

Federal Carbon Pricing Benchmark 2023-2030

Ministry of Environment, Climate Change Branch

September 29, 2021

saskatchewan.ca

Saskatchewan! 

Housekeeping



TECH ISSUES

Call in to participate
1-306-994-8660
Phone Conference ID
771 251 554
Or email us for support:
Ray.Ambrosi@gov.sk.ca



PRESENTATION

Posted on the Government of
Saskatchewan Climate Change
website - engagement page



QUESTIONS

Submit anytime through the
chat function

Purpose: Review information on the recently published federal carbon pricing benchmark

Objectives:

1. Identify the key changes and additions to the new federal benchmark
2. Highlight implications for Saskatchewan's OBPS program
3. Next steps and continuing engagement

Saskatchewan's GHG Management Framework

- **Provincial autonomy**

- Saskatchewan is best placed to manage provincial emissions and protect emissions intensive, trade exposed sectors from the federal carbon tax.

- **Resilience**

- Regulations must consider what is technically achievable for industry and consequences for competitiveness.

- **Results-based regulation**

- Regulated emitters should be given clear performance expectations and flexibility to find the lowest cost options to meet compliance.
- Requirements should be simplified and streamlined.

Background

- Initial federal benchmark established for 2018-2022 based on the *Pan-Canadian Approach to Pricing Carbon Pollution*
- *A Healthy Environment and a Healthy Economy*, released in December 2020, proposed a strengthened benchmark
- ECCC considered the assessment of carbon pricing programs led by the Canadian Institute for Climate Choices
- Updated federal benchmark for 2023-2030 published in August 2021

Saskatchewan's May 2021 Carbon Pricing Proposal

- Saskatchewan proposed to:
 1. Expand the provincial OBPS program sectors to include electricity generation and natural gas transmission pipelines
 2. Administer a provincial fuel charge
- In July 2021 ECCC announced it would not consider new proposals until 2022 against the new benchmark
- Saskatchewan is expected to remain subject to the federal backstop until 2023

Application of OBPS

- OBPS programs must only apply to sectors at risk of carbon leakage and competitiveness impacts
- Must fully replace the federal OBPS (no partial OBPS coverage)
- Jurisdictions must use clear and transparent tests to assess carbon leakage and competitiveness impacts

Minimum National Carbon Price

- The minimum carbon price in 2023 will be \$65/tonne CO₂e and increase by \$15 per year:

Year	2023	2024	2025	2026	2027	2028	2029	2030
\$ / t CO ₂ e	\$65	\$80	\$95	\$110	\$125	\$140	\$135	\$170

- Starting in 2023, carbon price must match minimum federal price by:
 - April 1 of each year for carbon levy applied to fuels
 - January 1 of each year for compliance price for OBPS programs

Common Scope of Coverage

- Provincial OBPS programs must cover an equivalent percentage of emissions from combustion sources as federal OBPS
- Assessment of the coverage will be based on an estimate determined by the federal government with input from the province
- ECCC will consider emissions uncovered if:
 - They are exempted based on type of fuel, sector or activity
 - The carbon pricing signal for the source has been mitigated

Stringency of OBPS Programs

- Must maintain minimum national carbon pricing signal
- Provinces may tailor emission intensity standards
- Total compliance obligations must exceed tradeable units available to the market
- Must ensure that any emissions reductions that bring a facility's emissions intensity below its performance standard are eligible to generate performance credits

Maintaining the Carbon Pricing Signal

- OBPS should include mechanisms to support price predictability and market stability. These could include:
 - tightening rates on performance standards
 - limits on banking of compliance units
 - limits on use of compliance units, such as expiry dates
- ECCC will consider alternative analysis and/or compliance data from the province

Maintaining the Carbon Pricing Signal *Continued*

- Provinces must not implement measures that directly offset, reduce or negate the carbon pricing signal
- Provinces cannot:
 - Provide rebates at the pump, on utility bills
 - Reduce specific taxes in response to carbon levy
 - Guarantee the return of compliance payments
- ECCC will consider affected emissions to be uncovered when assessing common scope of coverage

Offset Credits

- Offset credits used in OBPS programs for compliance must represent GHG reductions and/or removals that are:
 - Real
 - Unique
 - Additional
 - Verified
 - Quantified
 - Permanent
- ECCC will evaluate offset programs and protocols against best practices
- Saskatchewan's offset program design includes these principles

Public Reporting

- Jurisdictions must publish information on key program features and outcomes, including:
 - GHG emissions covered by the OBPS
 - Number of credits issued by type
 - Total compliance obligation owed under the OBPS
 - Compliance fulfillment broken out by type (credit type, fund payments, etc.)
 - Credit status and carbon market activities

Implementation, Assessment and Interim Review

- Assessment against the new benchmark will occur in 2022 for 2023-2030
- ECCC will conduct an interim assessment of provincial programs in 2026
- Where federal backstop applies in 2023, it will remain until at least 2026
- Interim review of the federal benchmark to occur by 2026

Implications for Saskatchewan

- Regulatory and standard changes will be required
- Analyze and evaluate options to balance supply and demand for credits
 - Increasing stringencies or re-baselining regulated emitters
 - Limit credit availability i.e., offset, cogen, CCUS credits
 - Restrictions on credit usage
- Re-evaluate performance credit model
- Ensure design of technology fund meets requirements

Extending OBPS compliance dates

- New deadline of **December 31, 2022**, for both **2019** and **2020** compliance returns and fulfilment of compliance obligations
 - Large emitters
 - Aggregate facilities with emissions of 10,000 tonnes CO₂e or greater
- Provides time for industry engagement and federal discussions
- Allows ministry to clarify expectations and industry to make informed decisions about how to fulfill their compliance obligations

Next Steps

- Analysis of impacts on provincial OBPS and request for company/facility forecasted emissions and production data
 - 2020-2022
 - Percent change from 2019 data, 0.5% increments
 - Submit by October 31, 2021

Please send forecast data to Director of Emissions Management Unit, Kyle Worth, kyle.worth@gov.sk.ca

- Engage in ongoing negotiations with ECCC and submit SK proposal by April 1, 2022
- Implement changes to provincial Regulations and Standards

Questions?

Thank you!

Prairie Resilience:
A Made-in-Saskatchewan Climate Change Strategy



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