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## Province of Alberta Announces a Two-step Process for Developing a New Climate Change Policy

By: Nigel Bankes

**Matter Commented On:** Minister Shannon Phillips' [Press Conference on Alberta's climate change strategy](#), June 25, 2015

A central element of Alberta's climate change strategy is the *Specified Gas Emitter Regulation* (SGER), [Alta Reg 139/2007](#). The SGER imposes greenhouse gas emissions intensity reduction obligations (ultimately 12%) on regulated emitters (facilities that emit in excess of 100,000 tonnes of CO<sub>2e</sub> per year). A facility may achieve compliance in one of four ways: (1) meeting its target by producing its product with lower carbon inputs, (2) Alberta based offset credits (emission reductions over a business as usual scenario achieved by a non-regulated entity in accordance with an approved protocol), (3) emission performance credits (credits achieved by a regulated facility which beats its compliance target), or, (4) contribution of \$15 per tonne (for excess emissions over the compliance target) to the Climate Change and Emission Management Fund (the so-called compliance price).

The regulations came into force in 2007 and were originally set to sunset in September 2014. They were extended without change by the Progressive Conservative administration, first to December 31<sup>st</sup> and then to June 30, 2015. These last-minute extensions of this significant policy instrument were emblematic of the broken state of climate change policy under that administration. If a government is serious about changing behavior it needs to signal well in advance what its expectations are rather than waiting until the last moment. Instead, the government floated trial balloons (e.g. the [double/double proposal](#) – double the compliance price to \$30/per tonne and double the intensity target to minus 24% of the baseline) but then did nothing.

And then the world moved and the NDP were elected in Alberta. As my colleague Shaun Fluker has [pointed out](#) the NDP did not have anything specific to say about the SGERs in its platform and instead put its position [in the following terms](#):

(5.10) We will phase out coal-fired electricity generation to reduce smog and greenhouse gas emissions and expand cleaner, greener sources, including wind and solar and more industrial co-generation in the oil sands, all of which will improve both the environment and the health of Albertans.

(5.11) We will end the PCs' costly and ineffective Carbon Capture and Storage experiment and reinvest the 2015/16 component of this project into construction of public transit, which will help reduce families' transportation costs and reduce greenhouse gases and other air pollutants.

(5.13) We will take leadership on the issue of climate change and make sure Alberta is part of crafting solutions with stakeholders, other provinces and the federal government. First steps will include an energy efficiency strategy and a renewable energy strategy.

The election did not change the impending expiry of the regulations but it was clear that the new government was not positioned to put a new climate change strategy in place immediately — hence the two step approach announced June 25.

### **Step One**

The province will extend the SGER but will change two of the three key variables embedded in the regulation. While the amendments to the regulation have yet to be gazetted it appears that the regulation will be extended until the end of 2017. The coverage of the regulation will not change, i.e. the regulation will continue to apply only to emitters emitting more than 100,000 tonnes CO<sub>2e</sub>. However, both the ambition (or stringency) of the regulation and the compliance price will change. Thus, regulated emitters will be required to make emission intensity improvements of 15% in 2016 and 20% in 2017, and the compliance price will change to \$20 per tonne in 2016 and \$30 per tonne in 2017. The Minister estimates that these initiatives will reduce emissions by 13 megatonnes per year by 2017.

### **Step Two**

The province has appointed Professor Andrew Leach from the University of Alberta to head an advisory panel to examine Alberta's options for developing a more ambitious climate change policy prior to the Paris meeting of the Conference of the Parties to the [UN Framework Convention on Climate Change](#) in December 2015. Leach and his colleagues have been charged with preparing a discussion paper by the early fall with the intent that the paper will “inform the development of a comprehensive new provincial strategy that demonstrates to the world Alberta's commitment to address climate change.” It seems clear that this will be a comprehensive review and that all options will be considered, including a carbon tax and a cap and trade scheme which will be able to link with other jurisdictions. It seems unlikely that Alberta's idiosyncratic emissions intensity scheme will survive this review.

### **Carbon Capture and Storage**

And finally a footnote reference to the Minister's discussion of carbon capture and storage (CCS) in her speech. This was another important part of Alberta's 2008 [Climate Change Strategy](#) and many previous posts on ABlawg have traced the implementation of this technology in Alberta (most recently [here](#)). Shell's Quest project is scheduled to commence injection later this year and thus the NDP's election platform (quoted above) must have raised concerns in some quarters. But thankfully, wisdom has prevailed and Minister Phillips in the discussion that followed the announcement stated clearly and unequivocally that Quest project contracts are in place and that the project will continue. I say thankfully for a couple of reasons. First, the Quest project is one

of a handful of world class industrial scale CCS projects and it is crucial in global terms that we demonstrate the feasibility of this technology. Second, the Minister is correct. Alberta's commitments to Shell (with the possible exception of double offset credits for CCS in the SGER) are tied up in contracts and Alberta would have been on the hook if there had been any attempt to back out of those arrangements – and with no corresponding discernible benefits. The key point here is that the province is affirming current commitments to CCS projects but will also be pursuing a number of other strategies including alternative energy sources and energy efficiency strategies to achieve GHG emission reductions. About time.

We will not become world leaders in greenhouse gas mitigation policy and action by the time of the Paris meeting later this year, but there is now at least a chance that we won't be the target of derision and contempt.

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