

CANADIAN BIOGAS ASSOCIATION
2022 VALUE OF BIOGAS EAST
CONFERENCE

**Environmental Attributes –
Sources and Contractual
Considerations**

Presented By

Rick Williams,
Borden Ladner Gervais LLP

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Environmental Attributes – Sources and Contractual Considerations

Overview

1. Definitions of environmental attributes
2. Sources of EAs in biogas projects
3. Contractual considerations for buyers/sellers

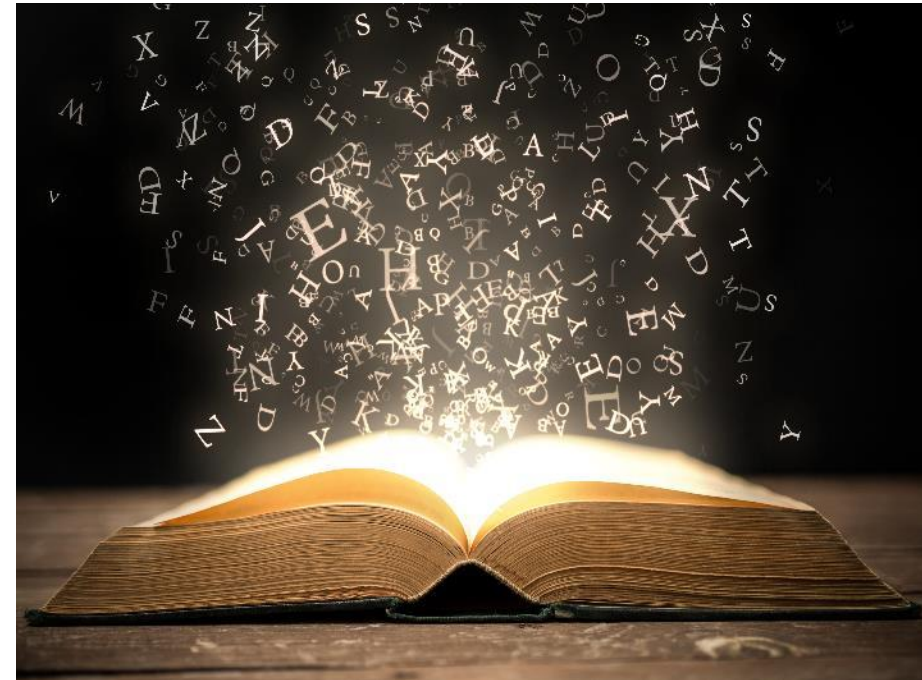


Definitions of Environmental Attributes

No single definition of EAs

- Renewal Natural Gas (RNG) Handbook for Canadian Municipalities (May 2021):

Any emissions and renewable energy credits, energy conservation credits, benefits, offsets and allowances, emissions reduction credits or words of similar import or regulatory effect (including emissions reduction credits or allowances under all applicable emissions trading, compliance or budget programs, or any other federal, provincial or regional emissions, renewable energy or energy conservation trading or budget program) are an environmental attribute.



Definitions of Environmental Attributes

- Example from biomethane purchase agreement filed in BCUC proceeding:
 - (i) all attributes associated with, or that may be derived from the **actual or assumed** reduction, displacement or offset of emissions associated with the Biomethane sold pursuant to this Contract;
 - (ii) the right to quantify and register the interests and rights associated with such attributes or characteristics with competent authorities;
 - (iii) any **existing or future** instrument, including any Offset, environmental emission allowances and reduction credits, reduction right, allowance, certificate or other unit of any kind whatsoever, whether or not tradable **and any other proprietary or contractual right**, whether or not tradable, and any resulting from, or otherwise related to the actual or assumed reduction, displacement or offset of emissions associated with, or that may be derived from the actual or assumed reduction, displacement or offset of emissions **associated with the Biomethane and related activities** sold pursuant to this Contract;
 - (iv) all revenues, entitlement, benefits and other proceeds arising from **or related to** the foregoing.

Sources in Biogas Process: 3 Buckets



Examples of Emerging/Expanding Environmental Attributes

- **Canada (federal):**

- *Proposed Greenhouse Gas Offset Credit System Regulations*
- *Protocols under development*
 - enhanced soil organic carbon

- **British Columbia:**

- *Draft B.C. Methane Management Offset Protocol.*
 - Purpose is to quantify greenhouse gas emission reductions from the management of methane emissions from organic waste.
 - This includes landfill gas capture, the anaerobic digestion of wastewater treatment and agricultural wastes and organic waste diversion.

Contractual Considerations

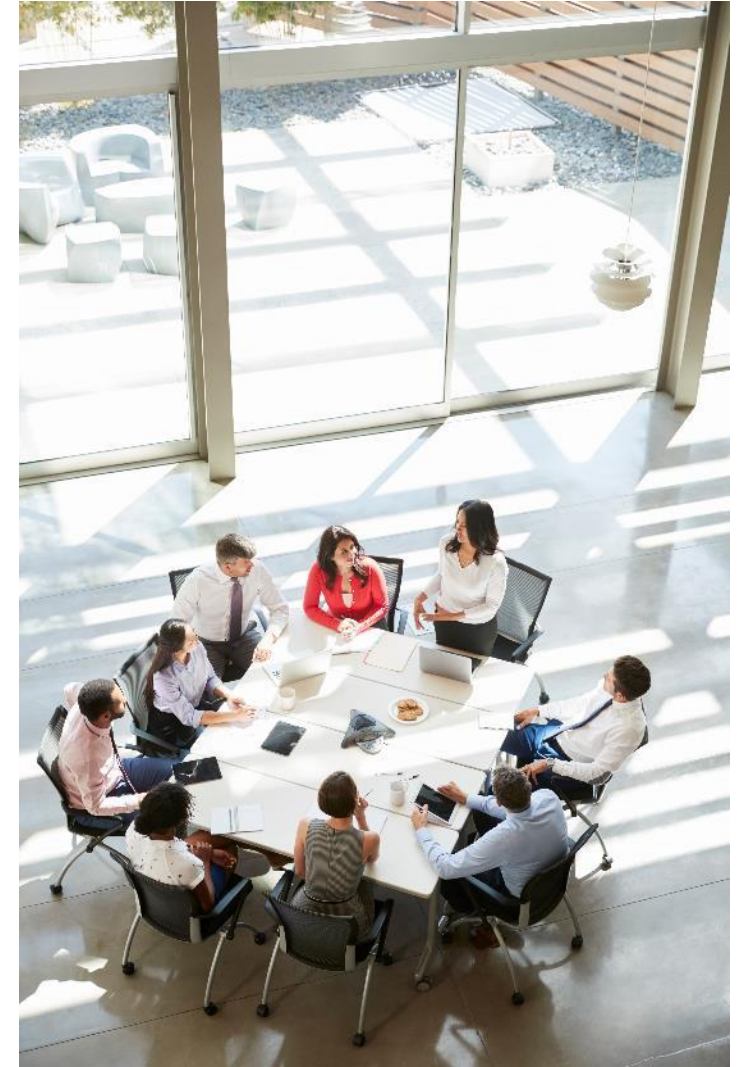
- Clarify whether energy is being sold with or without the environmental attributes
- Push and pull between buyers and sellers



Contractual Considerations

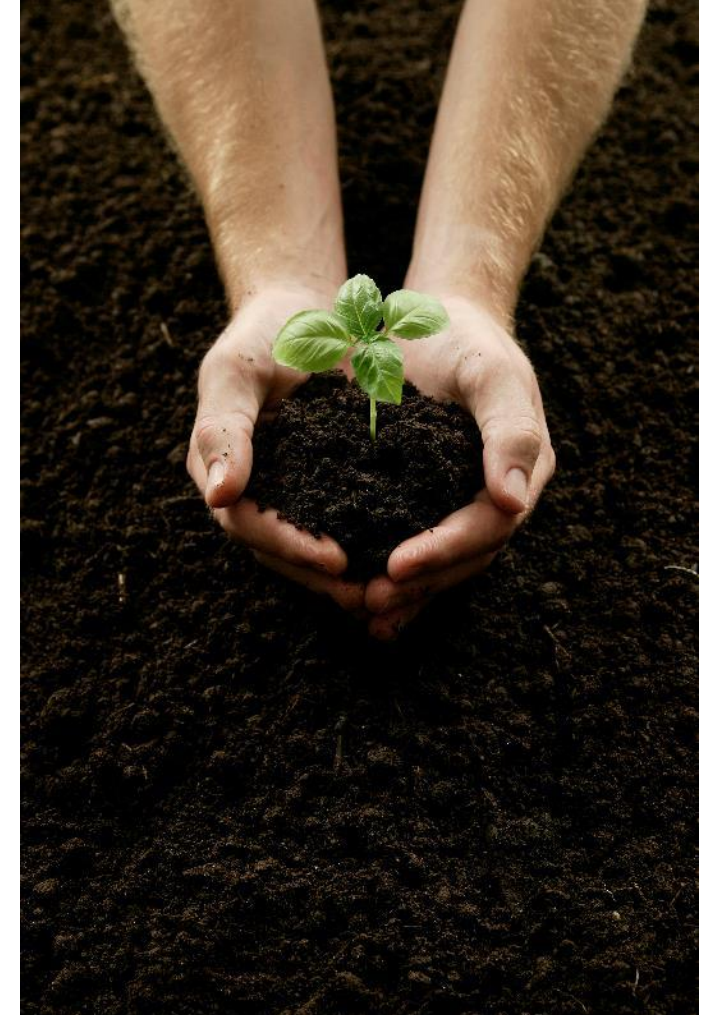
Scope: All present **and future** environmental attributes?

- “...sole right, benefit, title and interest in and to, arising out of or resulting from the environmental benefits associated with the capture of biogas...**whether such right, benefit, title or interest is in existence** as of the Effective Date or arises after the Effective Date...”
- “....all environmental attributes, **whether current or future, known or unknown...**”



Representations and Warranties

- That the project **meets applicable criteria**
 - *“generated through the anaerobic digestion of organic matter and is not supplemented, replaced in whole or in part with fuels purchased or extracted other than from the production location”*
 - Requires clear understanding of the applicable legislation/regulations



Contractual Considerations

Representations and Warranties

- To ensure the buyer obtains **valid environmental attributes**.
 - Seller is the legal and beneficial owner
 - Free and clear
 - No one else has any agreement or right to purchase, acquire, claim
- **But** what about the current or future use or value of the attributes or whether and to what extent they will be recognized by law?

Contractual Considerations

- How to **mitigate the risk of changes** to available environmental attributes
 - For example, option to purchase additional environmental attributes
 - Terms
 - Price
 - Unit of measurement (per tonne CO₂e)



- Level of **support**
 - Seller's assistance and support in obtaining environmental attributes
- **Costs**
 - Who bears the costs of obtaining and maintaining?
 - Who is responsible for quantifying and verifying?



Thank You

For more information, contact:

Rick Williams
Partner
604.640.4074
RWilliams@blg.com

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