

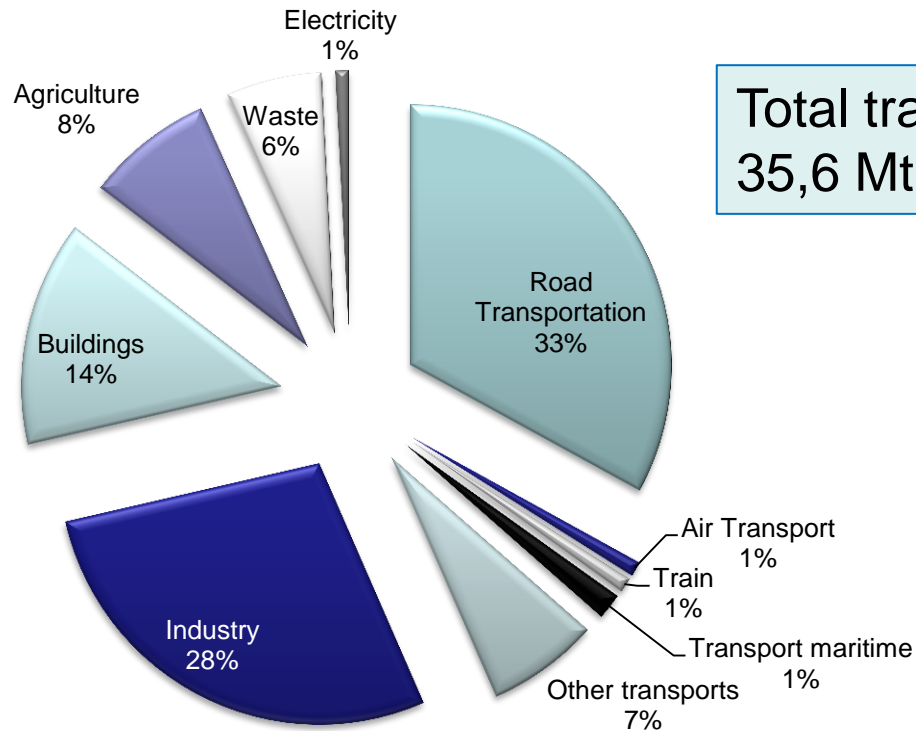
UN
QUÉBEC
POUR TOUS

CAP & TRADE REGULATION

Key elements

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Quebec's 2009 GHGs



Total: 81,79 Mt CO₂e

Source: GHG inventory 2011, MDDEP

Rational for a C&T

Cap-and-trade system  Flexible economic tool

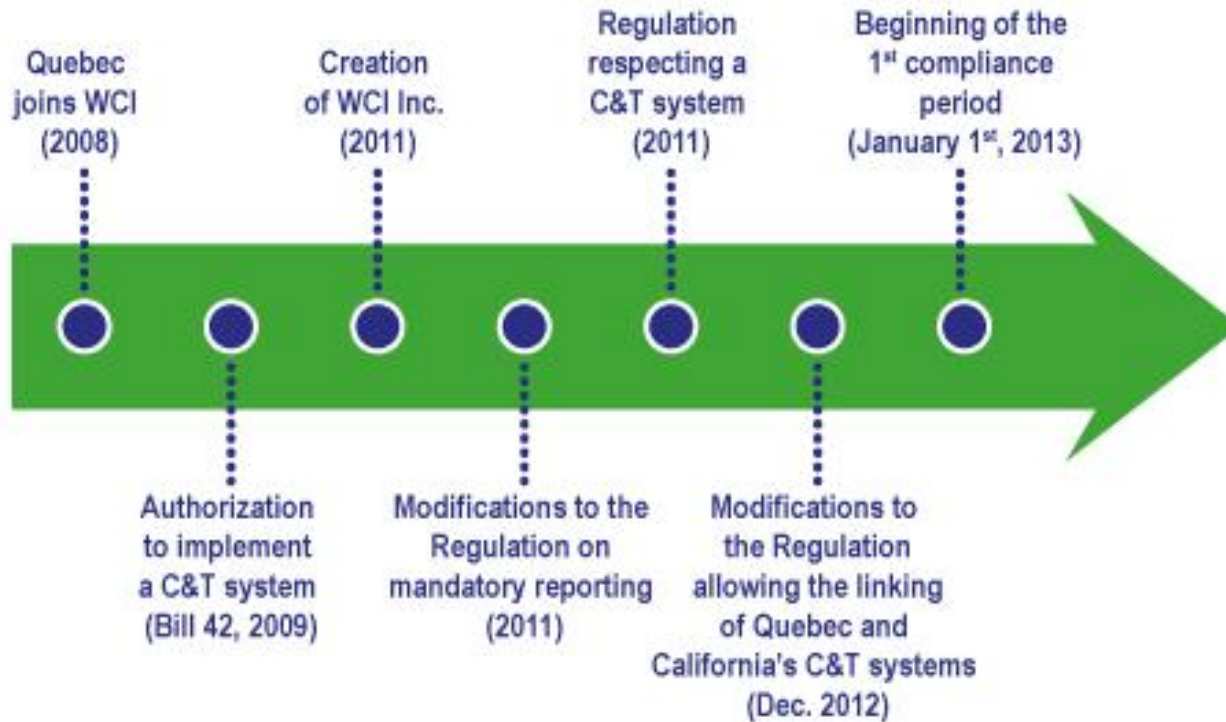
Helps:

- Send a carbon price signal in the economy
- Integrate the cost of carbon into business decisions
- Contribute to the fight against climate change

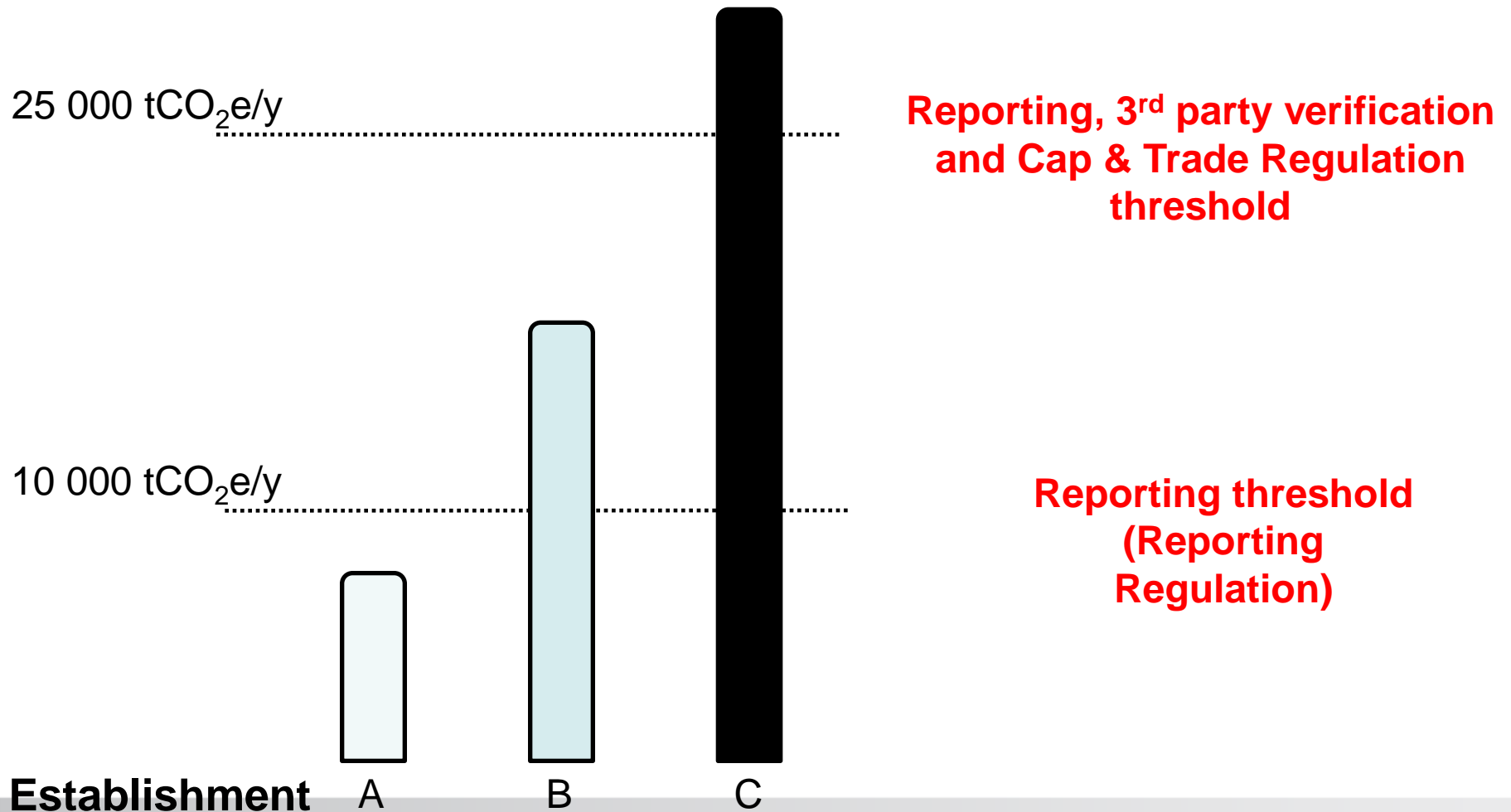
Regulatory compliance:

- Encourages companies under the system to improve their energy efficiency or their production methods
- Creates an incentive to cut GHG emissions, even in sectors not targeted by the C&T system
- Allows emission allowances to be traded on the carbon market

History of the C&T system



Who is subject to the Regulations



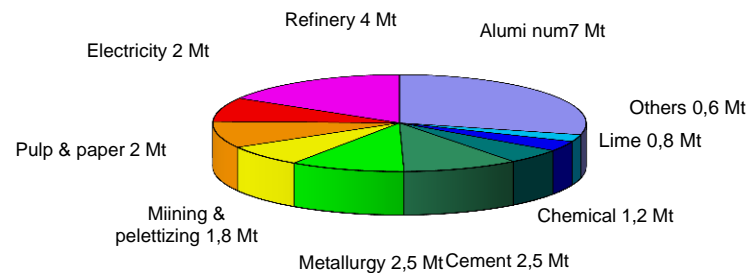
Cap & Trade Regulated sectors

Starting in 2013

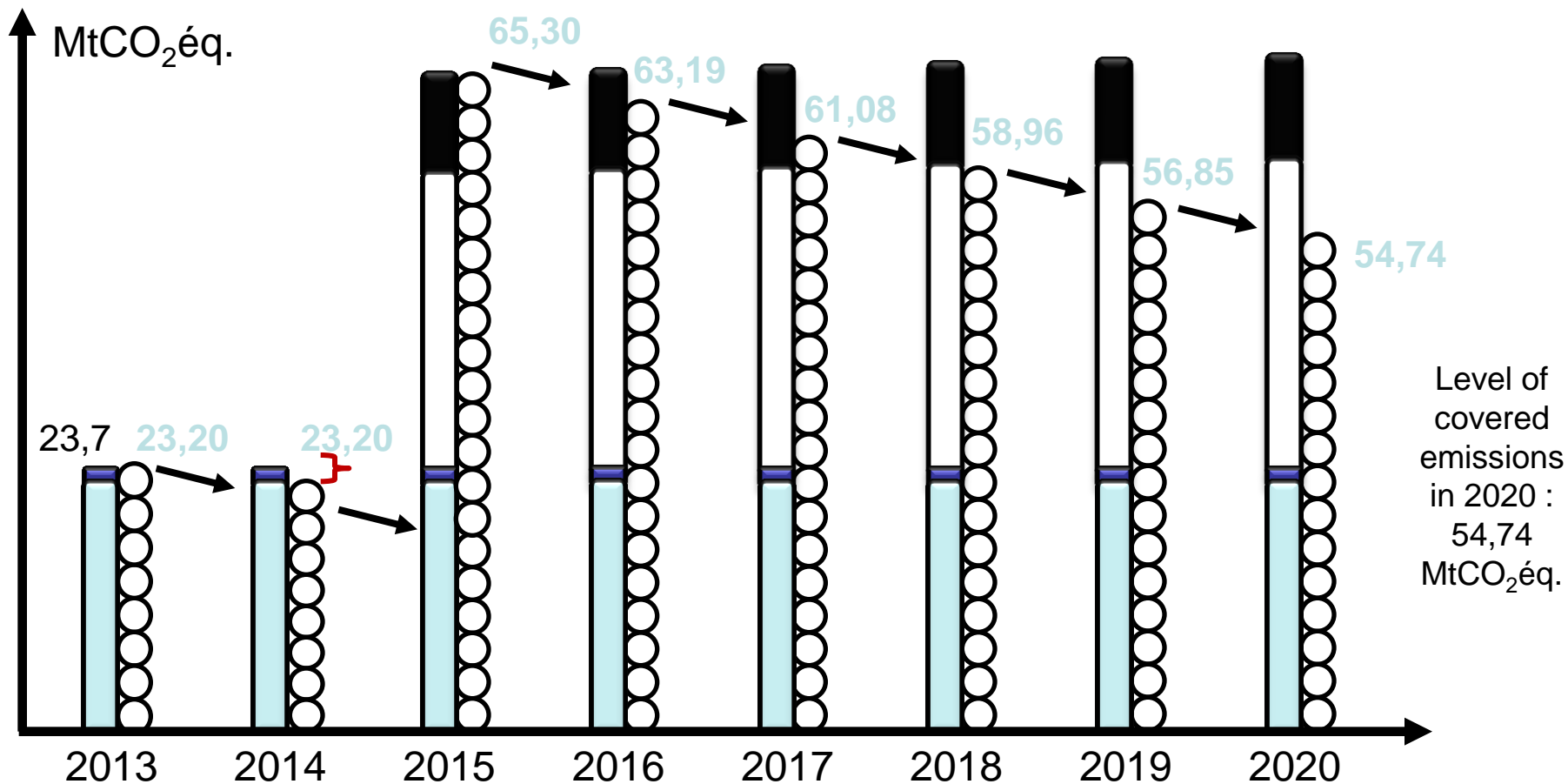
- Industrial sectors
 - Aluminum, cement, lime, mining & pelletizing, pulp & paper, metallurgy, chemical & petrochemical industry, petroleum refining, others (glass, gypsum, agri-food)
- Electricity sector

Starting in 2015

- Distributors of fuels



Caps



1990 = 87,13 Mt (including distribution of electricity produced outside but consumed in Québec)

OBJ(2020) = 54,74 Mt (covered sources) + 14,96 Mt (non covered sources) = 69,70 Mt

Definition of an emission allowance

- **Emission allowance**

- Equal to 1 ton CO₂ equivalent
- Issued exclusively by the Government of Québec
- Only exists in electronic form in the **CITSS** system
- Identified by individual serial numbers according to type and year of creation

- **3 types of emission allowances**

- Emission units distributed free of charge, auctioned off or sold by the government
- Early reduction credits (2008–2011)
- Offset credits

CITSS:
Compliance
Instrument
Tracking System
Service

All three types are
interchangeable
and have the same
value, regardless
of which WCI
partner
government
issued them

Offset credits

Objectives : Contain the overall compliance cost of covered entities

- **Utilisation limit :** Max of 8 % of compliance
- Generated through eligible greenhouse gas reduction projects



- **in sectors not covered by the C&T system, mainly:**
 - Agriculture
 - Waste
- **or emanating from certain GHG emission sources, currently:**
 - Ozone-depleting substances

- **Requirements:** Must comply with Quebec's quantification protocols
- **Project location:** Québec, Canada or US (depending on the protocol)
- **Offset credit ownership:** The project promoter, who can sell them

Price containment

Minimum Auction Price:

- 10,75\$ (2013)
- increases by 5% + inflation each year
- unsold allowances will be temporarily removed from the market

Strategic Reserve Sales:

- up to 4 sales per year
- covered entities only
- 40\$, 45\$ and 50\$ (2012)
- price increases by 5% + inflation each year

Regulatory compliance

3 compliance periods:

- ✓ 1st period: January 1, 2013, to December 31, 2014
- ✓ 2nd period: January 1, 2015, to December 31, 2017
- ✓ 3rd period: January 1, 2018, to December 31, 2020

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- **Compliance** On November 1 following the end of each compliance period, every major emitter must have in its account a number of GHG emission allowances equal to the total of its declared and verified GHG emissions for that period.
 - **Sanctions for noncompliance**
 - GHG: 3 additional emission allowances must be submitted for every ton not covered
 - Possible financial sanctions

Thank you!

For more information:

- http://www.mddefp.gouv.qc.ca/changements/plan_action/index-en.htm
- www.wci-inc.org

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