

Ontario Introduces Legislation to Implement a Cap-and-Trade Program



On April 15, 2015, the Ontario government signed an agreement with Qu bec to create a joint cap-and-trade program to reduce greenhouse gas (GHG) emissions. Such a program creates a price on carbon emissions by limiting the amount of GHG emissions that can come from the economy (the cap) and then allowing those covered by the cap to trade among themselves (the trade) in a flexible and cost-effective way. The province finally took a step toward fulfilling that agreement when it recently introduced new legislation designed to implement a cap-and-trade program. Here's an overview of [Bill 172, the Climate Change Mitigation and Low Carbon Economy Act](#), and the related regulation.

LAW & REGULATION

Key Dates: The proposed Act was introduced in the legislature on Feb. 24, 2016. And as of March 1, 2016, the bill was in second reading. The government posted the [draft Cap and Trade Regulation](#) on the Environmental and Regulatory registries on Feb. 25, 2016, for a 45-day public and stakeholder comment period ending on April 10, 2016. The cap-and-trade program is scheduled to take effect on Jan. 1, 2017.

Key Elements of Act: If passed, the proposed Act would:

- Formally direct all cap-and-trade auction proceeds to a

new Greenhouse Gas Reduction Account, which would fund green projects to reduce emissions;

- Require an annual public report on funds flowing in and out of this account, including a description of funded initiatives and their alignment with climate change action plans;
- Enshrine into law Ontario's GHG reduction targets of 15% below 1990 levels by 2020, 37% below 1990 levels by 2030 and 80% below 1990 levels by 2050;
- Provide a framework for reviewing and increasing targets, as well as establishing additional interim targets;
- Allow for transitional allowances to large industrial emitters, which would be phased out over a period of time; and
- Require the government to prepare and implement a climate change action plan for achieving these targets, with progress reports and a review of the plan at least every five years. The Act sets out the content to be included in the action plan:
 - Timetables for implementing each action;
 - Estimates of GHG emissions reductions each action will achieve;
 - An assessment of the cost per tonne of reductions;
 - The amount of funding to be drawn from proceeds generated by the cap-and-trade program; and
 - Types of initiatives that may be funded from the proceeds of the program, with direct or indirect reduction of GHGs being a minimum requirement. Eligible initiatives include those relating to energy use, land use and buildings, infrastructure, transportation, industry, agriculture and forestry, waste management, education and training, and research and innovation.

The proposed Act also includes compliance and enforcement measures for the cap-and-trade program, and would facilitate linking Ontario's program with other jurisdiction's programs, including Qu bec and California.

Key Elements of Regulation: The proposed *Cap and Trade Regulation* outlines the policy for a number of program elements, including:

- Proposed caps;
- Capped and uncapped (market) participants;
- Compliance periods;
- Registration rules;
- Auction and sale rules;
- Strategic reserve of allowances;
- Market rules such as holding limits and purchase limits;
- Compliance requirements;
- Allocations; and
- Credit for early action.

In addition, the government proposed revoking the *Greenhouse Gas Emissions Reporting Regulation* and replacing it with a new GHG reporting regulation and incorporated Guideline to facilitate implementation of the *Cap and Trade Regulation*. The proposed changes include:

- Requirements to report production and other process related information;
- Provisions to let facilities with emissions between 10,000-25,000 tonnes opt-in; and
- Clarifications on measurement requirements and reporting of biomass types.

ANALYSIS

The Ontario government says that, if passed, the proposed Act and regulation will limit GHG pollution, reward innovative companies, generate opportunities for investment in Ontario and create jobs while moving to a low-carbon economy. Manitoba

also signed an agreement to implement its own cap-and-trade program to be linked to those in Ontario, Qu bec and California. These provinces and BC are members of the [Western Climate Initiative](#), a group of Canadian and US jurisdictions working together to address climate change at a regional level through the use of a regional, market-based cap-and-trade program (see, '[Climate Change: Complying with Western Climate Initiative Reporting Requirements](#)').