Goodmans LLP Update

Environmental Law

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Ontario Unveils its Greenhouse Gas Cap & Trade Program

The Province of Ontario unveiled its proposed cap and trade program in conjunction with the February 24, 2016 Provincial Budget – describing climate change as "one of the most urgent issues of our time".

Bill 172, the *Climate Change Mitigation and Low-Carbon Economy Act, 2016* will, if passed, enshrine Ontario's greenhouse gas ("GHG") emission reduction targets of 15 per cent below 1990 levels by 2020, 37 per cent below 1990 levels by 2030 and 80 per cent below 1990 levels by 2050. The program's objective is to facilitate the achievement of these reduction targets by setting a limit (a cap) on emissions from industries in four broad categories: large industrial emitters, certain natural gas distributors, certain petroleum product suppliers, and certain importers of electricity into Ontario.

The program is structured with three year compliance periods. The first compliance period is January 1, 2017 to December 31, 2020. Successive three year compliance periods will follow.

If the bill is enacted, emitters will be required to match their total actual emissions in each compliance period with an equivalent amount of "emission allowances" that take the form of either emission credits or offset credits. Emission credits will be available for purchase through provincial led auctions or through a secondary market. Offset credits must meet specific criteria (which have not yet been published) and will include voluntary, permanent and verifiable emission reductions outside the capped sectors.

Proposed Reductions in the Cap

In the first year, the number of emission credits made available will be approximately equal to the expected emissions for that year. Emission credits will then be reduced by approximately 3 - 4 % each year during the first compliance period.

Who will be Subject to this Program?

- Facilities in sectors including: iron and steel, petroleum refining, cement, beer, glass, institutions (primarily hospitals and education facilities), mining, base metal smelting, brick making, and natural gas distributors provided the facilities emit at least 25,000 tonnes of GHG annually. [1]
- Most petroleum suppliers because the threshold for inclusion is very low (200 litres or more supplied annually).
- Electricity importers.

Limited Transition Mechanisms

Large industrial emitters are to receive free emission credits from the Province during the first three years to assist with transition. New facilities will not be subject to the cap until their third year of operations.

Revenues

It is proposed that all auction revenue, currently estimated at $1.9 billion annually, would be paid into a "Greenhouse Gas Reduction Account" and used to fund GHG reduction initiatives. Further detail regarding these initiatives is expected in the Province's 2016 Climate Change Strategy and Action Plan.

Bill 172 is subject to public comment until March 25, 2016. The draft regulation is subject to public comment until April 10, 2016.

If you have any questions, please contact any member of our Environmental Law Group.

[1] The full list of large industrial emitters includes facilities in the following sectors: iron and steel, petroleum refining, cement, hydrogen, beer, ammonia, nitric acid, lime, glass, institutions, mining, base metal smelting, brick making, carbon black, ethylene, magnesium production, mineral wool insulation, lubricant manufacturing and styrene.