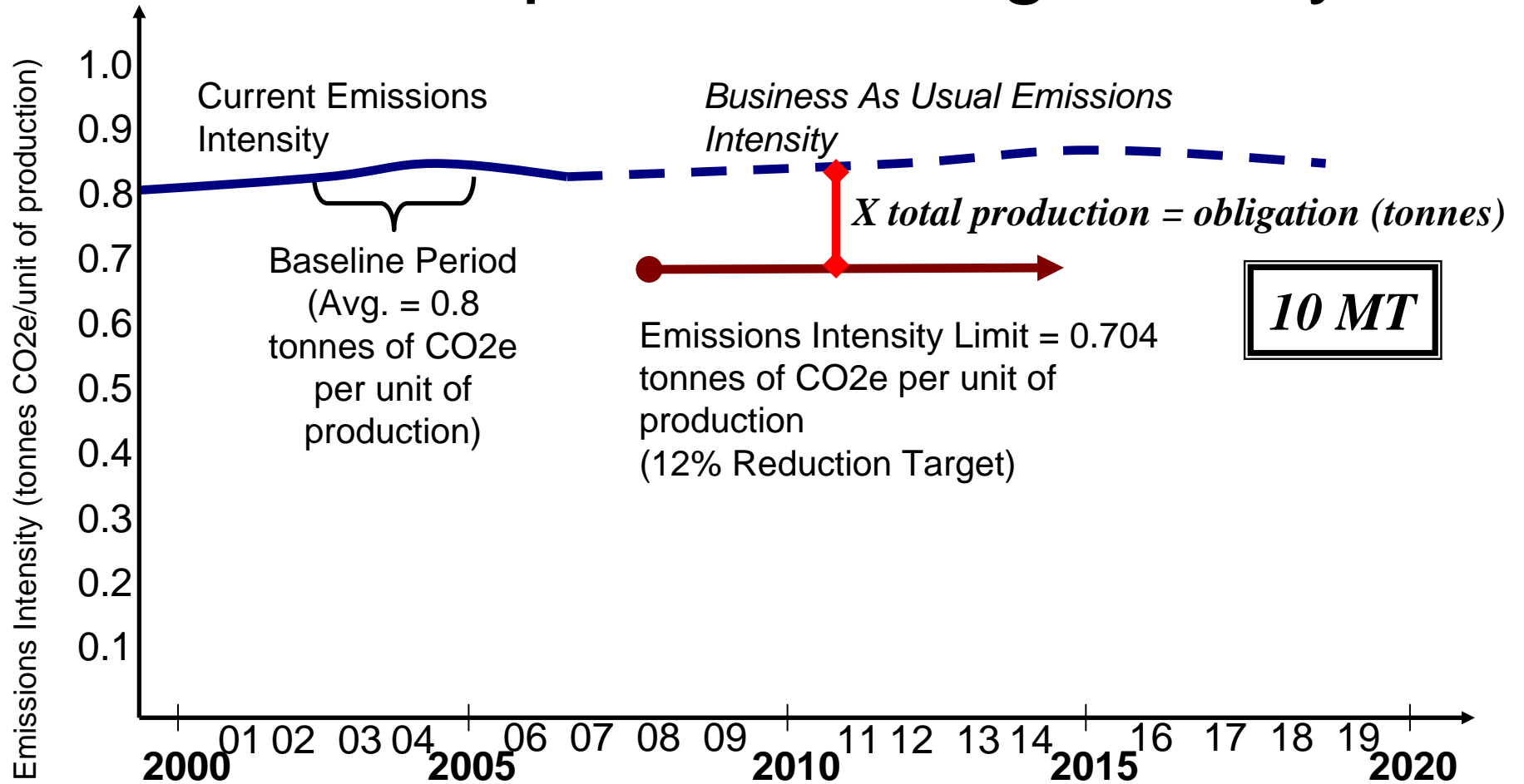
# Renewing the Plan

- New Plan will be released this morning
- The new plan has been built on significant ground up analysis – using a wedge approach.
- The focus is on identifying the most promising and realistic opportunities for Alberta
- Still a high level directional document that will outline the key areas we are going to focus on
- Much work still to be done – stay tuned.

## ***Emission Intensity Limits – The Demand***

- Applies to all facilities in Alberta that produce over 100,000 tonnes of CO<sub>2</sub>E (*Specified Gas Reporting Regulation*)
  - 101 existing and new facilities in 2005
- Intensity Limits
  - Existing Facilities (pre-2000)
    - Must not exceed 88% of the baseline emissions intensity
  - New Facilities (post-2000)
    - Graduated targets depends on year of commercial operation, ramping up to 12%
- Intensity limits apply July 1, 2007
  - True up March 31, 2008

# Example – Existing Facility



**10 MT**

# Options to Achieve Targets

- Fund Credits
  - Invest in the Climate Change and Emissions Management Fund at \$15/tonne – funds used to develop or invest in Alberta based technologies, programs, and other priority areas (as per CCEMA)
  - Fund credits must be used in the year they are acquired
  - Can only be used once
  - Currently no cap on use of fund credits

# CCEM Fund

- Key mechanism to support transformative change
  - primary purpose is to promote development, deployment, and diffusion of technologies that reduce greenhouse gas emissions across Alberta's economy.
  - though not the only compliance mechanism, payments into the fund could be up to \$177 million/year
- Essentially caps industry's risk
- Will be managed by an arm's-length Board
  - intent is to balance multi-stakeholder interests with a desire for focused strategic investment

# Options To Achieve Targets (cont'd)

- Emission Performance Credits
  - These are credits for better than target performance
  - Investment in upgrading facility that reduces GHG intensity (less than the facility's baseline)
  - Can be banked
  - Can be traded
    - Purchase emission performance credits from another Alberta based facility who has created emission performance credits

# Options To Achieve Credits (cont'd)

- Emission Offsets
  - Action (project) taken on or after January 1, 2002
  - All actions must occur in Alberta
  - Must be quantifiable and measurable
  - Not otherwise required by law
  - Must be verified by 3<sup>rd</sup> party
  - Protocols:
    - First 15 Approved
    - 11 more Reviewed today
  - Guidance documents – Published

# Offset Credits - Compliance

- All tonnes of reductions must be verified in the offset system before they can be used for compliance.
- Once Offset Credits are submitted for compliance they must be retired in the registry.

# Compliance Reports

- Submitted to the Department by March 31 of the following year
- Information and data as prescribed by the Director
- Must contain:
  - Information on compliance to achieve emissions intensity
    - Offset details
  - Must be verified by a third party auditor
  - Department will also audit a portion of the reports, request additional information, etc.

# Penalties

- Failure to comply
  - \$200 tonne of CO<sub>2</sub>E for every tonne that exceeds the compliance obligation
- Guilty of an offense
  - Fine of up to \$50,000 for individual
  - Fine of up to \$500,000 for corporation
- Due diligence defense – person took all reasonable measures to comply
- Provides for administrative penalties
  - Right to appeal to Environmental Appeals Board

# Market Considerations

- Have ‘capped’ the carbon price at \$15
  - No clear indication of future price changes
- Do not have protocols for every reduction type
  - But a Call for Protocols Process that’s in place allows the private sector to share in the development costs
- Have distributed risk through-out the system
- Registry will be up in next couple of weeks

# Desired Outcomes

- Lay the foundation for a carbon compliance system in Alberta
- Ensure system rigor and environmental integrity while recognizing the need to move forward
  - Build on existing knowledge where possible
  - Establish sound processes on a go-forward
  - Use an Adaptive Management Approach
- Develop the necessary infrastructure to facilitate offset development
- Inform the development of broader systems
  - National, international

# Next Steps

- Governance Structure of the Fund
- Updated Climate Change Plan
- Broad Dialogue Post-March 31
  - Offsets
  - Compliance
  - Baselines
  - Verification