

Federal Government Launches New Greenhouse Gas Offset Credits System



Companies can earn credits toward compliance with GHG emissions reduction targets.

After years of preparation, the federal government finally launched the *Canadian Greenhouse Gas Offset Credit System Regulations* on June 8, 2022. Here's a briefing on what OHS and EHS coordinators need to know about the new Regulations.

What the System Is All About

To prevent global warming, the federal government has adopted legislation requiring facilities to reduce their greenhouse gas (GHG) emissions to annual target levels or pay a per tonne price for excess emissions. The federal Output-Based Pricing System (OBPS) Regulations also allow for alternative compliance strategies by enabling industry, municipalities, Indigenous communities and individuals (which we'll refer to collectively as 'companies') to earn credits for reducing GHG emissions beyond required levels or eliminating GHG from the atmosphere. Credits can then be sold to other companies that need them to meet their own targets.

Project Eligibility & Registration Requirements

To generate offset credits, companies must:

- Register and implement a project that generates real, additional, quantified, verified, unique and permanent GHG reductions and meets other project eligibility requirements;
- Maintain a GHG Offset Credit System Account in the credit tracking system;
- Prepare and submit project reports that are verified by an appropriate verification body; and
- If necessary, implement a plan to minimize the risk of GHG emission reversal.

The company registering the project must have exclusive entitlement to any credits generated and proper authorization to carry out project activities. In addition, the project may not be registered under any other offset credit system.

Companies can also earn credits under the so-called Offset Protocols, with rules varying by project type. The only currently existing protocol is for projects seeking to reduce GHG emissions from landfills, but the federal government is planning to create other protocols for GHG emission reductions from refrigeration systems, forest management, livestock feed management and enhanced soil organic carbon.

Rules for Earning Credits

Projects that are properly registered earn one credit for every tonne of carbon dioxide they reduce or remove beyond business-as-usual and regulatory requirements. Companies can then use the credits to meet their targets under the federal OBPS, which applies to facilities that emit 50 kilotonnes or more of carbon dioxide equivalent each year.

Rules for Using Credits

As noted above, under the federal OBPS, companies can meet their compliance targets either by paying for each tonne of carbon they emit above their targets or by using compliance units, including:

- Buying surplus credits generated under the federal OBPS by another company;
- Receiving surplus credits issued by the federal Ministry of Environment and Climate Change; and
- Using offset credits from a province or territory that the MOE formally recognizes as constituting compliance units under the OBPS.

Businesses that have made voluntarily commitments to reduce emissions and governments seeking to reduce their environmental impact may also purchase carbon credits produced under the new OBPS Regulations.

Interplay between the OBPS & Provincial Systems

The new federal OBPS Regulations apply across Canada, even in provinces (Alberta, BC and Qu bec) that have adopted their own carbon pricing offset systems. In other words, companies in those provinces can register under the federal system. However, limits apply. Companies can't register under the federal OBPS for projects if the province has already created a protocol for production of carbon assets relating to the particular reduction activity undertaken by the project.

Thus, for example, federal registration will be a limited option in Alberta, which has adopted protocols for 18 different carbon reduction activities, including for landfill gas capture and reduction, currently the only approved Offset Protocol recognized under the federal OBPS.