

Public Consultation on a Proposed Cap and Trade System for Manitoba

What We Heard



**Manitoba Conservation
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Manitoba Cap and Trade Consultation

What We Heard

A web-based consultation was conducted by Manitoba Conservation over the period from **November 27, 2010 to March 15, 2011** to obtain stakeholder views on the province's consideration of **cap and trade** as a mechanism to reduce Manitoba's greenhouse gas (GHG) emissions.

Respondents were directed to submit comments online to the Conservation website, which also included a short summary on cap and trade and a web link to the Western Climate Initiative's (WCI) detailed regional cap and trade program design for partner jurisdictions.

The following is a summary report of what we heard from respondents to the Manitoba Cap and Trade Consultation. The direct citations contained in this report were submitted by respondents who granted the Manitoba government permission to publish their comments.

1. Who Responded?

In total, 52 responses to the consultation were received. The distribution of submissions was broad, with representation covering a range of sectors including:

- business and industry associations
- Crown corporations and boards
- educational and health institutions
- environmental and advocacy groups
- general public
- provincial and municipal government

Submission responses were grouped into three categories:

- **Support** – Approximately 25 per cent supported the creation of a cap and trade system based on WCI's *Design for the WCI Regional Program* from July 2010.
- **Oppose** – Approximately 25 per cent of responses were opposed to cap and trade and did not specify any other recommendations to meet Manitoba's GHG emission reduction goals.
- **Mixed** – Approximately 50 per cent of responses did not specifically support or oppose cap and trade as a primary GHG emission reduction mechanism for Manitoba. However, the responses did indicate support for the need to implement a mechanism to reduce GHG emissions in Manitoba.

2. Level of Support

The following highlights some key issues and level of support, by sector, made by consultation respondents.

2.1 Business and Industry Associations

Among business and industry associations, the support for the implementation of cap and trade in Manitoba was divided. Some respondents expressed their outward support of cap and trade and WCI's design for a regional cap and trade program.

Others were not in support of either WCI's cap and trade program design or its regional approach to cap and trade; however, they were supportive of cap and trade in general and offered recommendations on the design of such a program for Manitoba. Some respondents, who did not support cap and trade, said that they would comply with a cap and trade system in Manitoba if one was implemented.

Some consultation participants said that Manitoba's unique position (clean electricity grid and small, distributed GHG emission sources) should influence how it progresses on climate mitigation policy. Some respondents cautioned that while harmonized policies across Canada are preferable, there is no one solution for everyone.

A number of consultation participants suggested that other mechanisms to reduce GHG emissions, such as a carbon tax and market incentives, be either combined with or in preference to the implementation of cap and trade in Manitoba. Respondents also suggested that Manitoba integrate a comprehensive, broadly based action climate change plan with an energy plan (ex: targeted energy efficiency in residential and commercial buildings; transport and industry; and demand side management).

Various respondents suggested that large emitters be permitted to meet GHG reduction compliance obligations under cap and trade through offset credit use and early reduction allowances to provide them with the opportunity to make early investment in new technologies. Consultation respondents suggested that Manitoba implement an offset system for emission reductions, in sectors not regulated under the cap, and link it with other emission trading systems.

Although varied in the approach, all respondents from business and industry associations were in favour of Manitoba's pursuit of measures to reduce GHG emissions. Business and industry associations expressed consensus on the following issues identified as important considerations in Manitoba's development and implementation of appropriate measures to reduce greenhouse gas (GHG) emissions in the province.

Trade-exposed Industries: Implementing regulations in Manitoba without, similar regulations being implemented by other jurisdictions could place some Manitoba emitters at a competitive disadvantage, potentially leading to **economic leakage** from the province. Respondents identified the need to harmonize regulations and policies across provincial jurisdictions, while implementing supports to enable a transition to a low carbon economy.

Energy intensive Industries: Many businesses in Manitoba are energy intensive. Most GHG emissions are generated from energy consumption and process emissions. The lack of infrastructure and limited access to cleaner energy sources in the remote areas of Manitoba make switching to cleaner fuels cost-prohibitive.

Market Uncertainty: Market liquidity is a key element of cap and trade. Liquidity, with appropriate market oversight is required to avoid speculation. Broadening the scope of the carbon market reduces price volatility and provides investment certainty for regulated entities.

Costs to the Economy: Implementation and compliance costs for emitters may be significant. These costs may be passed to the consumer, resulting in job losses for Manitobans.

Citations:

“To meet its reduction targets in Manitoba, the fertilizer industry requires flexible compliance mechanisms (allocation of sufficient allowances to allow for fertilizer industry growth; process emission exemptions; policies to maintain and expand CoGen; achievable reduction targets; and recognition of the industry’s role in GHG emissions on-farms); as well as offset protocols.” – Canadian Fertilizer Institute (CFI).

“Our primary concern with the WCI program design is the lack of specific measures to address competitiveness issues and level the playing field.” – Cement Association of Canada (CAC).

“The forest products sector is already heavily reliant on self-generated, biomass-based fuels. This substantially limits options for further GHG reductions through common emission reduction strategies, such as fuel switching, and so would significantly impact the sector if not properly recognized.” – LP Canada Ltd.

“Tolko’s paper mill in The Pas has significantly reduced its GHG emissions over the past ten years. This has been done with a concentrated emphasis on improved efficiency, new investment and substitution of fossil fuels with biomass fuel where possible. As a result, most of the cost effective opportunities to reduce GHG emissions have already been enacted ... Our paper mill does not have access to natural gas due to lack of infrastructure development; there is no gas pipeline to our facility ... our mill is at a disadvantage to our natural gas fuelled competitors.” – Tolko.

There are mining operations in Manitoba that have transitioned from fossil fuel based energy to electricity and, as a result, have also reduced their GHG emissions. However, using electricity generation as an alternative to fossil fuel sources for existing facilities and new mining projects may not always be economically viable. – mining sector.

“CAPP recognizes the work that has been done in Manitoba with respect to addressing the province’s climate change challenges ... CAPP ... supports climate policy that delivers balance among economic growth, environmental protection and secure and reliable energy supply (3Es) stimulates investment in transformative low-carbon technologies; is predictable and stable; is compatible with our major trading and economic partners (particularly the U.S.) and mindful of the needs of energy intensive trade exposed sectors (EITE); and is harmonized across Canadian jurisdictions to the extent possible.” – Canadian Association of Petroleum Producers (CAPP).

“Any Manitoba plan must fully accommodate the scientific reality of FPEs [fixed process emissions] in the setting of CO₂ caps and other features ... It will take a fundamental leap in technology to achieve additional large-scale GHG reductions, through fundamentally different means, to make steel ... up to 75 per cent of CO₂ emissions from the sector are a result of FPEs ... the opportunities for fuel-switching in steelmaking operations are highly limited ... Without global action that incorporates robust and comparable reduction commitments from all major steel-producing countries, GHG regulations could create a competitive disadvantage for Gerdau Ameristeel and specifically the Manitoba operation ...” – Gerdau Ameristeel Manitoba.

2.2 Environmental and Advocacy Groups

Responses from environmental and advocacy groups were varied. Many expressed strong support for market-based mechanisms to reduce GHG emissions and Manitoba’s consideration of a possible cap and trade system; including support for the Western Climate Initiative (WCI)’s program design elements.

Various respondents suggested that a cap and trade system be integrated with other carbon pricing mechanisms and GHG reduction policies, as well as conservation legislation to protect wetlands and forested areas.

Several consultation participants recommended that Manitoba include a GHG offset credit system as part of its overall GHG reduction strategy. While other respondents recommended that offsets either be excluded or, be closely regulated and of limited application if offsets are included in Manitoba's GHG emission reduction strategy.

Citations:

"Protect highly valuable forest carbon stores through conservation-focused policy instruments and legislation." - The Canadian Parks and Wilderness Society (CPAWS)

"...support the government's consideration of a possible cap and trade system, and inform public debate on the detailed design of such a system in the coming year. " - Sustainable Prosperity (SP)

"Manitoba's low emission intensity is an advantage..." "Overall GDP impacts under similar carbon prices are lower in Manitoba than most other Canadian jurisdictions." - Sustainable Prosperity (SP)

"Current economic forecasts indicate that the economy of Manitoba will be about 1.26 times bigger in 2020 relative to 2010, with emissions growing by about 5 per cent over the same period. This implies a significant decoupling of GDP from emissions, with a 16 per cent improvement in emission per unit of GDP between 2010 and 2020." - Sustainable Prosperity (SP)

"The WCI compliance liability (i.e. reduction target) for Manitoba is 3.15 Mt in 2020. WCI compliance targets, assuming these are applied equally across partners, require compliance of about 3.15 Mt in 2020 (for -15 per cent below 2005 emissions)." - Sustainable Prosperity (SP)

"Duplication of accreditation systems and standards (e.g. State, Provincial, GHG program level accreditation) is a long, high risk and cost intensive road that confuses the market, raises the costs of third party validation/verification, creates a moving target for performance of third party verification and runs counter to the very concept of Cap and trade." - CoANSI ISO 14065 Accreditation Program

"CCE and ICE Canada are supportive of market-based mechanisms, including cap and trade, to deal with climate change."- The Canadian Climate Exchange (CCE), ICE Futures Canada Inc.

"We...strongly support Manitoba's consideration of WCI's program design elements (e.g., coverage, priority offset, project types etc.) in guiding the development of its cap and trade framework and offset system." - International Emissions Trading Association (IETA)

"Manitoba should support diverse efforts for reducing greenhouse gas emissions and shifting to a more sustainable economy. Cap and trade may be among the tools adopted in Manitoba, depending on the details of the program." "Cap and trade should be integrated with other carbon pricing mechanisms and greenhouse gas reduction policies." "For those parts of the economy for which cap and trade is not feasible or cost-effective, an alternative form of carbon pricing such as a carbon tax should be implemented." - Green Action Centre

We recommend that Manitoba move quickly to implement its proposed cap and trade system so that the province is ready to join other WCI partners in January 2012." - The Pembina Institute

2.3 General Public

The public held differing views on cap and trade for Manitoba. The public both supported and opposed cap and trade as a viable mechanism to reduce GHG emissions in Manitoba.

A few respondents cited that enforcing trading will be complex; allocation, auctioning of allowances and verification of emissions is difficult. Other consultation participants suggested that technological innovation is not guaranteed by the implementation of a cap and trade system; setting high-level caps could result in market distortions and delay meaningful reductions. Some respondents also said that cap and trade enriches polluting industries' assets, with minimal emissions declines; and that large GHG emitters should not be permitted to choose their form of compliance.

A number of respondents recommended that emission reduction mechanisms other than cap and trade be employed in Manitoba to reduce GHG emissions such as a carbon fee, tax reduction or dividend payment, suggesting that these alternatives would be more effective, easier to administer and less subject to abuse. One respondent also recommended that environmental laws be strengthened to ensure compliance (ex: education, severe fines, imprisonment).

A number of consultation participants suggested that the cost of energy is difficult for business to predict, which could affect how business invests in lower emitting technologies. Respondents also noted that costs for technology investment and energy could be passed on to the average consumer.

2.4 Other Sectors

Respondents from a variety of other sectors highlighted the following additional points as important in Manitoba's consideration of a cap and trade system.

A number of consultation participants cited that WCI's cap and trade design framework is sector-specific and covers a restricted geographic coverage area. There was concern expressed that this could create trade and competitiveness issues for Manitoba emitters. In addition, it was also noted by some respondents that the first jurisdictional deliverer policy under WCI could disadvantage Manitoba interests and potentially translate costs to the consumer. The first jurisdictional deliverer policy is designed to prevent the **leakage** of imported emissions from jurisdictions outside of those covered under WCI,

Several respondents suggested that carbon-pricing mechanisms should be balanced with complementary programs, such as energy efficiency programs; demand side management and alternative energy technology development.

A few consultation participants also emphasized the importance of ensuring that Manitoba's cap and trade system, if implemented, recognize and make accommodations in the setting of emission caps and other program features for fixed process emissions from chemical and thermodynamic processes, particularly in industries whose operations do not lend themselves to fuel-switching.

3. What Did You Recommend?

In addition to the sector-specific issues and levels of support identified in the previous section, consultation participants provided detailed recommendations for consideration in Manitoba's development and implementation of appropriate measures to reduce the province's GHG emissions. These recommendations have been summarized under the following two categories:

Cap and Trade System Design Recommendations for Manitoba: options for the structure and design of a proposed cap and trade system in Manitoba (ex: modification to WCI's design for a regional cap and trade program)

Other Emission Reduction Measures Recommended for Manitoba: options for other GHG emission reduction measures, either integrated with a cap and trade system in Manitoba or implemented in place of cap and trade

3.1 Cap and Trade System Design Recommendations for Manitoba

The following is a compilation of the design elements and issues respondents recommended for consideration in the development and implementation a proposed cap and trade system, should a cap and trade system be adopted in Manitoba.

3.1.1 General principles: Consultation participants that did support cap and trade recommended that the administration and regulation of a cap and trade system in Manitoba be cost-effective, simple, open and transparent. Most recommended that system components ensure standard methodology for baseline emissions and that consistent, verifiable measurement and reporting mechanisms are employed. Respondents also recommended that proper resources be allocated to administer the system.

Respondents also stressed that carbon market and trading transactions are co-ordinated among jurisdictions to ensure fairness.

Those respondents opposed to cap and trade for Manitoba, indicated that cap and trade could be a complex and administratively burdensome carbon pricing system for emissions reduction in Manitoba.

3.1.2 Markets: Respondents indicated that market liquidity and access to credits or compliance mechanisms are critical elements of a cap and trade system.

Consultation participants also recommended that government monitor the ongoing activities and data collection within a cap and trade system to ensure emission allowances are not vulnerable to market manipulation; and emphasized the importance of creating markets that are transparent.

Respondents suggested that limited compliance and emission costs be implemented to encourage investment in Manitoba and not transfer emissions to less costly jurisdictions.

Consultation participants also expressed concern regarding Manitoba's potential participation in a common allowance market, citing that it could result in significant transfers of funds from Manitoba to other jurisdictions, particularly if linked with the U.S.

Other respondents recommended that appropriate price control mechanisms and compliance cost containment such as **safety valves**, price collars, price ceilings or floors and provisions to institute a fixed price **ceiling** be implemented in a cap and trade system in Manitoba to ensure that Manitoba prices align with those observed in the U.S.

3.1.3 Harmonization: A number of consultation participants expressed support for the harmonization of a cap and trade system with similar systems in other jurisdictions, should cap and trade be implemented in Manitoba. Respondents

also recommended that a single set of regulatory requirements to facilitate compliance, capital plans, measurement, reporting and validation, and administration be implemented to avoid overlap, duplication and regulatory inconsistency amongst federal and provincial governments.

A number of consultation participants expressed support for linking Manitoba's cap and trade system with allowance markets and administrative systems in other government-approved cap and trade systems (ex: WCI, Regional Greenhouse Gas Initiative and the Midwest Greenhouse Gas Reduction Accord). Some respondents recommended that a Manitoba cap and trade system also align with similar systems at the international levels.

A variety of consultation participants however, were strongly opposed to Manitoba's engagement in regional cap and trade programs such as WCI, citing that it would link Manitoba to other jurisdictions with very diverse situations and dynamics. Respondents recommended that Manitoba consider the circumstances that are unique to individual sectors, particularly those that warrant implementation of different methodologies relative to similar sectors in other jurisdictions.

In conjunction with cap and trade, respondents also encouraged Manitoba to recognize external offset and allowance programs to reduce competitive disadvantages and provide consistent rules and procedures for regulated entities.

Several respondents cited agriculture is an important sector in Manitoba; therefore, there is a need to harmonize the WCI Program with agricultural beneficial management practices and protocols.

3.1.4 Emission Caps: A number of consultation participants recommended that caps cover a broad a range of activities and emissions. There were many different views presented by respondents. Respondents recommended that caps be set at the facility level. Others suggested that caps align with short- and medium-term reduction targets.

Several different approaches were proposed by consultation participants regarding the methodology used to determine caps, ranging from using an appropriate baseline year to using common reduction from a historical baseline or **benchmarking**. Several respondents urged that caps not be set at a level that impedes longer-term investment; that caps are not based on forecasts; and that caps are not based solely on historical actual production data. One respondent suggested that emissions baselines derived on average production levels in recent years will not adequately reflect emissions generated from a higher rate of capacity utilization.

Some respondents recommended that a cap and trade system in Manitoba include recognition for early actions.

One respondent recommended that Manitoba set its cap threshold at 25,000 tonnes carbon dioxide equivalent (CO₂e) as defined under WCI's system. Respondents also recommended capped emissions are phased in over the periods recommended under WCI (ex: 2012 to 2015 and 2015 to 2020) to allow industry time to adjust.

3.1.5 Emitting Sectors and Point of Regulation: Many consultation participants agreed that regulatory emission reduction requirements should be equitably shared among all sources (industry, commerce, transportation and consumers). Several different options were considered by respondents. Many respondents suggested that if a cap and trade system is implemented in Manitoba, that emission sources be defined to be compatible with sources under similar systems in other jurisdictions (ex: point of combustion or point of emission).

A number of respondents suggested that Manitoba recognize the inherent nature of the industry in its determination of emitting sectors under a cap and trade system as well as the efforts made by industry to increase efficiency for industrial processes. Respondents also urged that Manitoba consider the exemption of process emissions from a cap and trade system. Consultation participants also suggested that the facilities that represent the majority of industry GHG emissions, as well as sector GHG emission sources, be considered when determining thresholds and emission sources under a cap and trade system.

One respondent recommended that Manitoba not defer the inclusion of GHG emissions from transportation, residential and commercial heating until 2015, as proposed under WCI's cap and trade design. Other respondents suggested that Manitoba consider the carbon neutrality of biomass in its system. Another respondent suggested that Manitoba consider separate regulations targeted at reducing agricultural emissions, in addition to a cap and trade system.

3.1.6 Reporting and Verification: Consultation participants strongly recommended that a **single window** GHG reporting system be implemented within Manitoba, if cap and trade is adopted by the province and that reporting be based on protocols developed for regulated industries at all levels (federal, provincial and territorial).

Some respondents recommended that a cap and trade system in Manitoba harmonize its accreditation systems and standards with those established by Canadian national bodies to avoid duplication, reduce verification costs and maintain consistency with other jurisdictions (ex: ISO 14065 accredited third party verification of GHG assertions). It was also suggested that Manitoba recognize the verification process established by Environment Canada for GHG emissions, the National Pollutant Release Inventory reported for regulated entities.

There was concern expressed by some respondents that the availability of qualified verifiers in Canada is limited and that this could be a major obstacle for emitters to meeting their compliance requirements.

3.1.7 Emission Allowances - Distribution, Trading and Uses for Revenue: Respondents for distribution of emission allowances proposed many options. A number of respondents supported the free initial allocation of emission allowances to help reduce compliance costs and consumer energy prices and to help Manitoba industries to stay competitive. Some consultation participants suggested that it was important that a cap and trade system include flexibility to provide sufficient allowances for industry growth adjustments.

A number of respondents recommended that significant levels of allowances to covered entities in the early years of the program and that, over time, greater volumes of allowances be auctioned.

Other consultation participants recommended that 100 per cent of allowances be auctioned to ensure the government is collecting a fair value for the allowances and the potential for windfall profits is eliminated.

Respondents also suggested that emitters under a cap and trade system be allowed to freely transfer allowances with any recognized trading partner; and that they be allowed to use flexible compliance mechanisms (ex: unlimited banking, offsets and linking with other jurisdictions).

Consultation participants recommended several different approaches for use of revenue generated from the distribution of emission allowances by auction. Some recommended that revenue be redistributed back to the economy (revenue neutral). Others recommended that revenue be recycled back to capped facilities to help offset potential increases in energy costs that may otherwise be passed on to energy users and industrial consumers or to mitigate pass-through cost impacts. Respondents also recommended that emission allowance auction revenue be distributed to taxpayers.

Other respondent recommendations for auction revenue included:

- emission reduction technology development and deployment
- support for research and development of low-carbon technologies (ex: biomass, carbon capture and CO₂ sequestration)
- support for the implementation of climate change strategies, including funding for demand management, education programs, public transit and climate adaptation.

3.1.8 Credits for Early Action: Some respondents suggested that credit for early action in the form of tradable emission allowances be granted to companies or facilities in recognition of the early action that voluntarily reduced emissions on GHG reduction projects prior to implementation of a cap and trade system.

Other respondents indicated that early reduction allowances not be granted to industries that would have reduced their emissions as a result of regulation or economic conditions aside from cap and trade.

3.1.9 Penalties: One respondent suggested that Manitoba's cap and trade system, if implemented, impose **fixed monetary fines** rather than **non-compliance penalties**.

3.2 Other Emission Reduction Measures Recommended for Manitoba

The following is a compilation of other GHG emission reduction measures that respondents recommended for consideration in Manitoba's development of appropriate climate change strategies and policies to promote GHG emission reductions in Manitoba.

In general, it was recommended that Manitoba seek to impose other measures and policies to reduce the province's GHG emissions. Respondents indicated that these measures either be combined with a cap and trade system or implemented in place of cap and trade.

3.2.1 Biomass and Other Energy Sources: Consultation participants suggested that Manitoba pursue opportunities to encourage production of new bio-products from wood fibre; including bio-energy, biochemicals and biomaterials that could lower manufacturing carbon footprint or shift markets to a lower-carbon alternative.

3.2.2 Cap and Dividend Program: A few respondents suggested implementing a cap and dividend program in favour of a cap and trade program whereby emitting companies would be regulated upstream, with 100 per cent of emission allowances auctioned and revenue returned to consumers as a per capita dividend. One of the benefits of such a scheme, as cited by one respondent, is that cap and dividend could be revenue neutral for government and not a tax. It was also suggested that a price floor on allowances be included (75 per cent of allowance value for dividend return to all households and 25 per cent for renewables and energy efficiency investments).

“A Cap and Dividend program would auction permits, and return revenues to consumers as a per capita dividend. This has many benefits, including that it can be designed as revenue-neutral for the government, and would not be seen as a tax.” – **The Carbon Share Project**

3.2.3 Comprehensive, Broadly Based Action: Respondents also suggested that Manitoba integrate:

- a comprehensive, broadly-based action climate change plan with an energy plan (ex: targeted energy efficiency in residential and commercial buildings, transport and industry, and demand side management)
- low-carbon technology research, development and deployment regulated industrial emitters, transport and technology businesses (ex: bio-material inputs development for iron and steel production)
- primary and secondary waste heat recovery and re-use; CO₂ capture)

A few respondents also suggested that Manitoba protect its large wilderness areas high in carbon values (ex: Manitoba’s boreal region).

Several respondents also recommended that emission reduction measures be implemented to promote industry partnerships with educational institutions and facilities that have established expertise in green technology and beneficial management practices in the agricultural sector (ex: tillage practices that use nitrogen efficiently, use energy efficiently and improve cropping systems).

3.2.4 Economy-Wide Price on Carbon (ex: carbon tax): A number of respondents recommended that Manitoba implement a carbon tax (ex: British Columbia’s carbon tax) that is either economy-wide, or directed towards emissions from those sectors of the economy that are neither feasible nor cost-effective to cover by cap and trade. Respondents also suggested that tax revenues could be:

- revenue neutral
- targeted for investments in renewable energy efficiency
- targeted for the general public or cities
- reimbursed to taxpayers

3.2.5 Intensity-Based GHG Emission Reduction System: A number of respondents recommended that Manitoba consider carbon pricing similar to Alberta’s *Specified Gas Emitters Regulation*. The regulation requires that

emitters reduce emissions relative to an intensity target determined from an emission baseline and have flexibility to meet targets by:

- reducing emissions
- applying emission credits obtained by exceeding emission intensity reduction requirements
- contributing to a provincial fund
- investing in in-province offset projects

3.2.6 Market incentives: Some respondents suggested that alternative incentives be applied to sectors not under a cap and trade system to encourage GHG reductions. Other respondents cited that regional incentives make credits more valuable in one jurisdiction than in others and does not create a common **price for carbon** that can be traded.

3.2.7 Offset System: A number of consultation participants suggested that Manitoba implement an offsets system and link it with other emission trading systems to allow industries that have already made significant strides in their energy efficiency to meet those reduction goals flexibly and in a cost effective manner. There was also support indicated by respondents for the implementation of an offset system in Manitoba to provide incentives for emission reductions in sectors not regulated by cap and trade.

Respondents in favour of an offset program recommended that an offset system provide offsets that are real, permanent and verifiable. A number of other considerations for inclusion in an offset program were recommended by respondents. These include:

- establishment of additionality criteria, along with timelines for offset development, validation, registration and credit issuance processes;
- standardization of quantification protocols and methodologies
- setting limits for offsets consistent with those in other jurisdictions (e.g. Industry Provincial Offset Group (IPOG), California Climate Action Registry, Verified Carbon Standard; The Gold Standard)
- assigning liability for offset credits to the project owner
- creating certification for offset credits

Some respondents recommended that an offset system recognize biomass fuels in baseline determination, that credit for early action is given to companies or facilities that have voluntarily reduced emissions and that multi-year offset crediting periods be recognized.

Some respondents suggested that domestic and international offsets be included in an offset system, while others suggested that priority be given to local enterprises to support local economies or that broad sectoral, geographic and offset activity eligibility is preferred. Other respondents recommended that offset usage be unlimited.

A wide variety of eligibility considerations for offsets were proposed by consultation participants who recommended that Manitoba implement an offset system. Respondents suggested that agriculture, forest products and forest sector activities (ex: afforestation, reforestation, avoided deforestation, long-lived wood products manufacturing), for which inclusion in the cap and trade system may not be feasible, be eligible for inclusion as offsets. Some respondents recommended that Manitoba include a GHG offset credit system for

eligible biological sequestration activities such as wetland restoration and retention, as part of its overall GHG reduction strategy. Other respondents recommended that offsets either be excluded or be closely regulated and of limited application.

3.2.8 Technology Fund: Many consultation respondents recommended that Manitoba establish a **technology fund** as a compliance option for facilities subject to GHG caps. In Alberta and Saskatchewan, emitters earn compliance credits by making payments to a technology fund at a fixed rate per tonne of emissions. Revenues are directed towards investments in new technologies for GHG reduction within the province.

Respondents suggested that fund revenue be invested to further GHG emission reduction, where the effectiveness of other measures (regulated caps on large emitters or offset programs) is limited.

Other consultation participants expressed that technology funds may provide a **loophole** for emitters and weaken real GHG emission reductions.

4. Next Steps – Respondent Recommendations

Going forward, respondents recommended that the Manitoba government:

- Examine the competitive position of the province’s energy policies relative to other jurisdictions in the WCI.
- Ensure that estimated emission allowances and caps for sectors are clearly and transparently communicated to emitters so that they can assess financial impacts prior to implementation of any emission reduction system.
- Conduct public meetings and sector-specific consultation during future development of systems and measures to reduce GHG emissions.
- Meet individually with interested stakeholders.
- Develop programs with stakeholders to support complementary measures such as low-carbon technologies, particularly sectors subject to GHG regulations.

5. Contacts:

If you have questions about the consultation results, please contact:

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