



Cap and Trade Cancellation Act, 2018

Stakeholder Briefing

Ministry of the Environment, Conservation and Parks
July 27, 2018

Context

- On July 3, the government revoked the cap and trade regulation and prohibited all trading in allowances. The government committed to an orderly wind-down of the cap and trade program, and of all programs funded by cap and trade proceeds.
- On July 10, the government announced its intention to introduce legislation upon the resumption of the legislature to repeal *the Climate Change Mitigation and Low-carbon Economy Act, 2016* (CCMLEA).
- On July 25th, the government will be introducing the *Cap and Trade Cancellation Act, 2018* which, if passed, would repeal the CCMLEA and set out the legal framework for the wind-down of the greenhouse gas cap and trade program including the compensation framework.
- The proposed legislation also requires the government to prepare and publish a climate change plan and to set targets for reducing the amount of greenhouse gas emissions in Ontario.

Principles For Orderly Wind-Down

Government decision-making on the orderly wind-down of the cap and trade program has been guided by the following principles:

- Swift removal of carbon price from energy prices paid by Ontario consumers;
- Minimizing impact to taxpayers of possible compensation;
- Requiring matching of cap and trade instruments to emissions as part of the program wind-down; and
- Providing the opportunity for compensation for cap and trade instruments in excess of emissions to program participants facing a compliance obligation that incurred costs they were not able to recover from customers.

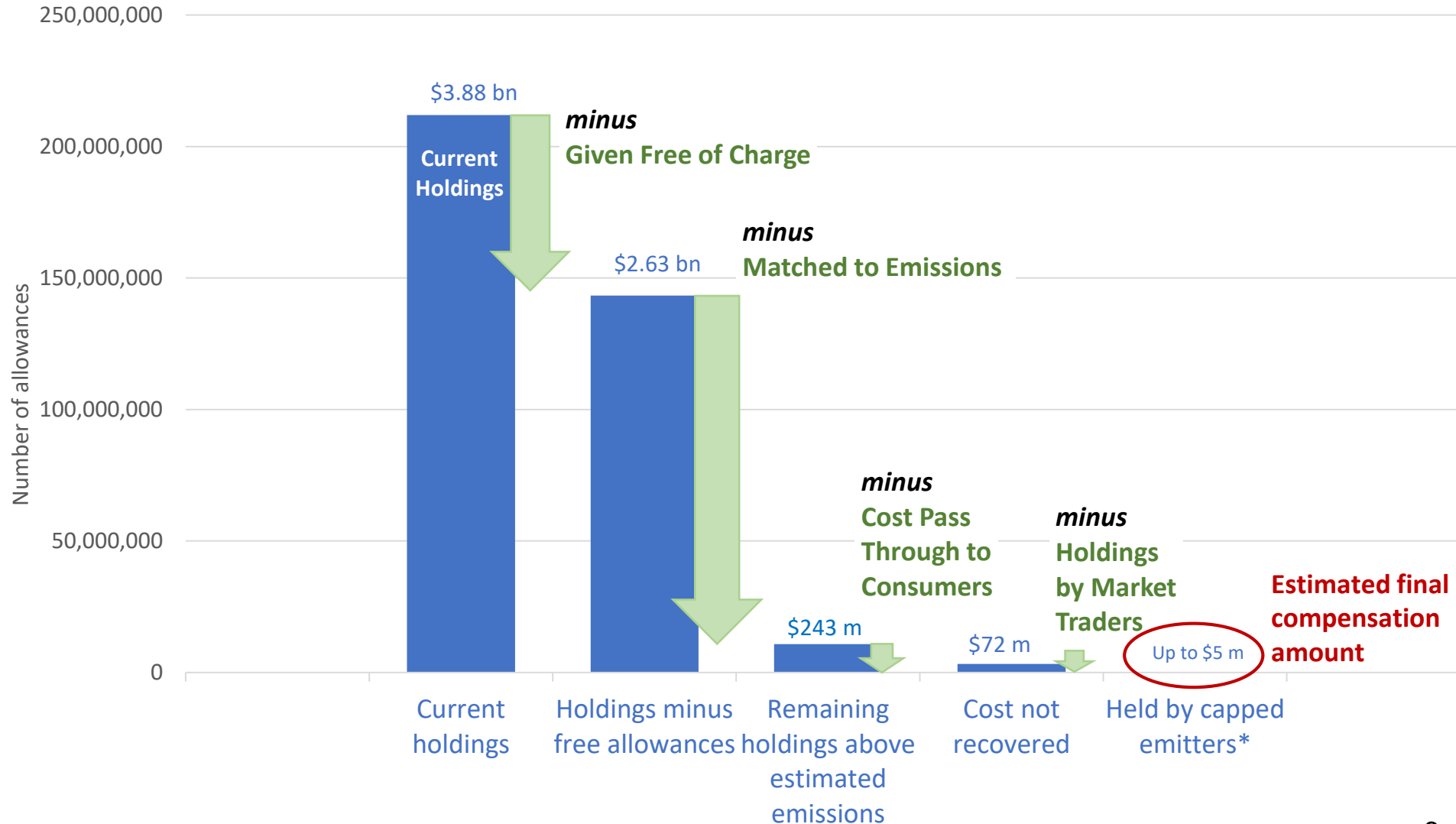
Overview of the *Cap and Trade Cancellation Act, 2018*

- On July 25, 2018 the Minister of Environment, Conservation and Parks will introduce the *Cap and Trade Cancellation Act, 2018*.
- The proposed Bill sets out the legal framework for the wind-down of the greenhouse gas cap and trade program including the compensation framework.
- If passed, the Bill would include:
 1. Repealing the *Climate Change Mitigation and Low-carbon Economy Act, 2016* (CCMLEA);
 2. Retirement and cancellation of Cap and Trade instruments (i.e. allowances and credits);
 3. Compensation Framework;
 4. Immunizing the crown from civil liability;
 5. A requirement for the government to set greenhouse gas emissions reduction targets;
 6. A requirement for the Minister to prepare a Climate Change Plan; and
 7. Addressing proceeds credited to the Greenhouse Gas Reduction Account.

1. Repealing *the Climate Change Mitigation and Low-carbon Economy Act*

- CCMLEA would be repealed on a date to be proclaimed – its underlying regulations would be effectively revoked. These include:
 - Ontario Offset Credits - O. Reg. 539/17;
 - Administrative Penalties - O. Reg. 540/17;
 - Service of Documents - O. Reg. 451/17;
 - Prohibition Against The Purchase, Sale and Other Dealings with Emission Allowances and Credits - O. Reg. 386/18; and
 - Regulation revoking the Quantification, Reporting and Verification of Greenhouse Gas Emissions (O. Reg. 143/16);
 - GHG reporting would be transitioned to the *Environmental Protection Act* through a new regulation to be filed on day of introduction of this bill, with an effective date of August 1. The current reporting regulation under the CCLMEA would be revoked at that time to avoid duplication.

2. Retirement and Cancellation of Instruments and 3. Compensation Approach



* Electricity importers included with market traders

Other Key Provisions

4. Immunizing the Crown from civil liability and barring legal proceedings

- Similar provisions found in several other statutes in Ontario.

5. Targets

- The proposed legislation would require the government to set targets for reducing the amount of greenhouse gas emissions in Ontario. These targets may be revised periodically.

6. Climate Change Plan

- The proposed legislation would require the Minister of the Environment, Conservation and Parks to, with the approval of the Lieutenant Governor in Council, prepare and publish a climate change plan, which may be revised from time to time.
- If passed, the Minister must publish progress reports on a regular basis, and may appoint an advisory committee to provide advice in the development of the plan.

7. Addressing proceeds credited to the Greenhouse Gas Reduction Account

- Greenhouse Gas Reduction Account would be continued as Cap and Trade Wind Down Account, adding wind-down costs as authorized expenditures for remaining proceeds.

Reporting Regulation

- The government would replace the existing greenhouse gas reporting regulation with a new reporting regulation under the Environmental Protection Act in order to support the orderly wind-down of the program.
- The new regulation would be the same as the previous regulation with the following complementary changes:
 - a) Inclusion of an mid-year 2018 GHG emissions report to be used in the process of matching allowances with verified emissions to complete the wind-down of the cap and trade program; and
 - b) Amendments that support orderly wind-down.
- The current reporting regulation would be revoked to avoid duplication.

Questions?