

# Green House Gases Emissions – The Dawn of Cap and Trade System

Lantic Inc. – Vancouver Refinery

ASSBT – Albuquerque, March 2011

By: Jelena Denin Djurdjevic, Manager  
Laboratory Services and Environment

Designed by: Jelena (2011)

# BC / Western Climate Initiative / Cap and Trade

- WCI - A multi-jurisdictional partnership formed in February of 2007 to address climate change by working on identifying, evaluating and putting in place ways to reduce GHG
- WCI's goal is to reduce GHG emissions to 15% below 2005 levels by 2020.
- WCI program design includes an **emission cap** and other core policies that are affordable, gradual and support economic growth
- BC joined WCI in spring of 2007

# BC's Way to Future

- Greenhouse Gas Reduction Targets Act - passed on November 2007
  - Goals:
    - by 2020, reduce GHG emissions by 33% below 2007 levels
    - by 2050, reduce GHG emissions by 80% below 2007 levels
- Carbon Tax Act – passed in May of 2008 - puts price on GHG emissions
- Greenhouse Gas Reduction (Cap and Trade) Act - passed in May 2008
- BC was the first province in Canada to introduce such legislation

# Legislation and Regulations - BC

## Greenhouse Gas Reduction (**Cap & Trade**)

Act, **May 29, 2009**

Reporting Regulation, **November 25, 2009**

Regulation concerning the provision of allowances and emissions trading – **Consultation paper released in October 2010, Expected to come in effect early in 2011**

Regulation concerning the provision to offset greenhouse gas emissions - **Consultation paper released in October 2010, Expected to come in effect early in 2011**

Regulation concerning enforcement and penalties for violations and non-compliance, **Expected to come in effect late in 2011**

# Who is Covered by Reporting Regulation?

## Reporting Operations

- Reporting threshold: 10,000 tCO<sub>2</sub>e
  - Report 2010 emissions
- Reporting threshold: 20,000 – 25,000 tCO<sub>2</sub>e
  - Report 2010 emissions
  - Report 2006 through 2009 emissions if greater than 20,000
- Reporting threshold: over 25,000 tCO<sub>2</sub>e
  - Report 2010 emissions
  - Report 2006 through 2009 emissions if greater than 20,000

**Engage verification body to perform Mandatory third-party verification of the inventory report for facilities reporting over 25000 tCO<sub>2</sub>e**

# Allowances and Emissions Trading Regulation

## Definitions:

**Cap** – a way of limiting GHG emissions by limiting the maximum number of BCAUs that may be made available for a particular compliance period

**BC Allowance Unit (BCAU)** means a compliance unit issued by the Director and each one represents 1 tonne of CO<sub>2</sub>e

**BC Emission Reduction Unit (BCERU)** means a compliance unit issued by the Director for reducing or avoiding GHG emissions or removing GHG from the atmosphere, and each one represents 1 tonne of CO<sub>2</sub>e

**Recognized Compliance Unit (RCU)** means a Compliance Unit from another system and each one represents 1 tonne of CO<sub>2</sub>e

**Compliance Unit** means BCAU, BCERU or RCU

**Compliance period** means the prescribed period (suggested 3 years) after which regulated operations MUST retire compliance units

**Retire** means,

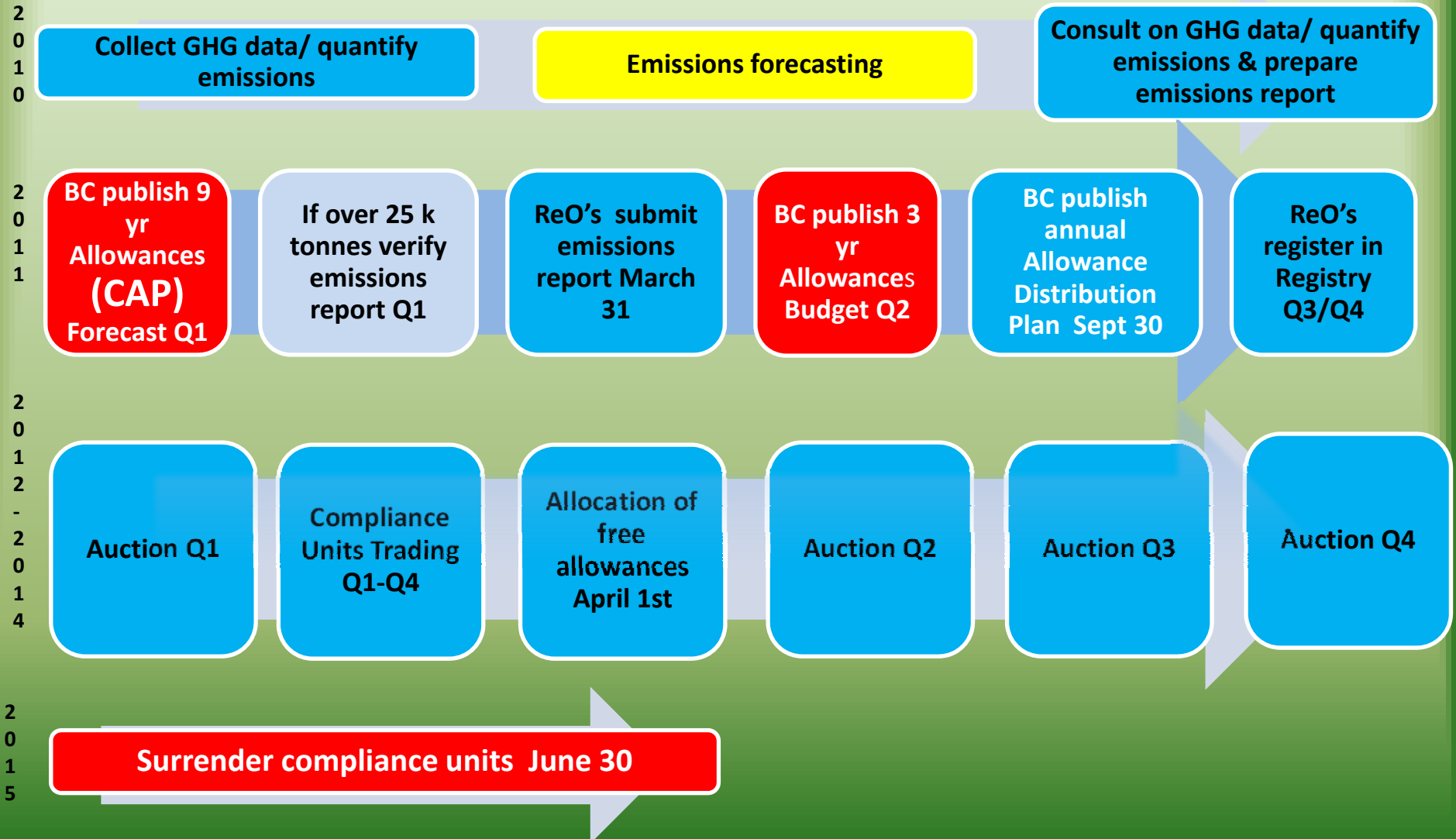
(a) in relation to a BCAU or BCERU, the final transfer of the compliance unit into a retirement account in the compliance unit tracking system from which it may not be transferred, and

(b) in relation to an RCU, retirement of the compliance unit in accordance with the regulations.

# How Does Emissions Trading Cycle Work?

January

December



## Allowances are allocated into the market

- Allowance Distribution Plan will be published on or before Sep.30<sup>th</sup> of 2011 and every year thereafter, outlining the number of allowances to auction at each auction (4), number of allowances distributed for free and number of allowances held in reserve or contingency accounts
- Allowances allocated for free are transferred into accounts on April 1<sup>st</sup> of each year



## Surrendering or Retiring Compliance units

- **Compliance date** is July 1 of the year following year 3 of the compliance period at which time compliance units have to be transferred to compliance accounts
- **Compliance obligation** is equal to total emissions in tCO<sub>2</sub>e over 3 years of compliance period. Only allowances issued for previous compliance period may be used.
- Allowances issued for future compliance periods may be used for paying for **penalties for non-compliance**: additional three allowances for every allowance short
- Offsets (Emission Reduction Units) may be used to partially cover Compliance obligations

# Who is Covered by Cap and Trade Emissions Trading?

## Regulated Operations

- **Regulated Operation** is:
  - A “Reporting Operation” under the Reporting Regulation; **AND**
  - Emits more than 25,000 tCO<sub>2</sub>e in a calendar year of a compliance period
- Facilities below the 25,000 tCO<sub>2</sub>e threshold may be able to opt-in to the emissions trading system if they agree to stay in for a nine-year period

# BC Carbon Tax Rates vs. Allowances

No double taxation will be taking place.

The regulated operations will not be paying the carbon tax on the fuels.

	Units for Tax Rates	July 1, 2010	July 1, 2011	July 1, 2012
Diesel	¢/Litre	5.52	6.89	8.27
Natural Gas	¢/GJ	99.76	124.7	149.64
	\$/t CO <sub>2</sub> e	20	25	30
Cap and Trade allowance	\$/t CO <sub>2</sub> e	Reserve price		10

Thank You