

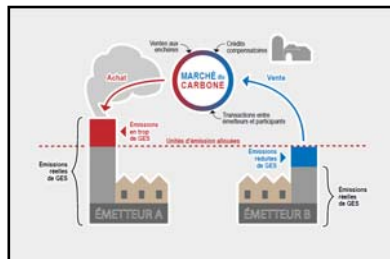
# Quebec-California C&T Programs : the WCI Regional Carbon Market

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# Comprehensive and Flexible approach to address Climate Change



- Mitigation
- Adaptation
- Public awareness

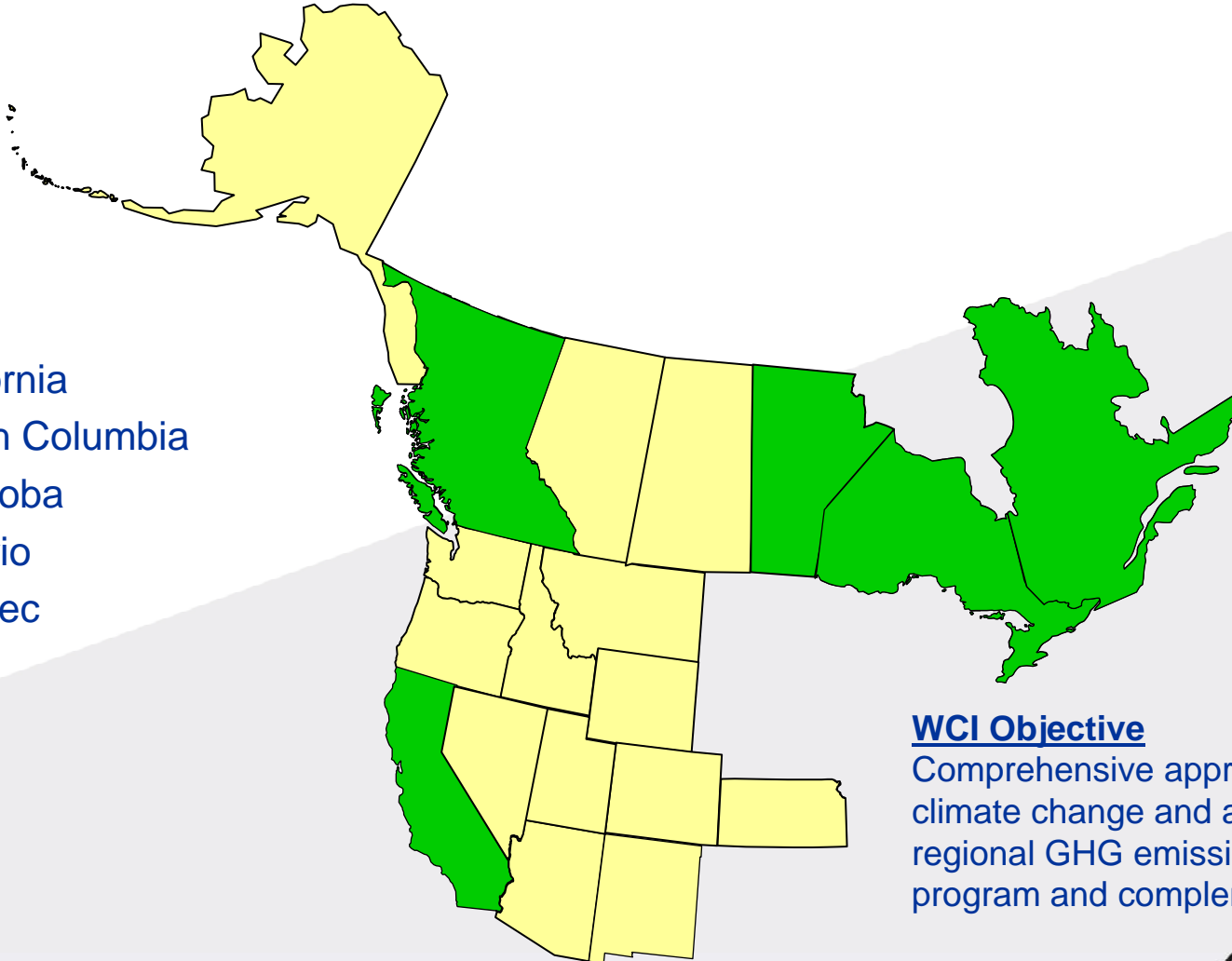
- WCI Cap-and-Trade Program : Flexibility for Governments and Covered Entities
  - Price signal : allows for covered entities to choose how and when to invest and/or innovate
  - Allocation to address competitiveness and economic impacts
- In Québec : All revenues go to the Green Fund and are dedicated to fight climate change
- 2020 Climate Action Plan : 3,3 billion dollars over 8 years



# The Western Climate Initiative

## Partners

- California
- British Columbia
- Manitoba
- Ontario
- Québec



## WCI Objective

Comprehensive approach to address climate change and reduce regional GHG emissions : C&T program and complementary policies



# The Western Climate Initiative

## **WCI provides a common set of rules:**

- Draft Design Recommendations (2008) : Scope, Cap Setting, ...
- Reporting Guidelines and Protocols (2008, 2009, 2010)
- Detailed Program Design (2010): Model Rule
- Offset System Essential Elements (2010): Recommendation paper on Offset Criteria
- **All decisions were made by consensus : flexible design**

## **WCI Inc. provides common infrastructure:**

- Registry (tracking system)
- Auction Platform
- Market Monitoring Services,
- Help Desk
- Etc.



# QC's Implementation Schedule

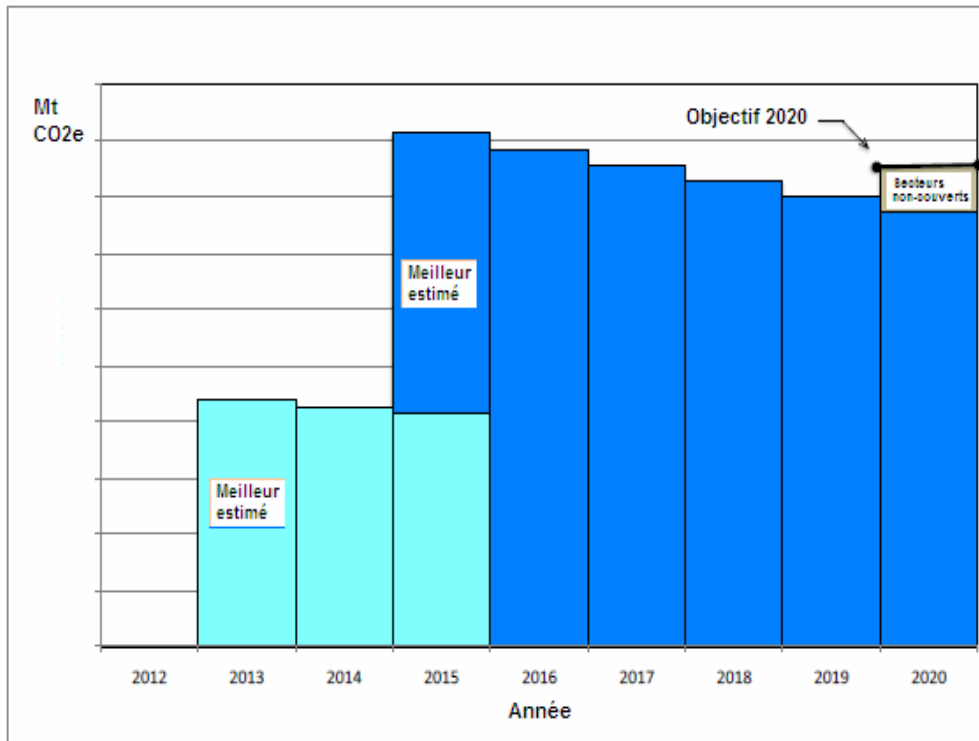
- Québec joins the Western Climate Initiative (April 2008)
- Cap-and (Bill 42, 2009)
  - Environmental Quality Act, section VI, paragraphs 46.1 to 46.18
- 2020 Mitigation goal (Executive Order n°1187-2009)
- Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (2011, 2012, 2013)
- Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere (2011, 2012, 2013)
- Linking Québec and California markets : January 1st, 2014



# Scope of the Cap-and-Trade Program

- All six GHG covered under the Kyoto Protocol plus NF3
- Since January 1st, 2013
  - Electricity generation, including the one produced outside QC and CA
  - Emissions from combustion and industrial processes
  - Threshold : 25,000 tonnes of CO<sub>2</sub>eq. per year
- From January 1st, 2015
  - Electricity generation, including the one produced outside QC and CA
  - Emissions from combustion and industrial processes
  - Fuel distribution
  - Threshold : 25,000 tonnes of CO<sub>2</sub>eq. per year
- Broad scope : covers about 85% of total GHG emissions

# Annual Caps



## Quebec

- 2013 : 23,20 Mt
- 2014 : 23,20 Mt
- 2015 : 65,30 Mt
- 2016 : 63,19 Mt
- 2017 : 61,08 Mt
- 2018 : 58,96 Mt
- 2019 : 56,85 Mt
- 2020 : 54,74 Mt

## California

- 2013 : 162,8 Mt
- 2014 : 159,7 Mt
- 2015 : 394,5 Mt
- 2016 : 382,4 Mt
- 2017 : 370,4 Mt
- 2018 : 358,3 Mt
- 2019 : 346,3 Mt
- 2020 : 334,2 Mt

## Québec

1990 = 87,13 Mt (including electricity imports)

2020 Goal (20% below 1990) = 54,74 Mt (covered sources) + 14,96 Mt (uncovered sources) = 69,70 Mt



# Compliance

At the end of a compliance period :

Surrender a number of allowances that equals total verified GHG emissions reported for that compliance period

Three compliance periods:

- First : 2013 - 2014
- Second : 2015 – 2017
- Third : 2018 - 2020

Compliance in Québec:

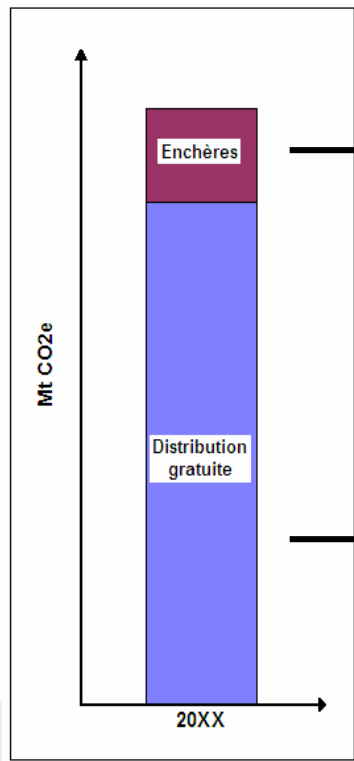
- On November first following the end of a compliance period

Compliance in California:

- On November first following the end of a compliance period
- Plus annual partial surrender

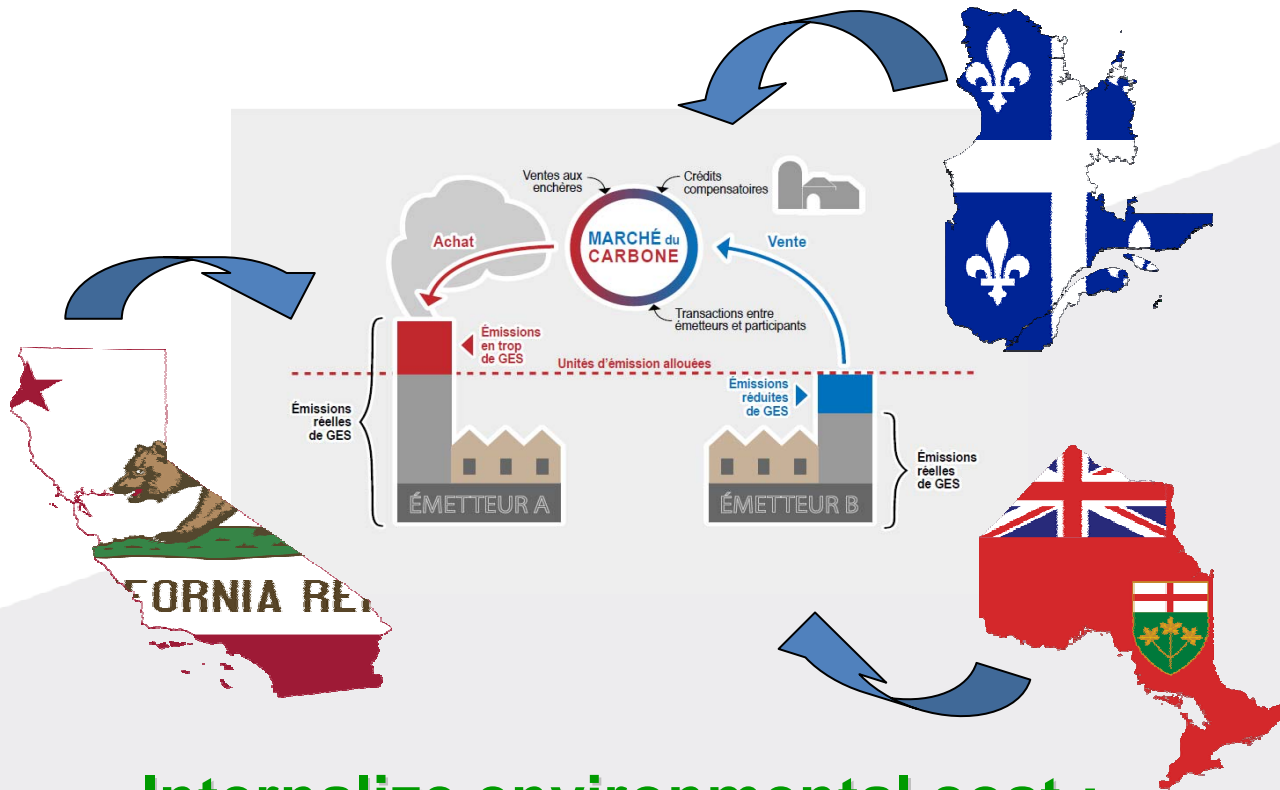


# Allowance distribution



- Residual allowances (cap - free distribution) will be auctioned
- Quaterly auction
- Auction revenues : Green Fund : 2013-2020 Climate Action Plan (budget of 3,3 billion dollars)
- The Government shall first determine the number of allowances to be distributed to sectors that will receive assistance in the form of free allocation.
- The number of emission allowances to free distribution is calculated annually based on formulas contained in Regulation.

# Carbon Market : Creates business opportunities



**Internalize environmental cost :**

**Spur innovation, investments and improve competitiveness**



# Auctions

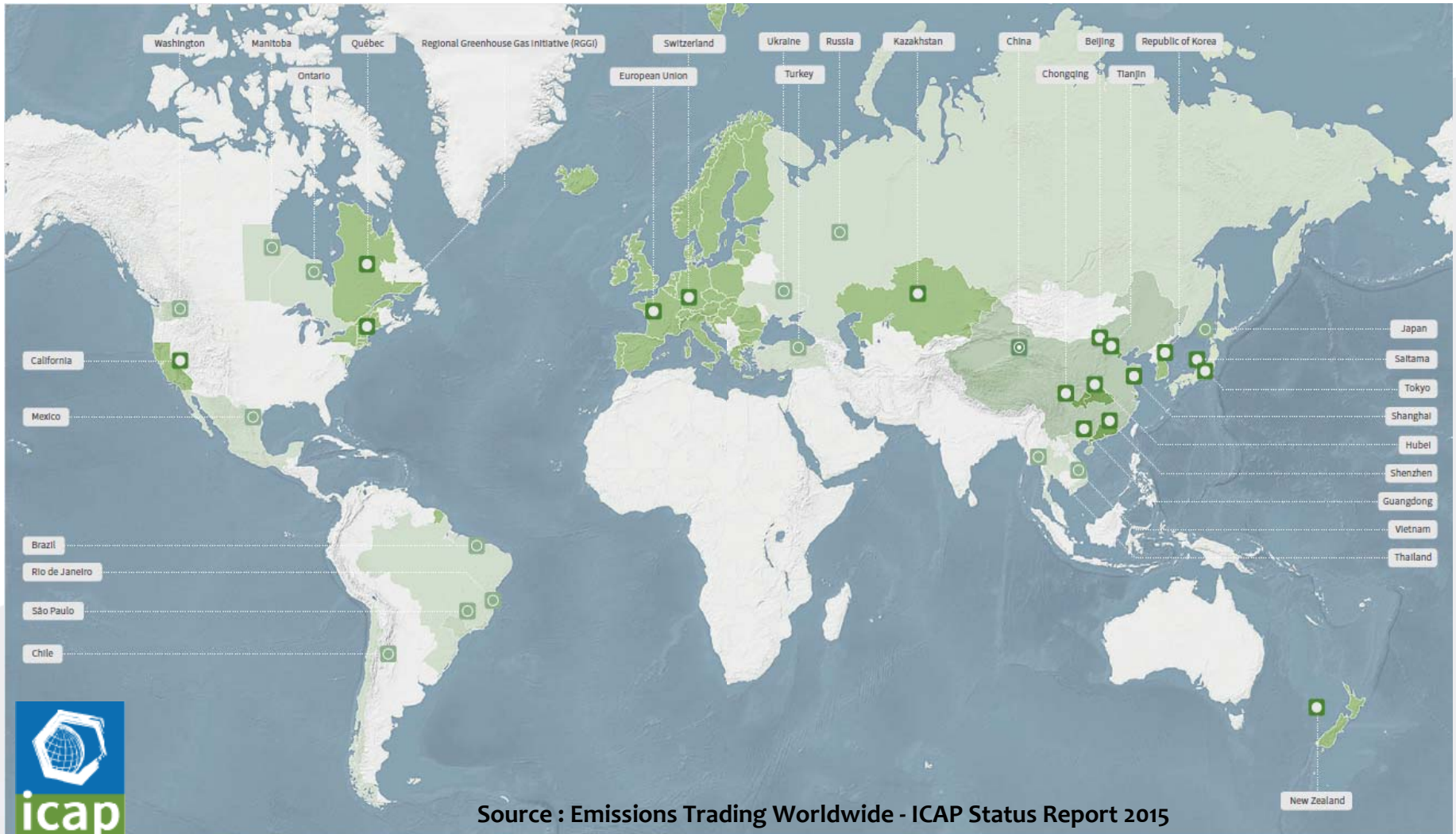
- Quarterly auctions (joint auctions expected by the end of 2014)
- Open to all CITSS registered entities (emitters and participants)
- Registration and submittal of a bid guarantee required
- Minimum auction price of \$ 10 in 2012, growing at a rate of 5% + inflation per year until 2020
- Bids accepted in Canadian and American dollars
- Lots size of 1000 emission units
- Single round format
- Closed bids
- Selling price = lowest clearing price (bid)
- Purchase limits to prevent manipulation



# Flexibility Mechanisms and Other Features

- Banking is allowed / Borrowing is not allowed
- Contingency/Strategic Reserve
- Early Reduction Allowances (2008-2011) in QC
- Early Offsets in CA
- Electronic transactions / secure registry
- Holding limits / market monitoring to prevent manipulation

# Next Steps : Towards a Global Market



Source : Emissions Trading Worldwide - ICAP Status Report 2015



# Thanks!

More info :

[www.westernclimateinitiative.org](http://www.westernclimateinitiative.org)

[www.wci-inc.org](http://www.wci-inc.org)

[www.mddelcc.gouv.qc.ca/changements/carbone/index.asp](http://www.mddelcc.gouv.qc.ca/changements/carbone/index.asp)