



Climate Change Central

Summary of Federal and Alberta Climate Change Plans

Discussion Paper C3-06

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**By Janet Peace, Director and
Cheryl Arkison, Program Manager**

Climate Change Central

Summary of Federal and Alberta Climate Change Plans

Federal and Provincial governments are both working on the implementation of separate climate change plans. This document provides an updated summary as of January 6, 2004 of those plans.

Highlights

	Provincial	Federal
Targets	Intensity Improvement Target 50% intensity reduction from 1990 levels by 2020	Absolute Reduction Target 6% below 1990 levels by end of first Kyoto commitment period.
Intensity Translation	Translates to about 20% above 1990 by 2020 in absolute terms	Translated to a 15% intensity target for Large Final Emitters*
Key Program for Industry	Negotiated Sectoral agreements with regulatory backstop	Sectoral agreements with regulatory backstop
Role of Covenants	Covenants are the norm	Covenants are the exception
Sectoral Coverage	Almost all sectors of the economy captured with sectoral agreements	Only Large Final Emitters covered under covenants. Other sectors targeted under specific measures
Price guarantee per tonne	R&D offset option could cap price	\$15 – for access to tonnes when Large Final Emitters fail to reach their targets, assuming reasonable industry action (Federal Government likely to purchase and resell to Large Final Emitters)
International Permits	Available, no limits on use but political preference for investment first in Alberta, then Canada and as a last resort international	Committed to 10MT purchase, may have to purchase more to cover any potential shortfall should industrial output increase
Reporting	Mandatory in 2004 for energy and manufacturing	Mandatory in 2005 for Large Final Emitters
Offsets	Available in an emissions trading system. Not defined yet.	There will be a domestic offset system. Preliminary discussion paper released but final Design document not available.
Outreach	Energy Solutions Office, Climate Change Central, Alberta Environment	One-Tonne Challenge, Environment Canada, NRCAN, LFE Group
Renewables	Promoting a 3.5% installed capacity target. Reiterated in recommendations of the CASA Electricity Project Team.	Not part of the initial proposed offset system. LFE companies may see some consideration in negotiated agreements. Competitive advantage may exist for renewable companies. group]

Timing

The Alberta and Federal Plans are operating on a different timelines for implementation. *Albertans & Climate Change, A Plan for Action* is the Alberta Plan. Bill 37 is the enabling legislation for the majority of initiatives in that plan. Bill 37 passed third reading on

* Large Final Emitters include companies in upstream and downstream oil and gas sectors, electricity generation, mining, and manufacturing, such as cement plants and iron and steel mills.

November 20 but it needs Proclamation in order to become a law. As the initial part of this, the Alberta government is pushing ahead with a mandatory GHG reporting program, to be implemented in 2004, for 2003 emissions. Sectoral negotiations are also in process. Climate Change Central's ME First program, for example, offers municipalities a no interest loan for energy efficiency projects, if they sign onto a sectoral agreement.

Federally, the timeline for implementation appears more protracted. While consultations are ongoing, and specific programs for outreach, consumers, and certain industries are in operation, formal legislation is not expected to be implemented until 2006 nor effective until 2007. Legislation is necessary to put in place the regulations for the Large Final Emitters program and Offset System. This means it will be 2007 before industry has clear rules on the implementation of the Climate Change Plan for Canada.

Alberta Government Plan

The Alberta Government's plan for addressing climate change is contained in two key documents: *Albertans and Climate Change: Taking Action* and Bill 37. *Taking Action* outlines the Provincial Government's plan for addressing climate change and reducing greenhouse gas (GHG) emissions on a government, industrial, and consumer level. It sets out an emissions intensity target and lays the foundation for the programs that are recommended to bring industry and consumers to those targets.

The approach taken in the Alberta plan focuses on the following key actions:

- Negotiating agreements with key sectors for emission reduction targets, reporting, and other management issues. Included is the provision for a regulatory backstop.
- Establishing a system for emissions trading including definitions and registries.
- Putting the Alberta government 'house' in order through a number of initiatives to reduce Alberta government operations, staff, and program emissions.
- Helping Albertans conserve energy through the Energy Solutions Alberta office (part of Climate Change Central) and other efficiency initiatives.
- Supporting technology.
- Carbon management programs dealing with enhanced oil recovery, coal bed methane, and geological sequestration.
- Increase renewable energy generation. This may be achieved through the setting of a standard of 3.5% of the province's total electricity generation to come from alternative and renewable sources.
- Develop the infrastructure for and promote the use of biological sinks.
- Develop and implement a Climate Change and Emissions Management fund to promote the development of new technology.
- Adaptation to climate change.

In June of 2003, Alberta released its proposed design paper for GHG reporting and in October it along with the Federal government held two workshops for stakeholders to discuss GHG reporting criteria. In January 2004, a joint Fed/Prov. Committee will consider and make recommendations on the reporting vehicle that could be used to record GHG emissions Federally and Provincially.

Federal Government

The Federal Government commitment remains fixed on meeting targets as set out in the Kyoto Protocol. The Canadian target is a 6% reduction below 1990 emission levels by the end of 2012. The Federal Government released its *Climate Change Plan*, for meeting this goal in November 2002. It is a broad based plan directed at industry, governments, and consumers. The plan outlines, in general terms, the programs the federal government intends to implement in order to reach its 240 MT target.

Since the plan was released, several additional consultation sessions and non-attributable discussion papers have also been released. The focus of these papers is the allocation of targets, the domestic offsets plan and covenants.

The Climate Change Plan for Canada outlines a three-step approach for meeting Canada's targets. First, 80 MT are realised through investments made to date. Second, the Plan reveals a strategy for realising an additional 100 MT through the Large Final Emitters Program, Targeted Measures, and other initiatives. Finally, the plan identifies current and potential actions to bring Canada in line with Kyoto targets for the remaining 60 MT. A fundamental assumption of this plan is that the Kyoto Gap is only 240 MT. Should economic output increase, this Gap is likely larger and thus the federal government is assuming responsibility for any additional tonnes to be made up.

There are 5 key instruments to the Climate Change Plan for Canada:

- Large Final Emitters program whereby emission reduction targets will be established through covenants (negotiated agreement) with a regulatory backstop.
- A Partnership Fund for cost sharing of programs between the Federal Government and provincial/territorial governments, municipalities, Aboriginal communities, non-governmental organizations, and the private sector.
- Strategic Infrastructure investments.
- A coordinated Innovation Strategy, building on programs such as the Technology Early Actions Measures and the Industrial Research Assistance program.
- Targeted Measures including information and outreach programs, incentives, regulations, and tax measures.

In November 2003, the Government of Canada signed two Memoranda of Understanding (MoU)– one with companies in the pulp and paper sector and the other with DuPont Canada. According to the government's web site, these MoUs reflect agreement between the industry and the government on how to proceed with the development of greenhouse gas reduction targets. They do not set those targets.

Since the release of the Climate Change Plan for Canada, last fall, additional discussion papers, referred to as “non papers” were released dealing with among other issues, the allocation of emission permits, GHG reporting and what a model Covenant would look like. These papers can be downloaded from NRCAN's web site http://www.nrcan-ncan.gc.ca/lfeg-ggef/English/papers_en.htm. Titles of released paper are:

1. Discussion Paper on the Allocation of Greenhouse Gas Emissions Targets to Large Industrial Emitters
2. Discussion Paper on the Structure and Issues of the Climate Change Covenants
3. A Domestic System for Mandatory Reporting of Greenhouse Gas (GHG) Emissions in Canada
4. Overview of Legislation
5. Timing/Frequency of True-up and Permit Distribution
6. Scope
7. De Minimis

Notably, the Allocation paper introduced how the emissions reduction target may be assigned to large final emitters and the considerations necessary in allocation. The paper assumes that allowances will be distributed free of charge based on historical emissions. A Model Covenant was also released for discussion. This paper outlined the nature of the covenant and how covenants may be implemented for Large Final Emitters.

In addition, last fall Environment Canada released a nonpaper dealing with offsets. This paper dealt with design and implementation concerns for a domestic offsets system, as part of the larger emissions trading system. A significant element of this paper was the idea that each offset project would “contribute” tonnes to the national goal; in affect a new tax on offset supply.

More papers are scheduled for release shortly from both Natural Resources Canada (NRCan) and Environment Canada (EC). These papers will outline the approach taken for Large Final Emitters (NRCan), including the final proposed design for the Offset system (EC) in greater detail. Details on the \$15 price assurance, R&D incentive, implication for renewable energy emissions trading mechanics, the nature of legal obligations, compliance, defining the currency, reasons for a variation by covenant, and other more specific issues.

Other Federal initiatives, in addition to discussion papers, are also on the horizon including additional funding for Innovation Strategy programs, home energy retrofits incentive program, and a more pronounced One-Tonne Challenge. In December, Prime Minister Martin also took over leadership of the country and as such the expectation is that Federal Provincial relations will improve. This could signal changes for the Federal climate change plan but no details are yet available.