BC Proposes New GHG Reporting Requirements & Emissions Targets for LNG



On Oct. 20, 2014, the BC government introduced a new law intended to control greenhouse gas (GHG) emissions from industrial operations. Bill 2, the *Greenhouse Gas Industrial Reporting and Control Act*, would replace the *Greenhouse Gas Reduction (Cap and Trade) Act*, which currently requires several industries to report GHG emissions. If passed, the new law would also require GHG reporting by industries specified by regulation but will focus initially on Liquefied Natural Gas (LNG) facilities. Here's an overview of Bill 2 and its proposed requirements.

THE PROPOSED LAW

Covered Industries: Bill 2 is written to let the government set GHG emissions targets for any industrial operation to which GHGs are attributable. But the government's stated intention is to apply it initially to LNG facilities as part of BC's Liquefied Natural Gas Strategy. (The bill would initially apply to coal-generated electricity generation as well.) The provincial government estimates that five existing LNG plants in BC will generate 13 million tonnes of GHG emissions. To encourage further development of such plants, the government also plans to create an 'LNG environmental incentive program' to provide incentives to the industry to offset the costs of complying with the Bill 2 requirements.

Reporting Requirements: Industrial operations that are required to report under Bill 2 must report the GHG emissions attributable to the operations for the prescribed period (excluding those emissions that are captured and stored). 'Industrial operations' means one or more facilities, or a prescribed activity, to which GHG emissions are attributable and includes:

- All buildings, structures, stationary items and equipment that:
  - are located or used primarily on a single site, contiguous sites or adjacent sites,
  - are controlled and directed by the same person, and
  - function as a single integrated site;
- Wastewater collection and wastewater treatment systems that treat wastewater from a facility;
- Storage of petroleum or natural gas products at a terminal that receives petroleum or natural gas products from a facility; and
- Mobile equipment.

In addition to the emissions report, the facility operator may also need to submit a verification statement and supplementary reports as specified by regulation. And for each compliance period, the operator of a regulated operation must also submit a report on the operation's compliance with its obligations under the law.

Emissions Target: The bill proposes a GHG emissions target for LNG of 0.16 CO^2e tonnes for each tonne of LNG produced. The government claims that this target is lower than targets set in other developed countries, such as Australia, and will ensure that the province has 'the cleanest liquefied natural gas facilities in the world.'

Compliance Options: Regulated industrial operations must ensure that the GHG emissions attributable to them are equal

to or less than the applicable emissions limit for the compliance period. If a regulated industrial operation can't do so, it may fulfill its compliance obligation by ensuring that compliance units, representing the amount of GHG emissions by which the operation exceeded the applicable emission limit for that compliance period, are available in the operation's compliance account. Compliance units include:

- Offset units, which will be issued by the government and based on accepted and verified offset projects;
- Funded units, which are financial payments in prescribed amounts; and
- Earned credits, which operations can earn if their emissions in a reporting period are less than the emissions target.

Enforcement Tools: The primary tool for enforcing the requirements under the proposed law is administrative penalties. Such penalties may be imposed on regulated operations that violate these requirements, such as by failing to submit required reports, and on directors and officers who authorize, permit or acquiesce in the violation. Bill 2 also includes offences, with maximum penalties of $1.5 million fine, two years in jail or both.

ANALYSIS

Bill 2, which had its second reading on Oct. 29, is similar to the approach taken by the federal and Alberta governments, such as in Alberta's *Climate Change and Emissions Management Act*. As is typical, the details for how the new emissions system would work will be spelled out in regulations that have yet to be enacted. But the proposed law seems to signal the province's intent to step away from the creation of a cap-and-trade system that could be linked with those already established and connected by Québec and California. BC had agreed to establish such a system as a member of the Western Climate Initiative (WCI). (See, 'Climate Change: Complying

with Western Climate Initiative Reporting Requirements.’)