

Quebec-California-Ontario C&T Programs : the WCI Regional Carbon Market

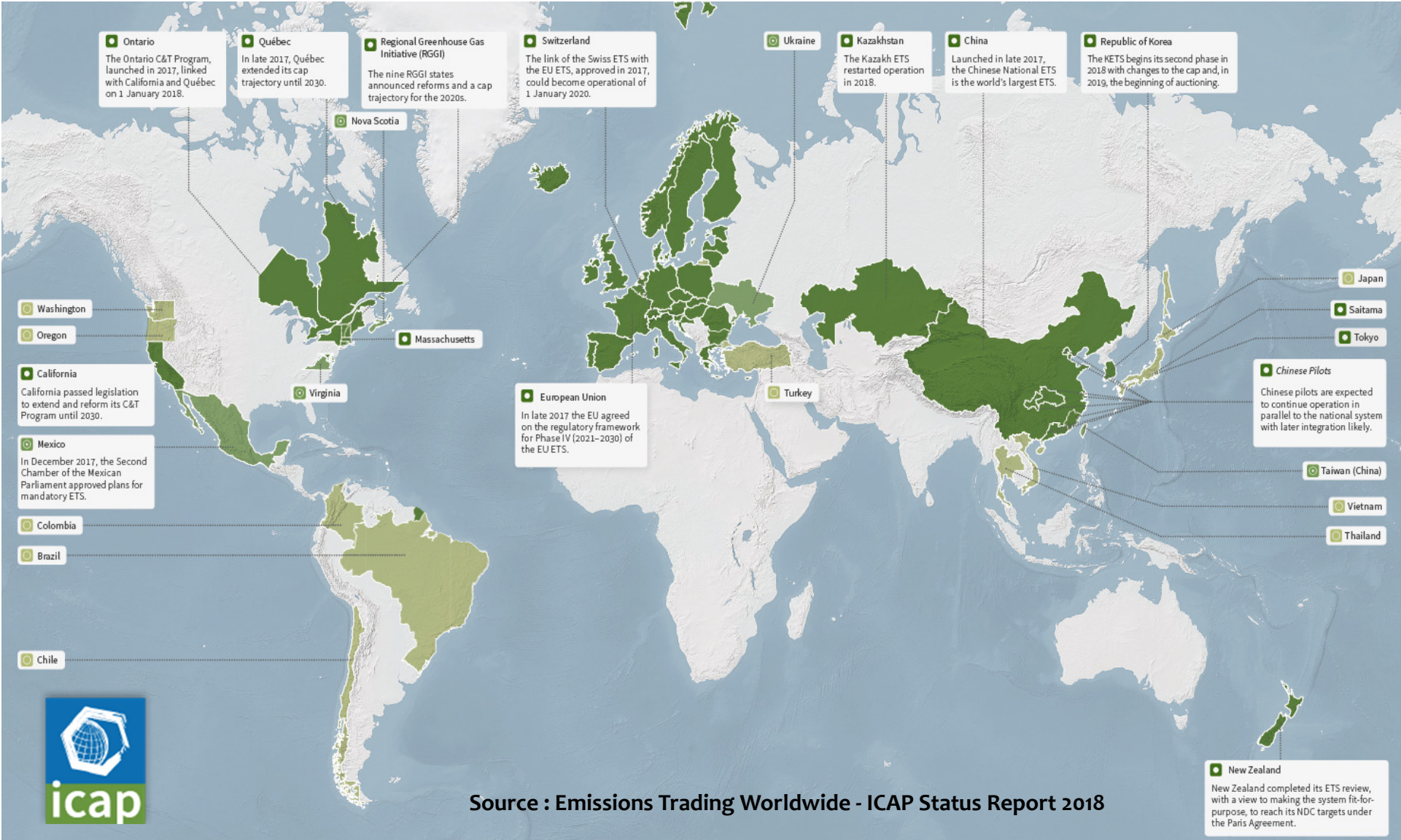
Presentation to the State
House of Vermont

April 11, 2018





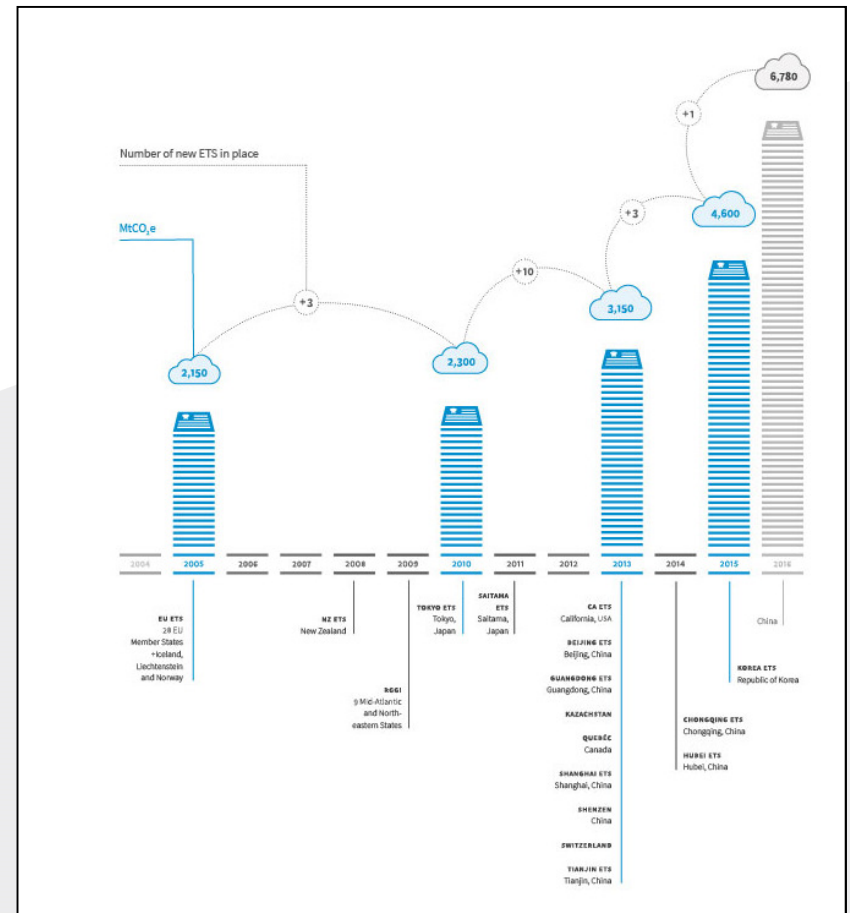
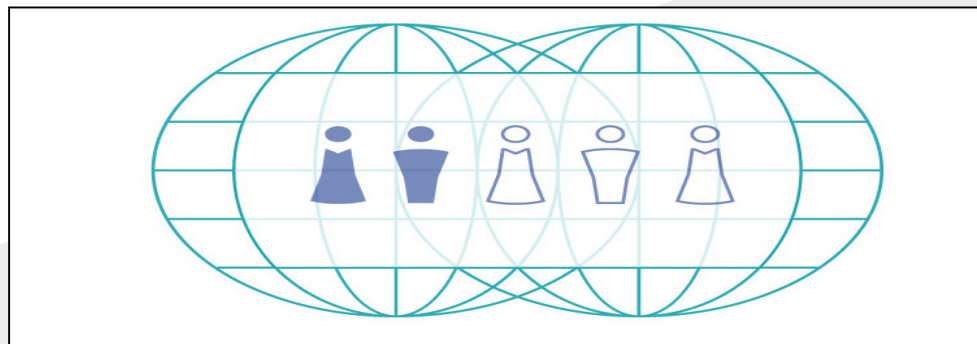
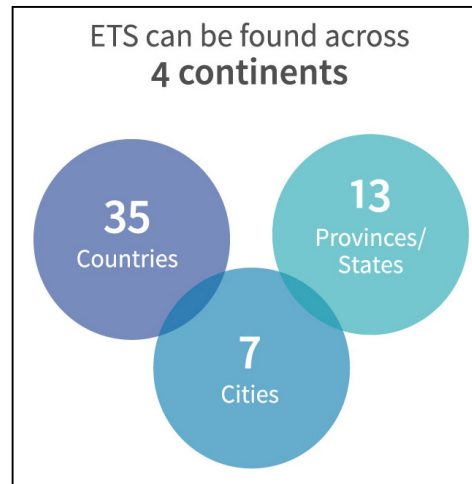
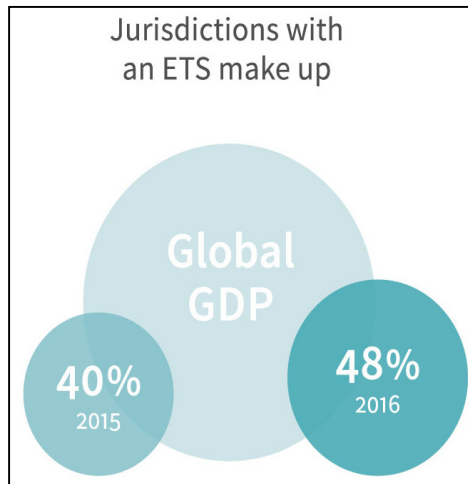
C&T : Global solution for a Global issue



Source : Emissions Trading Worldwide - ICAP Status Report 2018



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Source : Emissions Trading Worldwide - ICAP Status Report 2015





Comprehensive and Flexible approach to address Climate Change

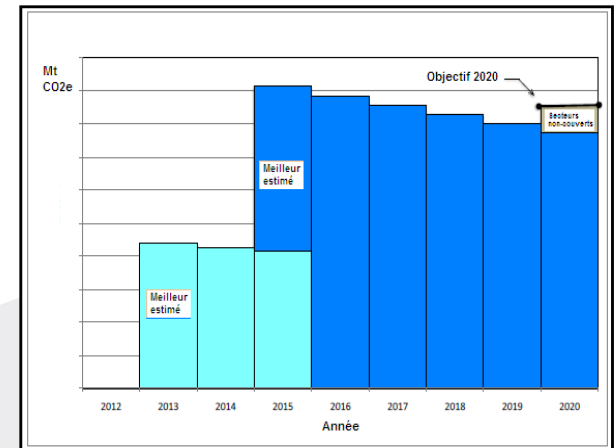


- WCI Cap-and-Trade Program : **Flexibility for Governments** and Covered Entities
 - Price signal : allows for covered entities to choose how and when to invest and/or innovate
 - Allocation to address competitiveness and economic impacts
- In Québec : All revenues go to the Green Fund and are dedicated to fight climate change
- 2020 Climate Action Plan : 3,3 billion dollars over 8 years



Efficiency and Reduction Certainty

- Annual caps limits the overall level of emissions of covered sources, allowing a jurisdiction to achieve its environmental goal
- Cap-and-Trade « provides greater certainty about quantities of emission than taxes »
 - Nicolas Stern, 2006, *The Economics of Climate Change*



- Cap-and-Trade allows to reduce GHG emissions where it is the less costly : the broader the scope and the market, the more efficient it becomes
- The Acid Rain Trading Program allowed to reduce the emissions of SO₂ faster and at a cost that was 20 to 30 percent of the original forecast
 - See US-EPA, « SO₂ Emission Reductions from Acid Rain Program Sources and Improvements in Air Quality »



Québec Cap-and-Trade Program Brief overview



The Western Climate Initiative

WCI provides a common set of rules:

- Draft Design Recommendations (2008) : Scope, Cap Setting, ...
- Reporting Guidelines and Protocols (2008, 2009, 2010)
- Detailed Program Design (2010): Model Rule
- Offset System Essential Elements (2010): Recommendation paper on Offset Criteria
- **All decisions were made by consensus : flexible design**

WCI Inc. provides common infrastructure:

- Registry (tracking system)
- Auction Platform
- Market Monitoring Services,
- Help Desk
- Etc.



QC's Implementation Schedule

- Québec joins the Western Climate Initiative (April 2008)
- Cap-and (Bill 42, 2009)
 - Environmental Quality Act, section VI, paragraphs 46.1 to 46.18
- 2020 Mitigation goal (Executive Order n°1187-2009)
- Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (2011)
- Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere (2011)
- Linking Québec and California markets : January 1st, 2014
- Expected linking with Ontario : January 1st, 2018



Scope of the Cap-and-Trade Program

- All six GHG covered under the Kyoto Protocol plus NF3
- Since January 1st, 2013
 - Electricity generation, including the one produced outside QC and CA
 - Emissions from combustion and industrial processes
 - Threshold : 25,000 tonnes of CO₂eq. per year
- Since January 1st, 2015
 - Electricity generation, including the one produced outside QC and CA
 - Emissions from combustion and industrial processes
 - Fuel distribution
 - Threshold :
25,000 tonnes of CO₂eq. per year for 2015, 200 liters since Jan 1st, 2016
- Broad scope : covers about 85% of total GHG emissions



Compliance

At the end of a compliance period :

Surrender a number of allowances that equals total verified GHG emissions reported for that compliance period

Three compliance periods:

- First : 2013 - 2014
 - Second : 2015 – 2017
 - Third : 2018 – 2020
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- In QC, 100% compliance for the first period (2013-2014)

Compliance in Québec:

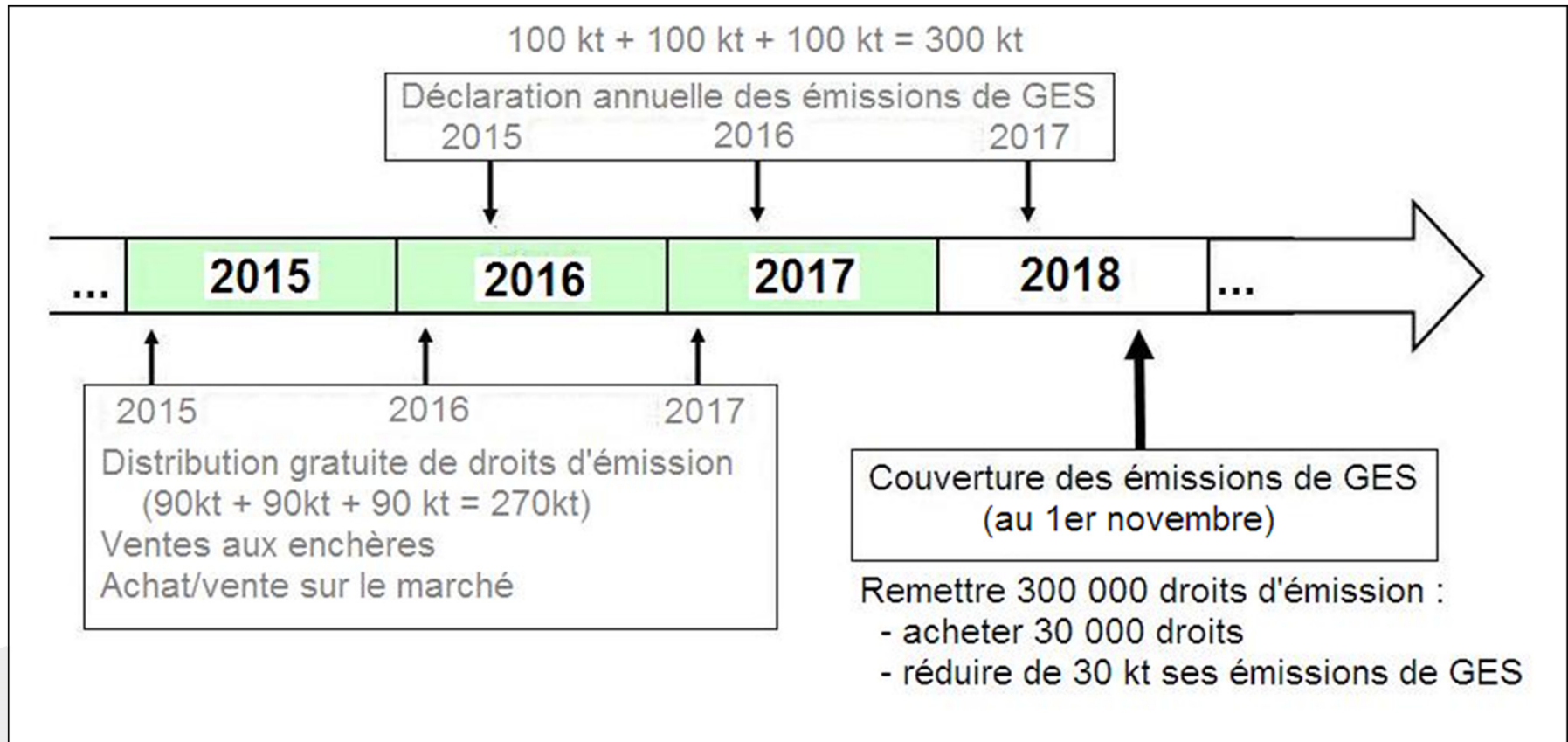
- On November first following the end of a compliance period

Compliance in California:

- On November first following the end of a compliance period
- Plus annual partial surrender

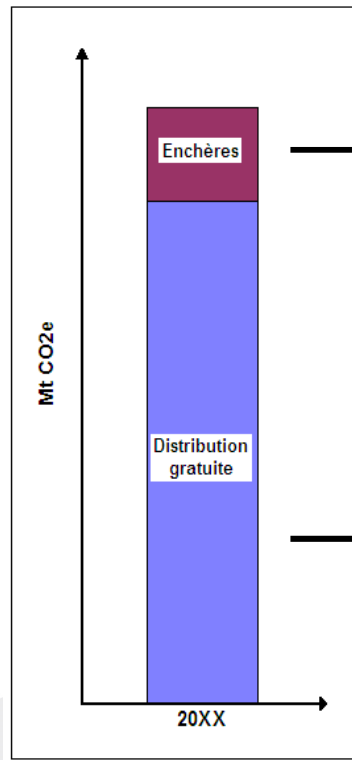


Compliance (2)





Allowance distribution

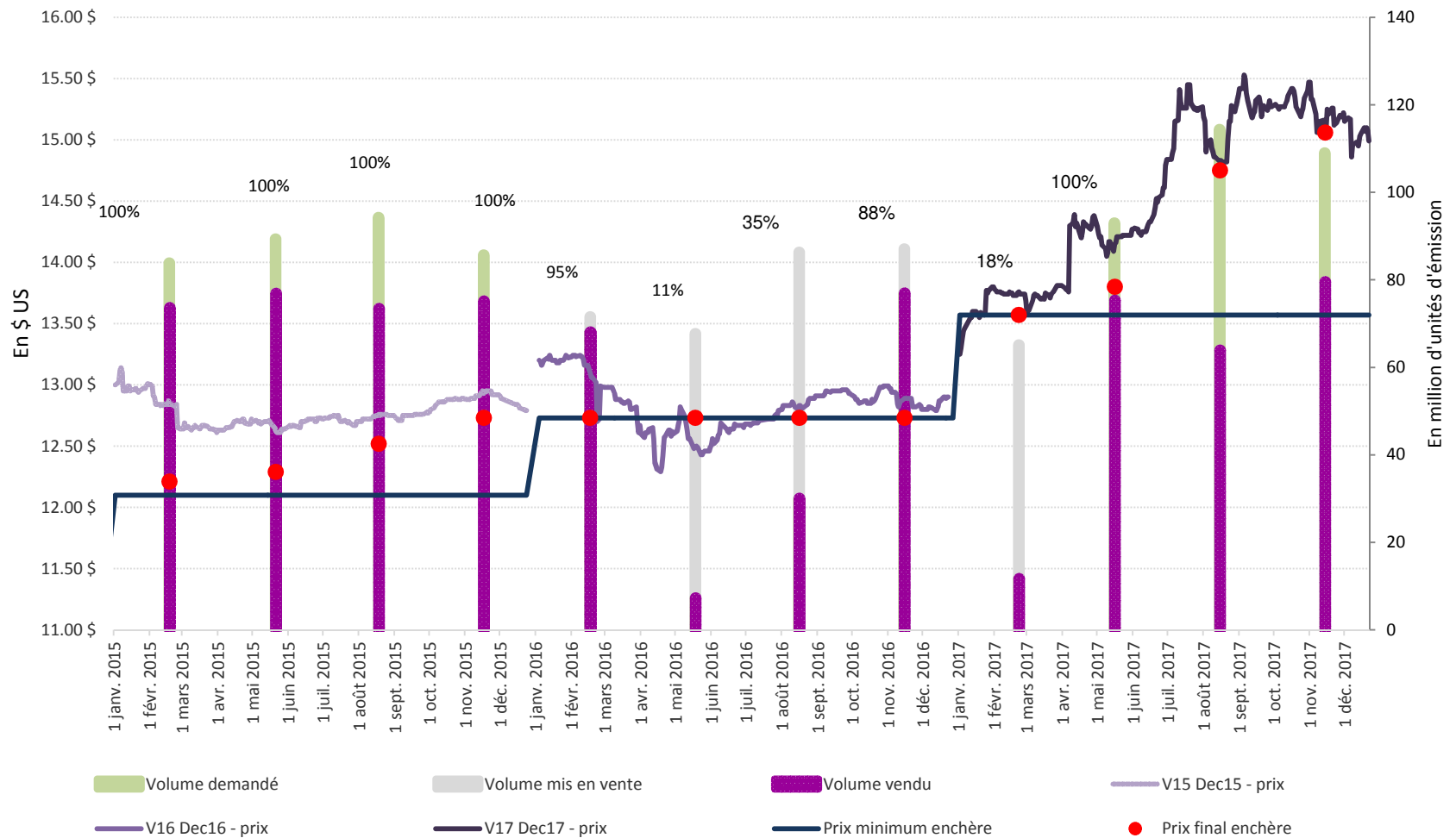


- Residual allowances (cap - free distribution) will be auctioned
- Quaterly auction
- Auction revenues : Green Fund : 2013-2020 Climate Action Plan (budget of 3,3 billion dollars)
- The Government shall first determine the number of allowances to be distributed to sectors that will receive assistance in the form of free allocation.
- The number of emission allowances to free distribution is calculated annually based on formulas contained in Regulation.



Quarterly Auction Results and Market Prices

Prix des contrats à terme d'unités d'émission courantes sur le marché des dérivés et progression des volumes de ventes aux enchères





Auction Revenues

Ventes aux enchères Québec seulement	Millésimes courants		Millésimes futurs		Montant versé au Fonds vert
	Unités vendues	Prix de vente	Unités vendues	Prix de vente	
3 décembre 2013	1 025 000	10,75	1 708 000	10,75	29 379 750,00
4 mars 2014	1 035 000	11,39	1 285 000	11,39	26 424 800,00
27 mai 2014	1 049 111	11,39	1 302 000	11,39	26 779 154,29
26 août 2014	694 000	11,39	1 455 000	11,39	24 477 110,00
Sous-total	3 803 111		5 750 000		107 060 814,29

Ventes aux enchères conjointes Québec-Californie	Millésimes courants		Millésimes futurs		Montant versé au Fonds vert ⁽²⁾
	Unités vendues	Prix de vente	Unités vendues	Prix de vente	
25 novembre 2014	1 049 114	13,68	1 527 000	13,41	34 687 822,04
18 février 2015 ⁽³⁾	11 171 647	15,14	1 474 000	15,01	191 239 426,43
21 mai 2015	13 118 323	15,01	1 386 463	14,78	217 312 458,20
18 août 2015	11 171 647	16,39	1 474 000	16,10	207 019 309,08
17 novembre 2015	11 171 647	17,00	1 474 000	16,89	214 622 654,04
17 février 2016	11 149 718	17,64	1 320 037	17,64	219 533 976,21
18 mai 2016	1 085 305	16,40	128 887	16,40	19 999 969,52
16 août 2016	3 520 244	16,45	108 440	16,45	59 541 579,86
15 novembre 2016	8 942 291	17,29	143 835	17,29	156 984 054,36
22 février 2017	1 555 604	17,84	98 660	17,84	29 481 711,11
16 mai 2017	8 676 131	18,82	297 950	18,51	168 413 711,64
15 août 2017	8 676 131	18,74	1 368 500	18,49	187 694 463,82
14 novembre 2017	10 845 165	19,10	1 368 500	18,72	232 877 186,73
Sous-total	102 132 967		12 170 272		1 939 408 323,04
Total	105 936 078		17 920 272		2 046 469 137,33



Some results : 1st compliance period

Rapport sur la période de conformité 2013-2014 du système de plafonnement et d'échange de droits d'émission de gaz à effet de serre (SPEDE)

Rapport généré le 3 décembre 2015

Tableau 1 - Rapport sommaire

	Émetteurs			Droits d'émission							
	Nombre d'émetteurs assujettis durant la période	Nombre d'émetteurs conformes ¹	Proportion d'émetteurs conformes (%)	Obligation totale de conformité (t CO ₂ éq.)	Droits d'émission remis au gouvernement	Proportion de droits remis au gouvernement (%)	Unités 2013	Unités 2014	Crédits pour réduction hâtive	Crédits compensatoires	Part des crédits compensatoires (%)
Québec	55	55	100	36 664 703	36 664 703	100	18 371 894	16 043 320	1 950 677	298 812	0,8

Notes: 1 Les émetteurs dits « conformes » ont remis un nombre suffisant de droits d'émission éligibles à la première période de conformité pour couvrir la totalité de leur obligation de conformité.

- **55 émetteurs visés exploitant +/-80 établissements assujettis**
- **37 607 822 unités d'émission** allouées gratuitement durant la période

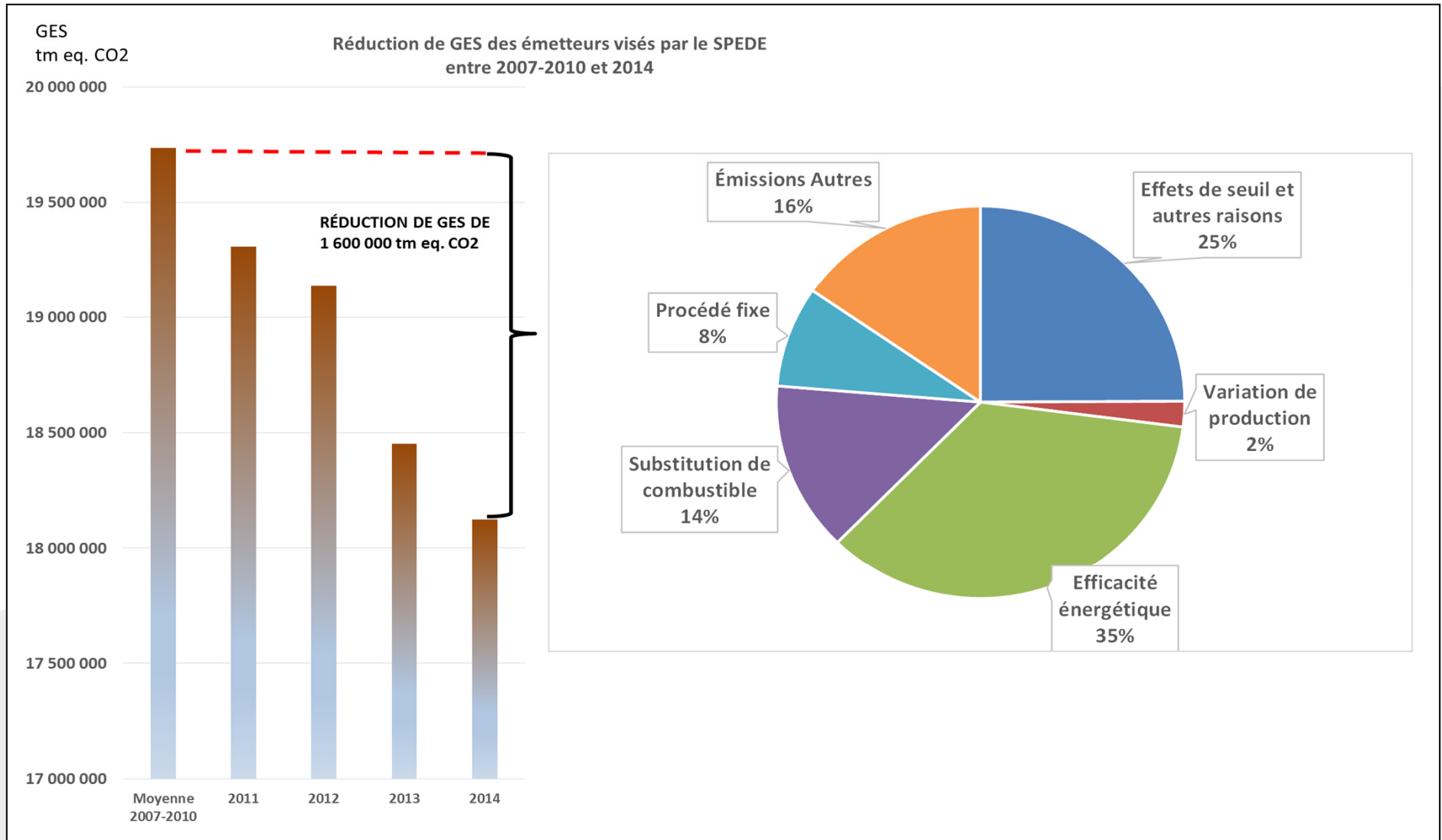
Référence: <http://www.mddelcc.gouv.qc.ca/changements/carbone/documentation.htm#publications>

Développement durable,
Environnement et Lutte
contre les changements
climatiques

Québec 



Some results : 1st compliance period





Thanks!

More info :

www.westernclimateinitiative.org

www.wci-inc.org

www.mddelcc.gouv.qc.ca/changements/carbone/index.asp

Québec 