Federal Government Issues Final Clean Electricity Regulations

Weeks before leaving office, the regime of outgoing Prime Minister Justin Trudeau took major steps toward its goal of achieving economy-wide net-zero greenhouse gas (GHG) emissions by 2050. Published on December 17, 2024, the *Clean Electricity Regulations* (CER) establish rules designed to reduce carbon dioxide emissions from electricity generation and achieve a net-zero electricity grid by 2035. Here's a briefing on the key elements of the new CER.

Whom the CER Covers

The new CER applies to any electricity generating unit that:

- Burns fossil fuel, regardless of amount, used to generate electricity.
- Has an electricity generation capacity of greater than or equal to 25 megawatts.
- Is a NERC-regulated electricity system, that is, connected to an electricity system subject to North American Electric Reliability Corporation standards.

Under these criteria, many generation units in rural and remote communities, Indigenous communities, and most units in the Territories will be exempt. Also exempt are small units used, for example, on hospital and school campuses and for

backup power in residential and commercial buildings.

The New GHG Emissions Limits

The draft CER published in August 2023 called for unit-specific emissions limits of 30 tonnes of carbon dioxide equivalent (CO_2e) per gigawatt-hour (GWh) of electricity production. In response to widespread objections, the final CER provides for a less stringent annual emissions limit of 65 tonnes of CO_2e/GWh per year until 2050. An electricity generating unit will also have the flexibility of using offset credits to offset emissions of up to 35 tonnes of CO_2e/GWh above the 65 tonnes per GWh limit. Although annual emission limits will drop to zero in 2050, generators will still be able to utilize credits to offset up to 42 tonnes CO_2e/GWh per year.

Emergency Operation of High-Emissions Units

The final CER allows for electricity system operators to independently authorize units to operate high-emissions units for up to 30 days during emergencies to address grid reliability risks, such as those caused by natural disasters or fuel shortages. This is a significant change from the draft regulation which required federal Minister of the Environment (MOE) approval for the operation of such units. However, the MOE will still have discretion to authorize the extension of emergency operations beyond the initial 30 days.

The Compliance Credit System

Under the CER, generating units that come in below their annual emissions limits will earn compliance credits that they can bank for future use, which paves the way for solutions that result in higher emissions initially and reductions in

the long-term. But in the interest of achieving a net-zero grid by 2050, compliance credits will no longer be issued after the 2049 compliance year.

Generating units will also be able to trade compliance and offset credits to other units that exceed their own annual emissions targets, provided that both units are in the same province or at least subject to the same regulatory jurisdiction. Credits will be subject to an Annual Emissions Limit, and units will have to meet eligibility criteria such as producing useful thermal energy and not burning coal. Eligible units may also swap transferable credits to designated substitute units, so long as they meet certain conditions and notify the MOE in advance.

What Happens Next

Deadlines for complying with the new CER are staggered depending on the kind of generating unit involved. For most units, the implementation deadline will be January 1, 2035. But the new CER won’t apply to certain planned or “in-flight” units until January 1, 2050. Units converted from coal to gas boilers also have a later applicability date, aka, “end of prescribed life date.”