

Questions and Answers

Cap and Trade Cancellation Act, 2018 Webinar

July 25 & 27, 2018

Compensation

1. How will compensation be determined?

The compensation framework is outlined in the proposed *Cap and Trade Cancellation Act, 2018 (Bill 4)*. The Bill also includes regulation making authority related to compensation. Please refer to the bill for further details on the compensation framework.

2. Do you know how much each allowance will be worth for compensation?

The proposed legislation includes regulation making authority to determine the amount of compensation to be paid in respect of cap and trade instruments cancelled under the proposed legislation.

3. Are allowances with vintage year 2015 and 2016, before Ontario started their Cap and Trade program, eligible for retirement for compliance obligations?

Allowances with vintage years 2015 and 2016 that are held by Ontario participants are proposed to be included in the number of cap and trade instruments that may be retired or cancelled under the proposed legislation.

4. How many entities do you expect to be eligible for the \$5M compensation? Will all businesses that purchased allowances above their emissions be compensated for these allowances?

We will not know how many entities will be eligible for compensation until verified emissions reports are received.

The proposed legislation sets out classes of participants that are not eligible for compensation. Compensation of other participants will depend on the number of cap and trade instruments, other than cap and trade

instruments with a vintage year of 2021, that are in a participant's accounts and that are in excess of a participant's attributed emissions and free allocations. The proposed legislation creates regulation making authority for the attribution of emissions.

5. What is the timeline for capped participants to receive compensations?

Please refer to the draft *Cap and Trade Cancellation Act, 2018* (Bill 4) which outlines the compensation framework. The proposed legislation also provides regulation making authority related to the compensation framework (e.g. authority to set out the amount of compensation).

6. Which year of allowances will be compensated for?

All vintages of cap and trade instruments (i.e. allowances and credits) will be eligible for compensation, except for 2021 vintage allowances.

GHG Reporting and Verification Requirements

7. Will Ontario entities need to submit Calendar year (annual) verified emissions as well as for the January 1 to July 3, 2018 period?

The new reporting regulation under the *Environmental Protection Act* continues the requirement for an annual verified report, as well as a one-time 2018 mid-year verified report.

All capped participants (Mandatory and Voluntary) who were registered in the cap and trade program as of July 3, 2018, need to submit a mid-year 2018 report for their greenhouse gas emissions from January 1 – July 3, 2018 by October 1, 2018; and a verified report by an accredited third party by December 1, 2018.

Additionally, verified 2017 GHG emissions reports are still required to be submitted to the Ministry by September 1, 2018.

8. Do emitters holding free allowances still need to complete the January 1 to July 3 2018 reporting and verification? Or are they assumed to meet the compliance obligation with free allowances?

The obligation to submit the mid-year report applies to all capped participants regardless of whether or not they received free allowances.

9. When can voluntary participants opt out of program? What is timeline to opt-out? Going forward are voluntary participants going to be required to undertake accredited third party verification for their annual 2018 emissions in 2019?

Under the new reporting regulation voluntary participants must continue to report their emissions and verify these reports for 3 consecutive years, before they can stop verifying their reports (assuming that, for all three years their facility was below the 25,000 tonne emission threshold and they have complied with the regulation). A voluntary participant can stop reporting if their emissions are below 10,000 tonnes for three consecutive years.

10. Is the MECP open to extending the deadlines for mid-year 2018 reporting?

The timelines for mid-year reporting and verification aligns with the revocation of the cap and trade program regulation and this reporting will provide information about GHG emissions to the date of that revocation.

11. Will the new reporting regulation exempt electricity importers from mandatory reporting, as was the case prior to the Cap and Trade program?

The reporting regulation under the *Environmental Protection Act* continues to require electricity importers to report their emissions.

12. Is the mid-year reporting being completed via the federal Single Window Information System (SWIM) or another mechanism? Will MECP provide a form for completing and submitting the mid-year report or is it up to each emitter?

The Ministry has provided capped participants with a reporting template, and will be providing additional forms in the coming weeks. Please contact

the Cap and Trade Help Desk at CThelp@ontario.ca for a copy of the 2018 mid-year reporting template.

Mid-year reports should be submitted directly to the Ministry at 2018GHGReporting@ontario.ca and not through SWIM.

13. If a capped participant meets its compliance obligation, is there still a requirement to submit an emissions report and have it verified for the period from Jan 1, 2018 to July 3, 2018?

All registered capped participants have a regulatory requirement to submit the mid-year verified emission report under the new reporting regulation under the *Environmental Protection Act*, the Greenhouse Gas Emissions: Quantification, Reporting and Verification regulation, (O. Reg. 390/18).

14. For the mid-2018 report, should fuel attestation forms be submitted?

Yes. The Ministry will be providing updated attestation forms to participants in the near future.

15. Will the threshold for reporting still be 10,000 tonnes? Or does it increase back to 25,000?

The thresholds for reporting remain the same in the new reporting regulation.

Compliance

16. Are penalties applicable to participants refusing to comply with verification for 2017 emissions, or the mid-year 2018 report?

The verified emissions information submitted to the Ministry through the 2018 mid-year report will also be used in the process of determining potential compensation for capped participants of the program if Bill 4 is enacted.

The *Environmental Protection Act* sets out broad compliance and enforcement provisions for all participants captured under the reporting regulation.

17. If there are capped participants that are short of meeting their compliance obligation, are they required to purchase additional allowances in the secondary market?

No further action needs to be taken by any registered capped participant other than submitting GHG emission reports.

The new reporting regulation under the *Environmental Protection Act* continues the requirement for an annual verified report, as well as a one-time 2018 mid-year verified report.

Allowances Distributed Free of Charge

18. Will free allowances still be able to be applied against current compliance obligations?

Bill 4, if enacted, provides that all allowances (except 2021 vintage) and credits (cap and trade instruments) in a participant's account that match the participant's attributed emissions (January 1, 2017-July 3, 2018) are retired. All other cap and trade instruments will be cancelled. The proposed compensation framework addresses instruments that are cancelled and excludes compensation for the number of allowances that were distributed free of charge.

19. What about companies that sold free allowances? Will they need to reimburse the government?

Ontario will not seek reimbursement for allowances distributed free of charge.

20. Will production adjustments occur?

The Cap and Trade Program regulation was revoked on July 3, 2018. There will be no distribution of allowances free of charge or otherwise in 2019, and therefore a production adjustment is not relevant.

New Climate Change Plan

21. When will the government publish a climate change plan for the province of Ontario? What will the new climate change plan look like and how will you ensure that Ontario entities are not covered by the federal program?

The Climate Change Plan is being developed. Ontario is committed to developing a new plan and we hope to have it released later this year.

On July 19, 2018, Premier Doug Ford and Premier Scott Moe agreed to work together to stop the federal government from imposing a carbon tax. On July 23, 2018 Ontario filed notice to intervene in the Saskatchewan reference case. On August 1, 2018, Ontario submitted its reference question to the Ontario Court of Appeal.

22. Are there plans for public consultation with stakeholders regarding the Climate Change Plan?

Details on the new climate change plan will be provided to stakeholders and the public as soon as they are available.

Remaining Cap and Trade Proceeds

23. What will happen to the various green programs funded with revenues from the Cap and Trade system (e.g. Greenhouse Gas Campus Retrofit Program, among others) and how they will be impacted by the repeal of the system?

The government is committed to an orderly wind down of the programs that were funded with cap and trade proceeds. Transfer payment agreement recipients have been advised of contract terminations and government staff are working with them to ensure the programs are wound down in an orderly and reasonable manner.

24. How are remaining cap and trade proceeds being distributed?

As part of the wind-down of the cap and trade program the Ministry is reviewing all related spending of proceeds. This review is currently underway.

25. Will there be a full accounting of the total proceeds received by Ontario and total expenditures made by Ontario as a result of the Cap and Trade program?

The proposed *Cap and Trade Cancellation Act, 2018* (Bill 4) outlines the authorized use of funds and requirements for reporting on those uses.

26. What's the government going to do with the money for 2021 vintage that are now rendered worthless?

As part of the wind-down of the cap and trade program the Ministry is reviewing all related spending of proceeds. This review is currently underway.

Allowances from Other Jurisdictions**27. Will California and Quebec allowances held in Ontario accounts be cancelled?**

The proposed *Cap and Trade Cancellation Act, 2018* (Bill 4) if enacted provides for the cancellation of cap and trade instruments (e.g. allowances held in Ontario participants' accounts). The Bill, if passed, will result in the retirement or cancellation of all allowances and credits held in a participant's account as part of the orderly wind down of the Cap and Trade program.

28. Would California or Quebec receive compensation under the proposed bill since they hold a number of Ontario allowances?

The proposed legislation does not provide for the cancellation of allowances created by the Minister (Ontario) that may be held in the account of Quebec or California participants' accounts.

29. If we have purchased allowances for use outside of Ontario (at the time that the markets were linked) in order for compliance in Quebec and California, how can we transfer those out?

The proposed *Cap and Trade Cancellation Act, 2018* (Bill 4), if passed provides for the retirement and cancellation of cap and trade instruments for allowances held in Ontario accounts.

With the cancellation of the program and the prohibition on sale or trading of cap and trade instruments in Ontario, the allowances in Ontario participants' accounts can no longer be sold or traded. If the proposed legislation is enacted, these instruments will be retired or cancelled as part of the orderly wind down of the Cap and Trade program.

Western Climate Initiative, Inc. (WCI, Inc.)

30. What are the legal implications of Ontario's linking agreement with its WCI, Inc. partners Quebec and California?

The linking agreement is not a legally binding document.

As part of our orderly wind down of the cap and trade program, Ontario will initiate a formal process to withdraw from all agreements relating to the linked market and Western Climate Initiative Inc.

31. How long does the Ministry expect CITSS accounts to remain open? What are the terms of withdrawal from WCI, Inc.?

Any withdrawal from WCI, Inc. will be initiated through a formal process to withdraw from all agreements relating to the linked market and Western Climate Initiative Inc. There are no financial penalties associated with the withdrawal.

Federal Carbon Pricing

32. What is the planned integration with the Federal carbon pricing program?

- **What kind of regulation would be in place starting January 1, 2019?**
- **How will the new Climate Change Policy interact with the Federal plan?**

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