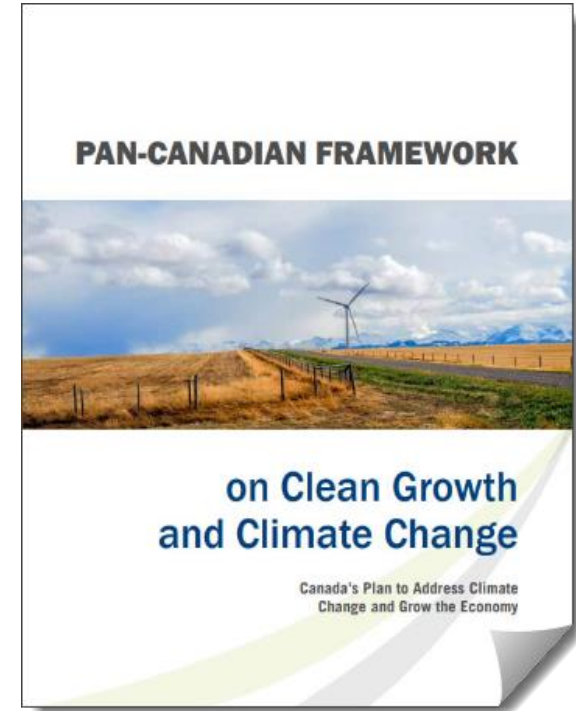


Federal Carbon Pricing

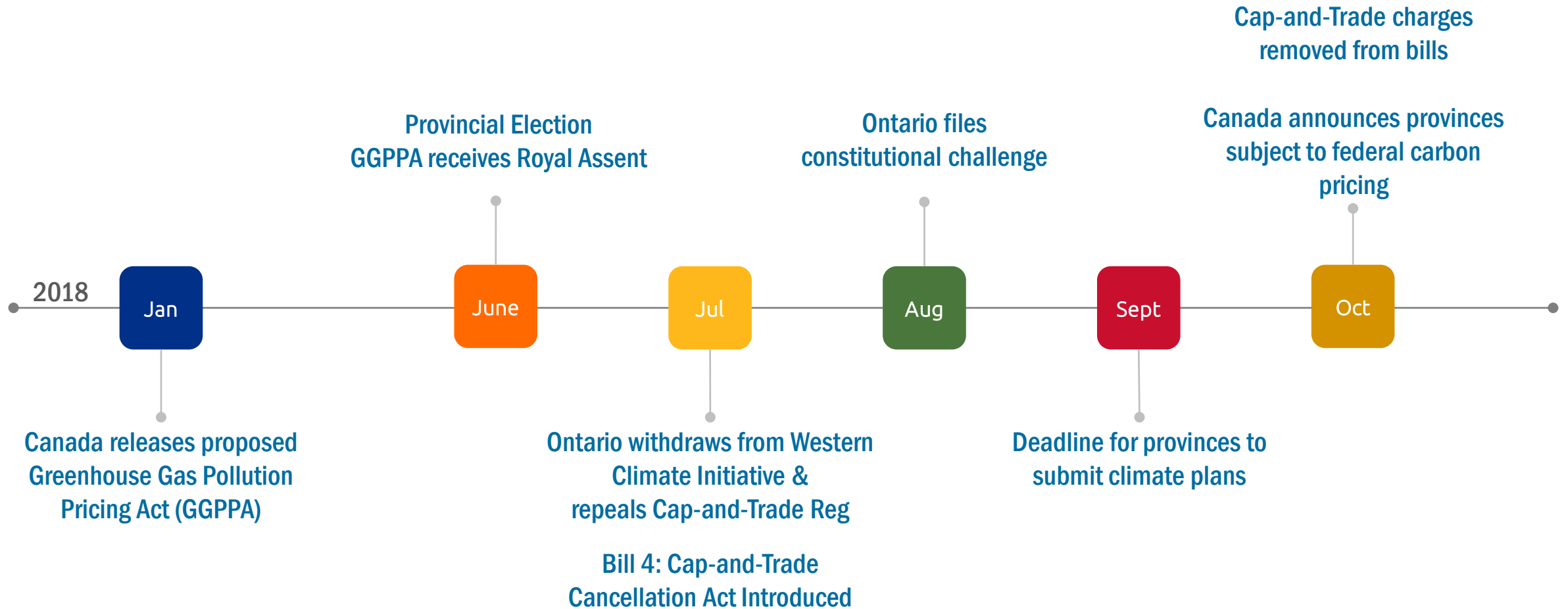
—
Program Overview

Topics

- Carbon pricing – What happened in 2018?
- Overview of the Federal Carbon Pricing System.
- Details on the Output-Based Pricing System for large industry.

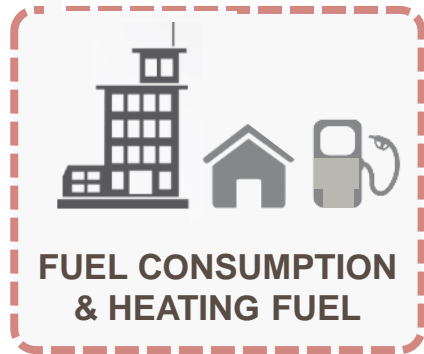


The Year In Carbon Pricing



What is the Federal Carbon Pricing Program?

- Carbon pricing is a central pillar of the Pan-Canadian Framework on Clean Growth & Climate Change
- The program is comprised of two elements:



Carbon levy on fossil fuels – effective April 1, 2019

- Generally payable by fuel producers or distributors.
- \$20/tCO₂e (3.91¢/m³) in 2019, rising by \$10 per year to \$50/tCO₂e (9.79 ¢/m³) in 2022.
- Exemptions: Fuel used as a process feedstock, liquid fuel used on farms, marine, air and rail, fuel delivered to registered emitters.



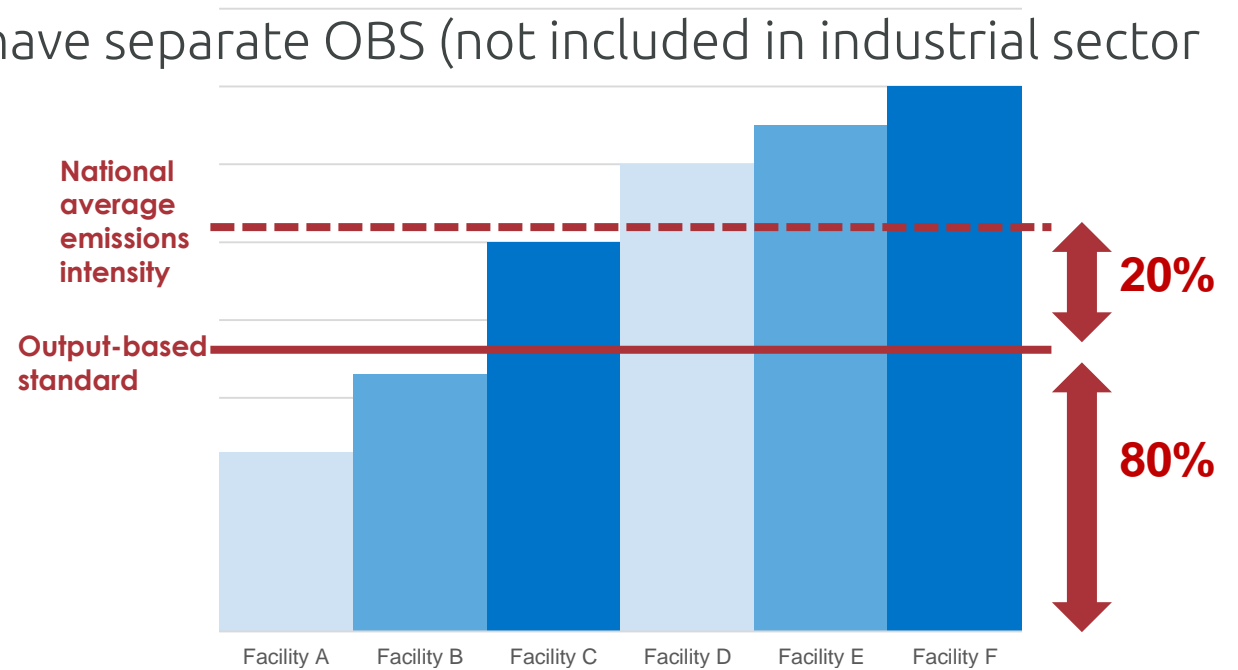
Output-based pricing system (OBPS) for large facilities – effective Jan 1, 2019

- Facilities that emit >10 ktCO₂e/yr and undertake an activity/produce a product for which an output-based standard (OBS) is prescribed.
- Designed to address competitiveness risks for emissions intensive and trade exposed industries.
- Mandatory participants: >50 ktCO₂e/yr .
- Voluntary participants: 10 to 50 ktCO₂e/yr .

Output-Based Pricing System

Output-Based Standards (OBS)

- For most sectors, basis of OBS is the production-weighted, national average emissions intensity
 - Metric is emissions per unit of product.
 - Emissions from steam **included** in industrial sector OBS.
 - Emissions from electricity generation will have separate OBS (not included in industrial sector OBS).
- OBS starting points:
 - **90%** for small number of sectors at higher competitiveness and carbon leakage risk (cement, lime, nitrogen, iron & steel).
 - **80%** for all other covered sectors.



Output-Based Pricing System

Compliance Obligation

- OBPS facilities:
 - Are exempt from the fuel levy.
 - Will have an obligation on the portion of their emissions that exceed an annual emissions limit.
 - Will receive free surplus credits that can be banked or sold if emissions **are below** the annual emissions limit, creating a credit market.

- OBPS compliance is required annually and can be achieved by:
 - Buying credits;
 - Buying Canadian OBPS offset credits; or
 - Paying carbon levy price.



Registration & Exemption Process

Customer Requirements

Step 1

(federal)

- ECCC registration: Customer to submit application for OBPS covered facility certificate(s).

Step 2

(federal)

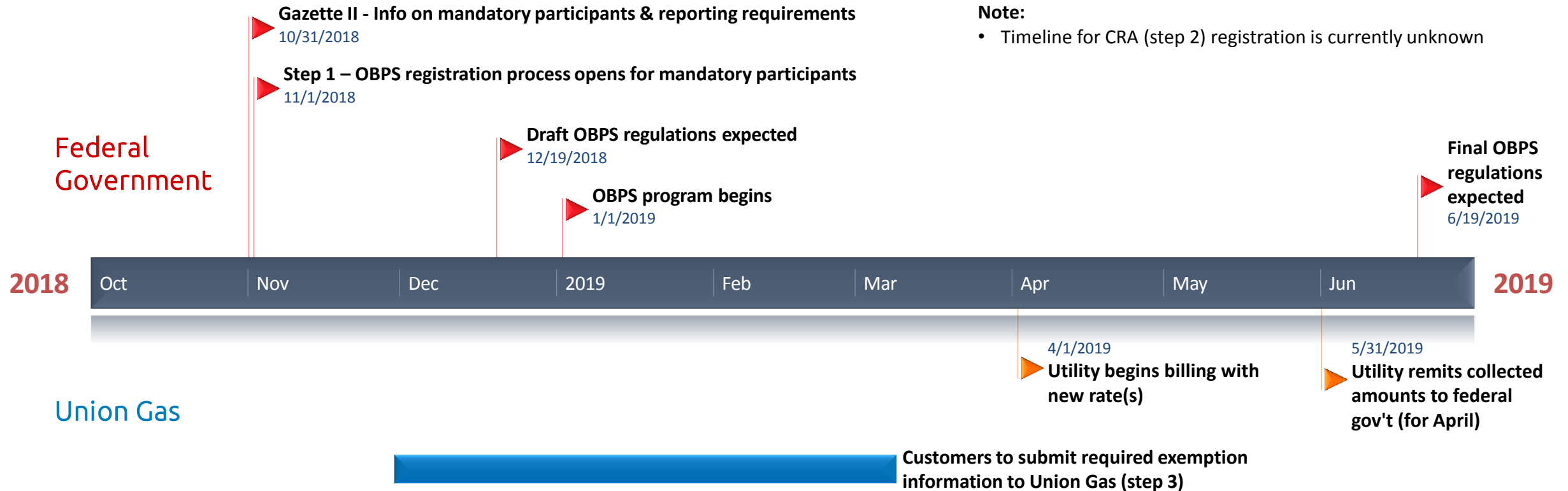
- CRA registration: Customer to submit application for exemption certificate.

Step 3

(utility)

- Attestation: Customer to send required information to distributor (Union Gas).
- Union Gas will communicate attestation requirements to potential registrants.

Federal Carbon Pricing Program Timelines



Federal Resources

- Pricing Pollution – How it will work

- Output-Based Pricing System
- Targeted Relief for Farmers and Fishers, and Residents of Rural and Remote Communities (including greenhouse operators)
- Support for small and medium-sized businesses
- Support for Municipalities, Universities, Schools and Colleges, Hospitals, Non-Profits, and Indigenous Communities



Questions regarding OBPS registration:

- Email: ec.stfr-obps.ec@canada.ca
- Phone: 1-833-849-9160