



# Offset System Design Issues

**Matthew Bramley**

**Director, Climate Change**

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# About the Pembina Institute

- ~40 staff across Canada
- Focus on sustainable energy
- Policy research/analysis; advocacy; education; technical and strategic advisory services
- ENGO lead on LFE system, offset system, federal Kyoto plan implementation
- [www.pembina.org](http://www.pembina.org)

# Key requirements for Kyoto plan implementation

- Timing
  - Strong leadership
  - Administratively practical
- No erosion of targets
- Focus
- No double counting

| Measures  | Reductions (Mt) |
|---|-----------------|
| <i>Large final emitter system: regulated targets and emissions trading</i>  | 36              |
| <i>Emerging renewable energy: “a variety of mechanisms... including production and tax incentives”</i>                                  | about 15        |
| <i>Automobile industry: voluntary agreement</i>   | 5.3             |
| <i>Climate Fund: government purchase of domestic, intl credits</i>  | 75–115          |
| <i>Partnership Fund: shared federal-provincial investments in major projects; regulatory action by provinces (e.g., building codes)</i> | 55–85           |
| <i>Programs: other measures (e.g., financial incentives)</i>  | about 40        |
| <i>One-Tonne Challenge: encouragement of vol. action by individuals</i>   | 5               |
| <i>Greening government</i>  | 1               |
| <i>New Deal for Cities and Communities</i>  | not estimated   |
| <i>Business-as-usual sinks</i>  | 10–30           |
| <i>Total</i>  | c. 290          |



# Is an offset system a good thing?

- Yes, offset mechanism important for meeting industry targets and is worth pursuing as a broad-based government-funded incentive program
- But the system must be very carefully designed to ensure it delivers net benefits

# Concerns about proposed offset rules

- Crediting business-as-usual projects
- Crediting non-Kyoto projects (US, pre-2008, forest management reductions)
- Crediting projects environmentally unacceptable for non-GHG reasons
- Transparency/accountability

# Why additionality rules?

- The government needs the tonnes
- Public money must be used effectively
- LFE targets have already been weakened enough
- Linking Canada's emissions trading system to other countries

## Practical additionality rules have been implemented elsewhere

- CDM additionality tool
- Netherlands international credit purchasing (16 Mt to date)
- New Zealand Projects to Reduce Emissions program (11 Mt to date)
- Does not have to be overly burdensome – should be seen as part of normal project planning



# What do additionality rules mean in practice?

- No credits for projects that would clearly proceed (or have already proceeded) in the absence of credits
- No credits for projects already benefiting from another federal or provincial government program unless the credits are needed to make the project proceed
- No credits for reductions already counted under the LFE system

# Environment Canada concerns

- Volume – volume is valuable only if it's real
- Regional equity – address it through MoUs/  
Partnership Fund

# Future Financial Liability for Greenhouse Gas Emissions from New Large Industrial Facilities in Canada

1<sup>st</sup> Edition: October 2005

Matthew Bramley



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