

North American Markets

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Outline

Schemes

- Alberta
- British Columbia
- Canada
- RGGI
- Western Climate Initiative
- Congressional proposals
- Mid West Governors
- Evolution of schemes

Linking Prospects

Alberta

Began 1 July 2007, intensity allocations to large stationary sources – 12% intensity reduction from 2003-2005

Compliance options include C\$15/t CO₂ payment to provincial Climate Change Fund and Alberta offset credits

No interest in links with any other jurisdiction; Alberta is not a member/observer of any regional group and has indicated it will not accept external credits

British Columbia

Carbon tax of C\$10/tCO₂ on all fossil fuels sold in the province effective 1 July 2008, rising \$5 per year to \$30/tCO₂ in 2012

Will be complemented by emissions trading scheme; legislation introduced April 3

Scope and start of trading scheme not specified; depends on WCI and/or Canada

Legislation allows links to be established by regulation; WCI, Canada, other

Canada

Starts in 2010. Intensity allocations to large stationary sources; 18% cut from 2006 intensity in 2010 and 2% reduction each year after that. Switch to absolute cap in 2020.

Compliance options include:

- Technology fund contributions at C\$15/tCO₂ in 2010 with rising price and declining quantity ending in 2017
- Credits up to 15 MtCO₂ for 1992-2006 reductions
- Domestic offsets
- CDM credits, except forest projects, to 10% of each firm's allocation

Fund contributions and domestic offsets expected to be main external options to 2015, then banked credits for early action and CDM join domestic offsets

Expressed desire to link with North American – US national, regional or state schemes

RGGI

Caps CO₂ emissions by electricity generators (>25 MW) in 10 northeastern states starting 1 January 2009

Most states plan to auction 100% of their allowances

Offsets up to 3.3% of emissions mainly from RGGI states. Limit rises and potential sources expand if price is above US\$7 and \$10 ton CO₂ (2005\$)

Links to other schemes depend on price; \$7/ton for NA and \$10/ton for international

Western Climate Initiative

7 US states and 2 provinces are members; 6 US states, 6 Mexican states and 3 provinces are observers

Target to reduce total GHG emissions by 15% from 2005 in 2020

Work on trading scheme design now underway for completion in August 2008

Links with similarly rigorous regional and international schemes a criterion

Congressional Proposals

Many proposals, Lieberman-Warner most advanced and expected to have Senate vote but not to pass

Covers most GHG emissions

4% below 2005 in 2012, 19% below in 2020 and 71% below in 2050

Foreign allowances from schemes with absolute caps of comparable stringency can be used for 15% of emissions

Mid West Governors

In Nov 2007, 6 states + 1 province agreed to:

- Establish GHG reduction targets
- Develop a multi-sector trading scheme
- Establish system to enable tracking, and crediting for entities that reduce emissions
- Develop and implement additional steps as needed to achieve the reduction targets

3 states and a few provinces are observers

Work on design of the trading scheme just getting underway

Evolution of Schemes

Canadian legislation allows “equivalency” agreements with provinces. Not clear whether equivalence is based on design or results. Alberta has similar design, BC has different design but targets likely to be more stringent.

Lieberman-Warner allows states to adopt more stringent requirements and has bonus for states that have such requirements in place before January 2012. RGGI, MGA probably replaced, but WCI could remain

Could have mix of national/provincial/state schemes in Canada and the US

Linking Prospects

All schemes except Alberta interested in linking, but few details available

US national and WCI schemes would link with schemes of comparable stringency. EU, NZ, Australia probably would qualify

Canada would like to link with the US but probably would not meet the stringency test

Nature of the links not specified. Restrictions on types, quantity of units likely