

## Federal and Provincial Greenhouse Gas Emissions Regulations

### What does this mean for your aggregate operation?

#### **Federal Output Based Pricing System (OBPS)**

The federal *Greenhouse Gas Pollution Pricing Act* (GGPPA) - also known as the 'Federal Backstop' came into effect in June 2018. This carbon pollution pricing system has two parts:

- Regulatory charge on fossil fuels;
- Regulatory trading system for industrial facilities (i.e. the federal Output-Based Pricing System or OBPS).

The federal OBPS, which came into effect on January 1, 2019, is mandatory for facilities that:

- Are located in a province/territory in which the federal carbon pollution pricing system applies (**Ontario is currently listed in Schedule 2, Part 1 of the Act – therefore the federal OBPS applies**);
- Have reported 50 kt carbon dioxide equivalent (CO<sub>2</sub>e) or more in 2014 or subsequent years; and
- Carried out a covered activity.

NT: Facilities who emit 10 – 50 kt CO<sub>2</sub>e/yr may apply to opt into the OBPS system at any time. Participation in the federal OBPS also allows participants to avoid the carbon charge on fuels.

**OSSGA conducted a review of available information and determined that even the largest aggregate operations (facilities that consist solely of aggregate extraction, processing and shipping) are not expected to exceed the voluntary threshold of 10 kt CO<sub>2</sub>e/yr and therefore would not be required to register as a mandatory participant in the OBPS system.**

#### **Provincial Emission Performance Standards (EPS)**

Following the repeal of the Cap-and-Trade Program and Green Energy Framework, in February 2019, Ontario introduced its plan to reduce Greenhouse Gas Emissions through the *Industrial Emissions Performance Standards Program*. Ontario's EPS program must achieve the objective of the federal government's program before equivalency can be granted to the province by the federal government. Ontario is proposing to regulate the same sectors as the federal OBPS (and considering including additional sections in 2020). **Currently, aggregate facilities are not specifically included on the list of regulated sectors; however, stationary combustion is a covered activity so could make your facility eligible.**

The EPS program proposes:

- Mandatory threshold of 25 or 50 kt CO<sub>2</sub>e/yr (TBD)
- Allowing smaller facilities with emissions between 10 kt CO<sub>2</sub>e/yr and the mandatory participant threshold to voluntarily participate (and therefore avoid carbon charge on fuels).

The facility compliance obligation will be determined based on an annual emission limit (AEL) which is calculated using a sector-based performance standard method and a facilities' annual output. The EPS program is intended to be in place by Summer 2019 and would apply to emissions as of January 1, 2019. It should be noted that the proposal has not been reviewed by the federal government for equivalency as of June 2019. Under the EPS, emitters would be charged Compliance Units for each tonne of excess CO<sub>2</sub>. Companies who emit less than the limit would also generate tradable Compliance Units. The cost of Compliance Units is proposed to start at \$20/tonne in 2019 and increase to \$50/tonne in 2022.

The EPS program is different from the Ontario Cap and Trade or federal carbon tax program because under the EPS, an emitter is only required to pay if they exceed their industry-specific target; Cap and Trade and the carbon tax put a price on each tonne of GHG emitted.

**Similar to the federal OBPS, aggregate operations (facilities that consist solely of aggregate extraction, processing and shipping) are not expected to exceed the proposed voluntary threshold of 10 kt CO<sub>2</sub>e/yr and therefore would not be required to register as a mandatory participant in the EPS program.**

### **Fuel Charge Component**

Starting in April 2019, the fuel charge component of the federal carbon pollution pricing system came in effect in Ontario. The fuel charge rates reflect a carbon pollution of \$20 per tonne of (CO<sub>2</sub>e) in 2019, rising by \$10/tonne annually to \$50/tonne in 2022. For example, the cost of gasoline will increase by 4.42 cents/litre in 2019 to 11.05 cents/litre in 2022. **As a result, members will be indirectly impacted due to increased fuel and energy costs.**

### **Next Steps:**

- The OSSGA Environment Committee will continue to monitor these initiatives and will provide updates to this position paper as warranted.
- Individual producers are advised to be aware and monitor this issue

Please note, this paper is for information purposes only, producers should ensure they receive the advice of qualified legal or other experts where appropriate.