



Québec Offset System

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Québec Cap-and-trade implementation

- 2008-2011: Development of the WCI Model Rules
- 2009 : Enabling Legislation and 2020 Mitigation Goal
- 2011 : Initial Cap & Trade Regulation
- 2012 : Changes to Québec Cap & Trade Regulation
 - Allows linking with other jurisdictions
 - Introduce offset regulation

Offset system implementation

- 2008-2011: development of common offset rules with stakeholders consultation
 - Ground rules (Designs 2008 and 2010)
 - Offset criteria
 - Offset process
- December 2012: Offset part of the regulation in effect
 - Projects can be submitted
- Continuously: Collaborative work between WCI Partners to harmonize protocols that are developed.

Cap-and-trade Compliance

- **November 1st following the end of each compliance period (2015, 2018, 2021):**
 - Covered emitters must submit one compliance unit for each ton of CO₂e emitted during the period.
- **3 options for compliance:**
 - Reduce GHG emissions
 - Buy allowances from other market participants or at auction
 - Buy offset credits (limited to 8 % of each emitter's GHG emissions)

Key considerations for Offset provisions

- **Objectives :**

- Contains the overall compliance cost of covered entities and generate reductions in sectors not covered by the system

- **Scope:**

- Reductions from uncovered sources for which an offset protocol was adopted by regulation
- Projects location : Québec/Canada
- Eligibility: After January 1st, 2007

Linking

- Linkage between QC and CA markets is effective since January 1st 2014
 - Allowances can be traded between QC and CA emitters and participants and used for compliance under both regulation (diapo offset 5)
 - Equivalent stringency of offsets

Linking implementation

Common Infrastructures and Service Providers:

- Tracking System (SRA)
 - Auction Platform (Markit)
 - Financial Service Administrator (Deutsche Bank)
 - Help Desk (ICF International)
 - Market Monitor (Monitoring Analytics)
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- Compare Procedures “Step-by-Step”
 - Develop New Common Procedures
 - Update/Modify infrastructures to support linking

Sector Determination

- Non ETS sources to avoid double counting
- Beyond the common practice and most stringent regulation
- Potential in emission reductions
- Technical and economical feasibility

Cap & trade sectors/sources	Offsets sectors/sources
Industry Electricity Fuels : transport and buildings	CH ₄ destruction from covered manure storage facilities CH ₄ destruction from small landfills ODS destruction from appliance (foams)

Offset regulation

- General provisions for all types of projects
- Directive Protocols in the regulation for each project type
 - Well defined activities
 - Prescribed methodologies for quantification, monitoring and reporting
- Validation and verification
 - Conducted by a validation/verification organization accredited under ISO 14065:
 - By a member of the International Accreditation Forum located in Canada or in the US;
 - According to an ISO 17011 program;
 - With respect to the sector of activity for the project.

Offset process

1. Opening of an account in CITSS
2. Project plan (standardized forms)
3. Validation (Third party)
4. Registration of the project (Government of Québec)
5. Project implementation
6. Project report
7. Verification (Third party)
8. Issuance of credits (Government of Québec)

Eligibility Criteria

- Demonstration of ownership of GHG reductions
- Promoter must be domiciled or have a business place in Quebec.
- Additional:
 - Performance standards include regulations and common practices; no project-specific additionality test;
 - Project must induce GHG reductions beginning on or after January 1st, 2007.
- GHG emissions reductions must be permanent

Other Regulatory Provisions

- Projects with less than 25 kt CO₂e annually can be verified every two years instead of every year.
- Crediting period:
 - 10 years for manure and landfill projects;
 - 5 years, under certain conditions, for ODS projects.
- After initial crediting, project is eligible for renewal after re-validation. The number of renewals is unlimited.
- GHG emissions reductions must not have been credited by any other system.
- Project promoter must submit a request for registration as well as a project plan before the project can begin (except for projects that began before the regulation was in effect).

Aggregation

- Project aggregation is allowed under the following conditions:
 - Only one request for registration, but must include information on each project;
 - Only one report of validation/verification can be submitted, but must include validation/verification for each project;
 - Projects can be added to an active aggregation.
- Objective: simplify administration of aggregated projects while ensuring that each project is validated and verified to maintain rigor of the system.

Illegitimate Credits and Integrity Account

- Offset credits issued by Québec are not revocable, therefore represents no risk for buyers.
- If credits are found to have been illegitimate after their issuance, the minister requires the promoter to replace it.
- If the promoter cannot replace it, the minister replaces the credits by resorting to its environmental integrity account, while maintaining legal action against the promoter.
- The Minister's environmental integrity account is populated by retaining 3% of issued credits from each project.

CH₄ destruction from covered manure storage facilities in Québec

- Methane may be captured and destroyed by any device
- CH₄ may be destroyed with energy production equipments; but avoided emissions from fossil-fuel replacement are not credited
- The number of credits = minimum between difference between the empirical quantity of CH₄ measured before and after the destruction;
 - Cannot exceed theoretical quantity of CH₄ that can be destroyed according to the type of livestock population and the default production factor associated with that livestock category

CH₄ destruction from landfill sites in Québec

- Additionality requirements: performance standards based on the most stringent regulations from WCI Partners.
- Landfills satisfying the following criteria are considered additional with respect to the regulation and common practices
 - All landfills (in operation or closed) with less than 450kt tons of waste on site or CH₄ already captured with heat capacity of less than 3 GJ/hour;
 - If landfill in operation: it must be receiving less than 50 000 metric tons of waste annually, and have a capacity of less than 1.5 million cubic metres.

ODS destruction from appliance foams in Canada

- Credits may be issued for ODS contained in the foam of refrigeration appliances recovered in Canada.
- Imports are not eligible, foams must be extracted from Canadian appliances.
- ODS refrigerants are not currently eligible for credits.
- Destruction in authorized facilities in Canada or in the United States.
- Destruction process:
 - ODS extracted from appliances (in concentrated form, under negative pressure) must be transported to facility for destruction.

Public Register

- Project Plan
- Validation Report
- Data Project Report
- Verifier Report
- Status of project

Other protocols considered

- Destruction of methane from mines
- ODS refrigerants
- Forest (afforestation and reforestation)

Merci!

QC carbon market:

www.mddefp.gouv.qc.ca/changements/carbone/index.htm

WCI:

www.westernclimateinitiative.org/

www.wci-inc.org