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A Missing Issue in the 2015 Alberta Election: Curbing Carbon Emissions

By: Shaun Fluker

Legislation Commented On: *Specified Gas Emitters Regulation*, Alta Reg 139/2007

One might think that curbing carbon emissions would be a key topic during an election in the province which emits more carbon emissions than any other jurisdiction in Canada. Carbon emission is after all an inherently political topic these days both at home and abroad. However, the absence of debate on how Alberta should address carbon emissions is one of the more defining features of the 2015 Alberta election. This is particularly noteworthy because of Ontario's recent announcement that it will join the carbon emissions cap-and-trade scheme operating in Quebec and California under the Western Climate Initiative. Premier Jim Prentice stated that Alberta (see here) will not join this regional scheme, and recent media commentary has expressed concern with this position (see here).

The absence of election debate on carbon emissions is also noteworthy since the governing legislative framework for carbon emissions in Alberta – the *Specified Gas Emitters Regulation* – will expire on June 30, 2015, just 2 months after this election passes (ABlawg has previously examined the *Specified Gas Emitters Regulation* here, here, and here, and readers not familiar with these earlier posts are encouraged to read them). This comment describes how the platforms of the New Democrats, Liberals, Wildrose, Alberta Party, and Progressive Conservatives (PCs) address carbon emissions, and then makes some observations on why the absence of debate on this topic is problematic.

The New Democrats state on page 17 of the *Leadership for What Matters* platform (here) they will redirect funding away from existing carbon reduction programs such as Carbon Capture and Storage, phase out coal-fired electricity generation, and encourage renewable energy production from less carbon intensive sources such as wind and solar.

The Liberals state in the *Trusted Leadership for all Albertans* plan (here) that they will impose a price on actual carbon emissions (page 8) and will redirect funding away from Carbon Capture and Storage (page 10).

The Wildrose Party policy on the Environment (here) states (at page 3) they will also cancel public funding for Carbon Capture and Storage and ensure that Alberta's standards for carbon emissions are in line with national and international standards.

The Alberta Party states in its platform *The Alberta Party has a Better Way* (here) that they will phase out coal-fired power, impose a $30 per ton price on carbon for large emitters who do not reduce their carbon emissions by 30%, and require 25% of electricity generation to come from renewable sources over the next 10 years.

The Progressive Conservatives state they will invest in additional carbon emissions abatement technologies. The Prentice Plan (here at page 17) states that the PCs will accelerate investment in technologies and engineering solutions to the problem of excessive carbon emissions.

None of these platforms demonstrates real enthusiasm for addressing the carbon emissions problem. But what is most interesting to me is that the three leading parties (NDP, Wildrose, and PCs based on current polling) have very little if anything to say about how Alberta currently imposes a price on carbon emissions.

Pricing carbon emissions using market-based regulation is increasingly the preferred policy tool across the globe to address carbon emissions and is eclipsing other forms of regulation such as command-and-control or direct investment. Alberta has a market-based system, but this system has problems and Albertans should demand a government that will fix them. The slated expiry of the *Specified Gas Emitters Regulation* provides a great opportunity to do this work, but silence on the election front suggests the existing regulation will be quietly renewed with little or no changes.

The *Specified Gas Emitters Regulation* establishes what is known as an intensity baseline-and-credit system. The legislation requires each regulated emitter in Alberta (a person who operates a facility that emits at least 100 000 tons of carbon annually) to calculate a baseline intensity of carbon emissions per unit of economic production in a facility. For example, in relation to oil production the intensity figure represents the amount of carbon per barrel of production. Over the course of successive compliance periods, a regulated emitter must reduce its emissions intensity below its baseline by a specified percentage up to 12%. Alberta thus requires a regulated emitter to improve its emissions efficiency, but there is no absolute limit or cap on emissions. Regulated emitters in Alberta can increase absolute emissions and remain in compliance under the *Specified Gas Emitters Regulation* so long as increased emissions result in increased economic production.

A regulated emitter whose emissions intensity in a given year is below its prescribed baseline earns credits that can be traded or submitted for compliance in subsequent years. A regulated emitter whose emissions in a given year are above the baseline must submit credits or offsets earned previously or acquired from others, or alternatively pay $15 per ton of excess into the Climate Change and Emissions Management Fund. Compliance data indicates most regulated emitters pay the $15 per ton administrative penalty to cover excess emissions (see here). Meanwhile overall emissions from regulated emitters under the *Specified Gas Emitters Regulation* continue to rise (see here). If the objective of the regulation is to reduce overall carbon emissions in Alberta, it isn't working.

The fact that Ontario intends to join the cap-and-trade system implemented in Quebec and California is a game changer for the regulation of carbon emissions in North America. This regional market will undoubtedly attract more provinces and states over the next several years, and it will entrench a regional cap-and-trade system in North America that may ultimately link with other regional markets across the globe. Participants in these market-based systems will be subject to an absolute emissions limit, but there will also be opportunities to speculate and profit on the price of carbon emissions. In order for Alberta-based carbon emitters to participate in this system the *Specified Gas Emitters Regulation* doesn't just need to be tinkered with – the regulation and the intensity-based emissions limit will have to be scrapped along with other elements of Alberta's current system that do not align with the Quebec-California market, such as unlimited use of emissions offsets (for some discussion of this on ABlawg see here).

The Alberta government likes to tell the world that it was the first jurisdiction in North America to implement regulations that limit carbon emissions, and by implication has shown environmental leadership on the carbon file. Unfortunately Alberta chose to implement a system (intensity baseline-and-credit) that doesn't result in actual carbon emissions reductions, and so those jurisdictions who seek to actually reduce emissions within their borders are looking elsewhere for leadership.

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