

Ontario Moves to Prepare for Cap and Trade System for Greenhouse Gas Emissions

The Ontario Ministry of Environment and Climate Change (“MOECC”) continues to move towards the introduction of a cap and trade system for the management of greenhouse gas emissions in concert with the regime that is in place in Québec and California and allows trading between those jurisdictions.

There have been several recent announcements by the Premiers and Ministers of Ontario and Québec related to increasing cooperation and integration of the carbon emission regulatory regimes of the two provinces. The latest step along this path of increased climate harmony saw the MOECC release proposed changes to the *Greenhouse Gas Emissions Reporting Regulation* (Ontario Reg. 452/09, the “GHG Reporting Regulation”) along with a Draft Proposed Guideline for Greenhouse Gas Emissions Reporting (the “Draft Proposed Guideline”).

The MOECC has been engaged in an extensive consultation process with representatives of various industries and sectors of the economy that would be affected by the design of a cap and trade system in Ontario.

The GHG Reporting Regulation currently in force requires facilities operating in Ontario with annual emissions equal to or greater than 25,000 tonnes of carbon dioxide equivalent (“CO₂e”) to record, verify and report their respective greenhouse gas emissions data.

Several changes will be imposed to facilitate the creation and implementation of a cap and trade system that will be harmonized with that of Québec and California (through the Western Climate Initiative also known as the “WCI”). The proposed amendments, if implemented, would see the lowering of the reporting threshold to 10,000 tonnes CO₂e per year from the current 25,000 tonne threshold. Verification by a third party would continue to be required for those emitting above the current threshold of 25,000 tonnes.

Under the proposed changes, certain emission sources will require third party verification while others will not be subject to such a requirement. Further, petroleum product suppliers and natural gas distributors will be added to the list of those subject to reporting regulation as soon as 2016.

Other proposed sources of emissions to be added to the reporting regulation include:

- Equipment used for natural gas transmission, distribution and storage,
- Electricity imports,
- Electricity transmission and distribution,
- Magnesium production, and
- Mobile equipment at facilities

Several technical changes are proposed for the GHG Reporting Regulation and in the Draft Proposed Guideline in order to further align Ontario's proposed GHG emission regulatory regime and eventual cap and trade system with those of Québec and California.

These proposed changes to emissions reporting regulation and guidance are being released to prepare stakeholders for the coming cap and trade system and to form the basis of discussion regarding system design with interested parties. The MOECC has stated that the draft regulatory proposal for the design of the system will be released by the Ontario government before the end of 2015.

The posting on the Ontario Environmental Registry which contains links to the proposed GHG Reporting Regulation and Draft Proposed Guideline [can be found here](#).

Feel free to contact any member of the [BLG environmental team](#) in Ontario or Québec for further information.

Adam Chamberlain (Toronto) or Marie-Claude Bellemare (Montréal) can direct you to the most appropriate BLG team member to answer particular questions.

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