Presentation Outlook

1. Quebec's Climate Change Action

2. The Western Climate Initiative Cap-and-Trade program
Evolution of GHG emissions in Quebec

- 1990 = 83.7 Mt
- 2008 = 82.7 Mt

2020 mitigation goal: 20% below 1990
Evolution of GHG emissions by sectors
Québec Climate Action

- Climate Change Action Plan 2006-2012
- Green Fund
- Carbon Levy
- Total Investment of 975 M$ in 5 years
- 2,000 green projects
- 500 more under analysis
- Climate change Action Plan 2013-2020 in preparation
Green Fund Projects

- Energy efficiency
- Energy substitution and recuperation
- Solar heating
- Wind Farms
- Cellulosic ethanol
- Biogas
- Biofuels
- Electric cars
- Public transportation
Green Projects in Québec

• Example of energy substitution project
  In five years, 19 % reduction in GHG emissions from College and University buildings

• Wind farms in operation :
  - 2000 : 1 farm and 100 MW
  - 2011 : 8 farms and 700 MW
  - 2015 : 30 farms and 4000 MW
WCI’s Objectives

• Develop a comprehensive approach to address climate change and reduce regional GHG emissions
  • Cap-and-Trade
  • Complementary policies
    – Tailpipe standards
    – Benchmarking
    – Offsets

• Inform and influence both U.S. and Canadian federal governments to take action in reducing GHG emissions
Partners
Arizona
British Columbia
California
Manitoba
Montana
New-Mexico
Ontario
Oregon
Québec
Utah
Washington

Partners cap-and-trade (2012)
Partners
Observers

The Western Climate Initiative
Québec within WCI

• Becomes Partner in April 2008

• Adopts Cap-and-Trade Enabling Act (Bill 42) in 2009

• Adopts 2020 mitigation goal in 2009

• Participates in writing the Program Design Recommendations (2010)

• Holds Consultations with industrial sectors and other stakeholders
Regulation Implementation schedule

- July 2011 public
  - Release of Draft Regulation for a 60 day consultation
- Sept/Oct 2011
  - Final draft
- Nov/Dec 2011
  - Enactment of Regulation
    - Adoption of decree on emission caps
- January 2012
  - Cap-and-trade system commences
- 2013
  - First compliance year
The cap-and-trade system for greenhouse gas emission allowances

- Overview -
Scope of the Cap-and-Trade program

• 2012
  – transition year for emitters and participants to become familiar with the operation of the program
  – Participants and emitters must register

• From 2013
  – Electricity generation
  – Industrial sector
  – Threshold: 25,000 tonnes of CO₂eq. per year

• From 2015
  – fuel distribution (transportation and buildings)
  – Threshold: 25,000 tonnes of CO₂eq. per year
Annual caps of GHG emission allowances

- The annual caps will be established by decree, in the fall of 2011, for 2013-2020.
- Mitigation goal: 20% below 1990 levels by 2020.
Compliance

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

Three compliance periods:
- First period: 2013 to 2014
- Second period: 2015 to 2017
- Third period: 2018 to 2020
Compliance obligation

• On October 1\textsuperscript{st} following the end of each compliance period (2015, 2018, 2021)
  
  – the compliance account must contain a number of allowances that equals the total amount of GHG emissions reported and verified during the compliance period

  – the use of offsets credits is limited to 8\% of compliance obligation

  – penalty of 3 to 1 and financial penalty for non-compliance
Buying and selling of emission allowances

• Over-the-counter between emitters and participants

• Through an auction platform

• Through an exchange
  -- Green Exchange
  – Montréal Climate Exchange (MCeX)
Auction

- Quarterly auctions common to all partners involved in the WCI market
- Open to all (emitters and participants)
- Financial assurances and registration required
- Minimum price of $15 in 2012, growing at a rate of about 7% per year until 2020
- Single round format
- Closed bids
- Selling price = lowest clearing price (bid)
- Purchase limits to prevent manipulation
Flexibility Mechanisms and Other features

- Banking is allowed / Borrowing is not allowed
- Contingency/Strategic Reserve
- Early Reduction Allowances (2008-2011)
- Electronic transactions / secured registry
- Holding limits / market monitoring to prevent manipulation
Offsets credits

- **Priority sectors for the development of protocols**
  - Agriculture
  - Forestry
  - Waste management

- **Other sectors to be announced**

- **Offsets credits program**
  - Use: limited to 8% of the compliance obligation
  - GHG Reductions or sequestration from sectors or activities not covered by the program
  - Within WCI, Canada, United States, Mexico
  - Other countries - to be determined
Information

WCI

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