



# *Action Update*

## Canadian Climate Policy: A 2018 Summary

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December 2018

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## INTRODUCTION

The Pan-Canadian Framework on Clean Growth and Climate Change (PCF)<sup>1</sup> was introduced on December 9, 2016 as a roadmap to assist Canada's federal and provincial governments to achieve a 2030 target of a 30 percent reduction below 2005 levels of greenhouse gas (GHG) emissions for the country as a whole. This target also represents Canada's initial Nationally Determined Contribution (NDC) toward the Paris Agreement.

The PCF is a landmark suite of climate policies, the most comprehensive climate plan Canada has ever proposed - but it's not yet enough. Canada's NDC is highly insufficient, putting us on a pathway to 4C of warming,<sup>2</sup> and the policies announced to date do not yet add up to achieving even this inadequate target. Indeed, in remarks preceding COP24, the annual United Nations climate conference this December, even Canada's Minister of Environment and Climate Change, Catherine McKenna, has acknowledged that our climate goals must be more ambitious.<sup>3</sup> In the past, CAN-Rac has estimated Canada's fair share contribution to be emissions reductions of at least 50% below 2005 levels by 2030 and international climate finance contributions that reach \$4 billion / year by 2020.<sup>4</sup> Meanwhile, in the October 2018 special report, Global Warming of 1.5°C,<sup>5</sup> IPCC climate scientists tells us that at current emissions levels, we will hit the 1.5°C warming mark as early as 2030, underscoring the need for extraordinarily swift and decisive action to curb global carbon emissions.

While the PCF may fall short of our expectations and requirements in its current form, it is a solid foundation from which to build. Pushing for greater ambition in the implementation of the PCF today means aiming for stronger targets

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<sup>1</sup> Government of Canada (2016). Pan-Canadian Framework on Clean Growth and Climate Change. <https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework.html>

<sup>2</sup> See <https://climateactiontracker.org/countries/canada/> for a detailed account of Canada's achievements on its international climate commitments.

<sup>3</sup> Vancouver Province / Canadian Press (December 4, 2018). McKenna promises tougher emission cuts as long as Poland provides a global rule book. <https://theprovince.com/news/world/mckenna-concerned-global-politics-may-keep-paris-agreement-rules-at-bay/wcm/70deb83a-527c-4f3d-86cf-6073ef8c7e06>

<sup>4</sup> Climate Action Network Canada (November 5, 2015). Canada and the UN Climate Negotiations: A Paris package that shows Canada cares. <https://climateactionnetwork.ca/2015/11/05/canada-and-the-un-climate-negotiations-a-paris-package-that-shows-canada-cares/>

<sup>5</sup> Intergovernmental Panel on Climate Change (October 2018). Special Report: Global Warming of 1.5 °C. <http://www.ipcc.ch/report/sr15/>

across all policy areas, with a goal to far surpass our weak 2030 NDC. Greater ambition now and through the coming decade will set us on a path to achieve the coming decades' decarbonization goals.

CAN-Rac provided a summary analysis of the policy framework<sup>6</sup> when the PCF was announced, and we followed up with an Action Update<sup>7</sup> on its implementation in March 2017. The present document revisits PCF implementation, with some updates on the status of policy implementation, including an outline of some of the opposition we are facing. It includes a run-down of some - but certainly not all - of the work we and our colleagues have done over the past year to guard against mounting opposition to climate change policy progress in Canada, work that is invaluable to all of us as we look for ways to speak about and defend that progress.

Over the past two years, CAN-Rac members and colleagues have continued to played critical roles in moving parts of the PCF from concept to reality. At the same time, though, the progress for which we have so doggedly worked has fallen under increasing hostility from escalating political partisanship, aimed squarely at thwarting progress on climate action. Today, CAN-Rac members and allies are coming together to champion climate action as never before, and in the face of partisan political challenges, set against a backdrop of ever-increasing urgency, we are helping to ensure the PCF is fully implemented and sets Canada on a path to decarbonization.

While the PCF is imperfect, it is an ambitious undertaking on the part of the Canadian government to legislate climate action in diverse policy areas, across the economy. In the months ahead, all of us can play a role in helping to prevent further successive watering down of policies, capitulation to industry demands, and more disappointing decisions on infrastructure. As we head into a federal election year, most critically, we must push back against the increasing political challenges that threaten climate protection. We can continue to be today's climate superheroes.

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<sup>6</sup> Climate Action Network Canada (December 2016). Analysis and Summary of Pan-Canadian Framework on Climate Change. [https://climateactionnetwork.ca/wp-content/uploads/2017/06/1PCFanalysis\\_CAN-Rac.pdf](https://climateactionnetwork.ca/wp-content/uploads/2017/06/1PCFanalysis_CAN-Rac.pdf)

<sup>7</sup> Climate Action Network Canada (March 2017). Action Update: Canadian Climate Policy. [https://climateactionnetwork.ca/wp-content/uploads/2017/06/ActionUpdate\\_March17.pdf](https://climateactionnetwork.ca/wp-content/uploads/2017/06/ActionUpdate_March17.pdf)

## PCF IMPLEMENTATION UPDATE

Organized by policy sector (listed below), this section provides a summary overview of the status of each mitigation policy under development. It also contains links to notices of intent, regulations being gazetted, and other relevant materials, as well as news stories.

PCF Mitigation Policies covered in this document:

- Electricity
- Carbon Pricing
- Industry (Methane)
- Transportation
- Buildings

### Adaptation & Resilience

The PCF also provides policy direction for climate adaptation and resilience planning. CAN-Rac began delving into this work in 2018, establishing a climate adaptation caucus for members and non-member allies. The CAN-Rac adaptation caucus meets monthly and, at the end of 2018, is in the process of finalizing its Terms of Reference and governance structure. CAN-Rac's adaptation caucus is currently focused on topics related to public health and the social determinants of health; holding fossil fuel companies accountable for adaptation, loss and damage costs; understanding insurance and public finance aspects of adaptation planning; and investigating adaptation planning related to agriculture, food security, forests, waste, and land use planning.

Given the early stage of CAN-Rac activities focusing on adaptation and resilience, our knowledge of the landscape in this policy sector is relatively limited. A federal Expert Panel on Climate Adaptation and Resilience was established in August 2017. The panel, chaired by Dr. Blair Feltmate of the Intact Centre on Climate Adaptation at the University of Waterloo and including former CAN-Rac executive director Dr. Louise Comeau, released its report, *Measuring Progress on Adaptation and Climate Resilience: Recommendations to the Government of Canada*,<sup>8</sup> in June 2018. This report has provided a valuable starting point to launch CAN-Rac's work on adaptation and resilience in Canada.

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<sup>8</sup> Expert Panel on Climate Adaptation and Resilience (June 2018). *Measuring Progress on Adaptation and Climate Resilience: Recommendations to the Government of Canada*. [http://publications.gc.ca/collections/collection\\_2018/eccc/En4-329-2018-eng.pdf](http://publications.gc.ca/collections/collection_2018/eccc/En4-329-2018-eng.pdf)

# ELECTRICITY

## PCF Commitments

- Coal phase-out by 2030
- Performance standards for natural gas-fired electricity generation
- Building new and enhanced transmission lines between provinces and territories
- Reducing reliance on diesel in northern and remote communities
- Modernizing electricity systems

## Status

The Powering Past Coal Alliance, announced in late 2017, positions Canada as an international leader on coal phase-out. The Just Transition Task Force, announced in early 2018, includes CAN-Rac members (co-chairs Lois Corbett, Conservation Council of New Brunswick and Hassan Yussuff, Canadian Labour Congress; Tara Peel, Canadian Labour Congress). The Task Force is an important step toward transitioning our economy off of coal power while protecting coal workers and their communities. CAN-Rac cannot understate the importance of ensuring this transition happens with all due consideration and inclusion of coal sector workers, their families and their communities. We hope to see the Task Force make progress on coal, and carry on with a mandate for a just transition away from other fossil fuels, too. A draft interim report from the Just Transition task force was delivered to government in October 2018. We anticipate the release of a public document in late 2018 or early 2019, containing task force recommendations to aid communities and workers in the transition away from coal, tailored to the specific needs of Canada's various coal regions.

Regulations Limiting Carbon Dioxide Emissions from Natural Gas-fired Generation of Electricity<sup>9</sup> and Regulations Amending the Reduction of Carbon Dioxide Emissions from Coal-fired Generation of Electricity Regulations<sup>10</sup> went to Canada Gazette, Part 1 on February 17, 2018. CAN-Rac and our members working on electricity sector policy reform submitted comments, many of which focused on avoiding the 'dash to gas' as a replacement for coal. While the committee re-

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<sup>9</sup> Government of Canada (2018). Canada Gazette 1: Regulations Limiting Carbon Dioxide Emissions from Natural Gas-fired Generation of Electricity. <http://www.gazette.gc.ca/rp-pr/p1/2018/2018-02-17/html/reg4-eng.html>

<sup>10</sup> Government of Canada (2018). Canada Gazette 1: Regulations Amending the Reduction of Carbon Dioxide Emissions from Coal-fired Generation of Electricity Regulations. <http://www.gazette.gc.ca/rp-pr/p1/2018/2018-02-17/html/reg3-eng.html>

view period between CG1-CG2 is often a time when policy gets weakened, on December 12, 2018 the federal government delivered a set of regulations on coal that is unchanged from CG1.<sup>11</sup> The natural gas electricity regulations were also finalized that day.<sup>12</sup>

Alberta's current plans to phase out thermal coal and replacement it with natural gas for electricity generation accelerates ambition over a November 2016 coal phase-out timeline, ensuring coal plants are functionally limited to a life-span no longer than 10 years past end-of-life date. 11 of the 15 coal-fired generating plants expected to still be operational in Canada by 2030 are in Alberta. These are planned to be refurbished to burn natural gas, with conversion starting in 2020; these facilities would operate for a limited duration of 7-10 years, after which they will be replaced by a mix of cleaner electricity technologies.

While Saskatchewan is not a signatory to the PCF, the province's latest electricity policies suggest that all its remaining coal units are either closed or converted to CCS by 2030, although two small units (Boundary Dam 4 and 5) are permitted to run for several years beyond the closure date set in the 2012 federal regulations.<sup>13</sup> The other four remaining coal-fired units (Boundary Dam 6, Poplar River 1 and 2, Shand) will continue to be in service until close to 2030.

New Brunswick will have one remaining coal generating unit in 2030 to which the new federal regulations would apply.

One of the major policy changes in the new federal regulations would terminate Nova Scotia's current equivalency agreement that permits some or all of that province's eight current coal-fired generating units to operate indefinitely after 2030, aiming to replace these power sources with natural gas, hydroelectricity, or other renewable energy options.

Federal / provincial equivalency agreements have yet to be negotiated for coal-burning provinces of NS, NB, SK, AB and will likely involve separate regulatory

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<sup>11</sup> Government of Canada (2018). Canada Gazette 2: Regulations Limiting Carbon Dioxide Emissions from Natural Gas-fired Generation of Electricity. <http://www.gazette.gc.ca/rp-pr/p2/2018/2018-12-12/html/sor-dors263-eng.html>

<sup>12</sup> Government of Canada (2018). Canada Gazette 2: Regulations Amending the Reduction of Carbon Dioxide Emissions from Coal-fired Generation of Electricity Regulations. <http://www.gazette.gc.ca/rp-pr/p2/2018/2018-12-12/html/sor-dors261-eng.html>

<sup>13</sup> Estevan Mercury (July 20, 2018), Letter: CCS and coal still a priority for Saskatchewan. <https://www.estevanmercury.ca/opinion/letters/letter-ccs-and-coal-still-a-priority-for-saskatchewan-1.23375215>

processes, running to 2020. Groups are working with provinces and provincial electricity planning processes to ensure regional readiness for coal phase-out.

Additional considerations relating to sector-specific carbon pricing through an output based pricing model for Canada's fossil electricity sector are included in the next section on Carbon Pricing.

## Challenges & Opposition to Electricity Policies

Opposition to coal phase-out has been relatively scant in 2018 as society appears to have broadly accepted that the end of the coal era has arrived. The types of opposition we now see tend to hinge on contested views around regulatory approaches, and legal processes related to coal phase-out. Interestingly, the counter-argument to regulatory oversight tends to be the promotion of market-based solutions involving carbon pricing, a far more contentious form of regulatory intervention.

On carbon pricing as a better solution than regulation, the Canadian Chambers of Commerce:

- December 14, 2018 - Coal power in Canada must disappear by the end of 2029, new regulations say (Canadian Press). <https://calgaryherald.com/pmnn/news-pmn/canada-news-pmn/coal-power-in-canada-must-disappear-by-the-end-of-2029-new-regulations-say/wcm/a5a950d5-982b-45af-a2dd-067a87f485d6>
- December 2018: A Competitive Transition: How smarter climate policy can help Canada lead the way to a low carbon economy: <http://www.chamber.ca/download.aspx?t=0&pid=0a9d6ed6-6cfd-e811-a7af-005056a00b05>

On legal implications of coal-phase out:

- December 19, 2018 - Kyla Tienhaara, Canada Research Chair in Economy and Environment, Queen's University, Ontario for the Canadian Press. The fossil fuel era is coming to an end, but the lawsuits are just beginning. <https://nationalpost.com/pmnn/news-pmn/the-fossil-fuel-era-is-coming-to-an-end-but-the-lawsuits-are-just-beginning>

## ENGO Defence of Electricity Policies

The following is an alphabetical collection of some of our members' publications, projects, government submissions and press releases on coal and natural gas electricity policy. Although our submission is not posted online, CAN-Rac also provided feedback to government on the CG1 coal and gas regulatory proposals.

Canadian Association of Physicians for the Environment:

- January 2018 - CAPE's Coal Phase-Out Campaign: <https://cape.ca/wp-content/uploads/2018/02/PPT-CAPE-COAL-CAMPAIGN-2018-compressed.pdf>
- February 16, 2018 - Reaction to coal-fired electricity regulations and Just Transition task force: <https://cape.ca/wp-content/uploads/2018/02/3.Federal-Government-released-proposed-amendments-to-coal-fired-electricity-regulations-Feb.-16-2018.pdf>
- April 17, 2018 - Health Collaborative Submissions on Natural Gas Regulations to Phase-out Coal: <https://cape.ca/wp-content/uploads/2018/04/Health-Gas-Submission-April-17-2018-1.pdf>
- April 17, 2018 - Health Collaborative Submissions on Coal Regulations to Phase-out Coal:
- <https://cape.ca/wp-content/uploads/2018/05/Health-Coal-Submission-April-16-2018-1.pdf>
- April 18, 2018 - Health Organizations call for faster transition to renewable energies!: <https://cape.ca/wp-content/uploads/2018/04/CAPE-and-other-Health-Organizations-call-for-faster-transition-to-renewable-energies-April-18-2018.pdf>
- July 31, 2018 - Letter to Task Force on Just Transition for Canadian Coal Power Workers and Communities: <https://cape.ca/wp-content/uploads/2018/08/just-transition-statement-july-31-2018.pdf>
- December 12, 2018 - CAPE applauds Canadian coal phase-out & calls for action from other countries: <https://cape.ca/wp-content/uploads/2018/12/CAPE-Media-Release-Coal-Regulations-Dec-12-2018.pdf>

Climate Justice Saskatoon:

- Ongoing project, 'Bridging the Gap': <https://climatejusticesaskatoon.ca/future-of-coal/future-of-coal-bridging-the-gap/>
- October 5, 2018 - Talking Just Transitions in Regina: <https://climatejustice-saskatoon.ca/2018/10/05/just-transitions-regina/>

- October 30, 2018 - Just Transitions Summit recap: <https://climatejusticesaskatoon.ca/2018/10/30/just-transitions-summit-recap/>
- November 28, 2018 - Bridging the gap between urban environmentalists and coal-producing communities: <https://climatejusticesaskatoon.ca/2018/11/28/report-bridging-the-gap-between-urban-environmentalists-and-coal-producing-communities/>

Conservation Council of New Brunswick:

- April 19, 2018 - Conservation Council's submissions on federal coal and gas regulations: <https://www.conservationcouncil.ca/en/conservation-councils-submissions-on-federal-coal-and-gas-regulations/>
- April 25, 2018 - Lois Corbett appointed co-chair of federal government's Just Transition Task Force for coal phase out: <https://www.conservationcouncil.ca/en/lois-corbett-appointed-co-chair-of-federal-governments-just-transition-task-force-for-coal-phase-out/>

David Suzuki Foundation:

- February 16, 2018 - Federal coal phase-out announcement a major step forward for health and climate action in Canada: <https://david Suzuki.org/press/federal-coal-phase-announcement-major-step-forward-health-climate-action-canada/>

Ecology Action Centre:

- April 18, 2018 - Submission to Environment and Climate Change Canada on Coal Power Regulations - Federal Coal Phase-Out and Equivalency Agreement: <https://ecologyaction.ca/sites/ecologyaction.ca/files/images-documents/EAC%20-%20FederalCoalRegulationsSubmission%20-%202004-18-2018.pdf>
- December 13, 2018 - EAC Welcomes Federal Coal Regulations, Awaits Equivalent Plan from Nova Scotia: <https://ecologyaction.ca/press-release/eac-welcomes-federal-coal-regulations-awaits-equivalent-plan-nova-scotia>

Pembina Institute:

- February 16, 2018 - Reaction to coal-fired electricity regulations and Just Transition task force: <https://www.pembina.org/media-release/canada-leads-strong-national-commitment-to-phase-out-coal-and-support-coal-workers>
- October 12, 2018 - South Korean province's coal phase-out is a sign of the times: <https://www.pembina.org/blog/south-korean-provinces-coal-phase-out-sign-times>

- December 12, 2018 - Reaction to final publication of federal rules on electricity sector carbon emissions: <https://www.pembina.org/media-release/2030-coal-phase-out-finalized-canada-takes-historic-step>
- December 14, 2018 - Canada taking bold action at home and internationally on coal transition: <https://www.pembina.org/blog/canada-taking-bold-action-home-and-internationally-coal-transition>
- December 16, 2018 - After COP24 in Poland, the work continues in earnest at home: <https://www.pembina.org/blog/after-cop24-poland-work-continues-earnest-home>

# CARBON PRICING

## PCF commitments

- All jurisdictions will have carbon pricing by the end of 2018 (either carbon tax/ carbon levy with performance based emissions system or a cap and trade system). Provinces must either demonstrate a carbon pricing system equivalent to the federal backstop, or declare their intention to adopt the federal backstop, by September 2018.
- Provinces with cap and trade systems must commit to:
  - a 2030 emissions reduction target equal to or greater than Canada's target
  - declining annual caps to at least 2022 that correspond, at minimum, to projected emissions reductions resulting from the carbon price that year in price-based systems
- Federal backstop = explicit price-based system that will apply where jurisdictions don't meet the benchmark (revenues returned to jurisdiction of origin)
- Coverage of British Columbia's carbon tax sets minimum coverage standard
- For jurisdictions with explicit price-based system, price was initially proposed to start at \$10 per tonne in 2018, increasing \$10/yr to \$50/tonne in 2022. Implementation has since been delayed to January 1, 2019, starting at \$20 per tonne.

## Status

The government released a series of documents, including a backgrounder (October 2016) outlining the principles on which the pan-Canadian approach to carbon pricing would be based<sup>14</sup>; a guidance document on the federal carbon pricing benchmark (January 2018)<sup>15</sup>; a consultation paper on the proposed fed-

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<sup>14</sup> Government of Canada (2016). Pan-Canadian Approach to Pricing Carbon Pollution. <https://www.canada.ca/en/environment-climate-change/news/2016/10/canadian-approach-pricing-carbon-pollution.html>

<sup>15</sup> Government of Canada (2018). Guidance on the Pan-Canadian carbon pollution pricing benchmark. <https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework/guidance-carbon-pollution-pricing-benchmark.html>

eral carbon pricing backstop (January 2018)<sup>16</sup>, and a proposed framework for the output-based pricing system (January 2018)<sup>17</sup> - one of the two elements of the backstop.

In June 2018, the federal budget bill received Royal Assent, and with it, the Greenhouse Gas Pollution Pricing Act became federal law across Canada. The Act stipulates the minimum schedule for phasing in carbon pricing across Canada: an initial benchmark price of \$20/tonne as of January 1, 2019, with annual incremental increases of \$10/tonne to 2022, when the price will be \$50/tonne. A separate and parallel output based pricing system (OBPS) is also being developed as an option for emissions-intensive trade-exposed (EITE) industries. The OBPS allows EITE industries to be taxed based on relative performance against best-in-class competitors, rather than on absolute emissions.

At the time of legislation, the federal carbon pricing plan was expected to deliver a GHG mitigation impact of a 50-60 MT emissions reduction by 2022, with GDP continuing to grow at a rate of 1.7 % by 2022 with carbon pricing, while it would have been expected to grow at 1.8% by 2022 without carbon pricing. This estimate of economic growth does not take into account additional economic activity and innovation stimulated by carbon pricing. Subsequent changes to provincial climate policies have resulted in gap to achieving the intended emissions reduction impact through federal carbon pricing. In particular, the Ford government's cancellation of Ontario's cap-and-trade market and climate plan in mid-2018 will result in the application of the federal pricing backstop in January 2019, a measure calculated to deliver 30 MT less emissions reduction than would have been expected under Ontario's former plan.

Government's decision to include the electricity sector in the OBPS pricing system has presented many policy development challenges throughout the year, starting with the initial criticism that its inclusion under the OBPS is unwarranted as electricity generation is generally not considered an EITE industry in Canada. Midyear, debates continued over the OBPS proposal of differential targets for coal, diesel and fossil gas as electricity-generating fuels, with many arguing this proposal would hinder a transition away from coal and slow the overall decarbonization of the electricity sector in Canada.

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<sup>16</sup> Government of Canada (2018). Technical paper: federal carbon pricing backstop. <https://www.canada.ca/en/services/environment/weather/climatechange/technical-paper-federal-carbon-pricing-backstop.html>

<sup>17</sup> Government of Canada (2018). Carbon pricing: regulatory framework for the output-based pricing system. <https://www.canada.ca/en/services/environment/weather/climatechange/climate-action/pricing-carbon-pollution/output-based-pricing-system.html>

A number of regulatory instruments related to the OBPS were published in the latter half of 2018, leading to the release of draft regulations December 20, 2018 which included clarification on how OBPS pricing would apply to jurisdictions to be covered exclusively by federal pricing. Additionally, the December draft regs included concessions to trade-exposed industries that lowered some reporting thresholds, while others had been made slightly more stringent (e.g. cement, lime and petrochemicals).<sup>18</sup> Comments on the December draft regulations are due February 15, 2019.

Provinces and territories were required to submit their carbon pricing plans to the federal government in September, and on October 23, the Government of Canada announced the details of how it will apply the federal carbon pricing backstop to those jurisdictions without plans or whose plans failed to meet the minimum federal equivalency requirements or who voluntarily wished to use the federal pricing system. The federal backstop will apply in Saskatchewan, Manitoba, Ontario and New Brunswick starting in April 2019, and Yukon and Nunavut beginning in July 2019. Quebec, Alberta, and B.C. have established carbon pricing systems already in place that meet or exceed the federal pricing benchmarks. Nova Scotia, P.E.I. and Newfoundland and Labrador will meet the \$20 / tonne federal benchmark price on carbon by January 1, 2019 and will not be subject to the federal backstop in 2019. A new, revised draft of the federal OBPS was released December 20, 2018, with the system scheduled to go into effect in Ontario, Manitoba, New Brunswick, Prince Edward Island and partially in Saskatchewan, and in July for Nunavut and Yukon.<sup>19</sup> A federal fuel surcharge takes effect April 2019 for Ontario, Manitoba, New Brunswick and Saskatchewan, and July 2019 for Nunavut and Yukon. Northwest Territories has its own pricing system that also goes into effect July 2019 (see below for details).

Provincial opposition to carbon pricing has escalated over the course of the year. Many federal and provincial Conservatives have campaigned heavily against climate policy, and carbon pricing specifically. Most notably, in his first act in office, Ontario's new Conservative premier, Doug Ford, scrapped Ontario's cap & trade system, absorbing carbon revenues collected to date into general provincial revenues and cancelling many projects that had been funded through

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<sup>18</sup> iPolitics (December 20, 2018). Feds loosen carbon-price limit for certain large polluters. <https://ipolitics.ca/2018/12/20/feds-loosen-carbon-price-limit-for-certain-large-polluters/>

<sup>19</sup> Government of Canada (December 2018). Output-Based Pricing System. <https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/output-based-pricing-system.html>

carbon revenues. Analysts have estimated that the withdrawal of Ontario's established carbon pricing system could open up a significant gap in anticipated emissions reductions by 2022 due to the federal carbon price having a lower stringency than what was anticipated under cap-and-trade.

Meanwhile, Ontario has joined Saskatchewan's reference case to challenge the jurisdictional authority of federal government to impose a carbon tax on unwilling provinces, while also undertaking its own legal challenges to federal carbon taxation authority through the Ontario Court of Appeal. Ontario Attorney General Caroline Mulroney has suggested that these legal actions may incur less cost than the \$30 million the Ford government has allocated to fighting carbon pricing.<sup>20</sup>

Further details on provincial and territorial carbon pricing policies for jurisdictions without pre-existing climate plans:

- NL released a draft offset protocol for large industry in spring 2017 that will allow facilities to generate offset credits for investments in energy efficiency and fuel switching to renewable energy, they'll then be able to sell/trade credits with other facilities.<sup>21</sup> They also doubled the gas tax in summer 2016. A 2017-2020 Business Plan for the Office of Climate Change promises general compliance with the PCF but does not detail policy specifics.<sup>22</sup> Other than these measures, not much has yet been publicly disclosed about how the province will handle carbon tax implementation. In May, the province had suggested it would wait to see how Ontario dealt with carbon pricing following its upcoming election.<sup>23</sup> In late July, the business community was still asking for direction on anticipated carbon pricing schemes, noting that the province must provide its plans to the feds by September.<sup>24</sup> In the October announcement of pricing intentions, the federal government accepted NL's pricing scheme, which exempts home heating fuels, eliminates a proposed tem-

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<sup>20</sup> Canadian Broadcasting Corporation (August 2, 2018). 'Cancel your carbon tax,' Ontario PC ministers tell Justin Trudeau. <http://www.cbc.ca/news/canada/toronto/ontario-cap-and-trade-announcement-1.4771123>

<sup>21</sup> Government of Newfoundland and Labrador (May 2017). Newfoundland and Labrador Offset System Design Report. [https://www.exec.gov.nl.ca/exec/occ/publications/NL\\_Labrador\\_Offset\\_System\\_Design\\_Report.pdf](https://www.exec.gov.nl.ca/exec/occ/publications/NL_Labrador_Offset_System_Design_Report.pdf)

<sup>22</sup> Government of Newfoundland and Labrador (2017). Office of Climate Change Business Plan. [https://www.exec.gov.nl.ca/exec/occ/publications/OCC\\_2017-2020\\_Business\\_Plan.pdf](https://www.exec.gov.nl.ca/exec/occ/publications/OCC_2017-2020_Business_Plan.pdf)

<sup>23</sup> St John's Telegram (May 23, 2018). Carbon tax not yet set in Newfoundland and Labrador. <http://www.thetelegram.com/news/carbon-tax-not-yet-set-in-newfoundland-and-labrador-212572/>

<sup>24</sup> St John's Telegram (July 31, 2018). Newfoundland and Labrador businesses want details on carbon pricing. <http://www.thetelegram.com/business/newfoundland-and-labrador-businesses-want-details-on-carbon-pricing-230086/>

porary increase in gas tax of four cents and replaces it with a new federal 4.42 cent carbon tax, and eliminates a temporary five cent tax on diesel and replaces it with a federal 5.37 cent carbon tax. Off-grid diesel electricity generation, aviation fuel, inter-provincial marine transportation and municipalities are all exempt under NL's plan, and there are also exemptions for agriculture, fishing, offshore and mineral exploration, and methane gases from venting and fugitive emissions in the oil and gas sector.

- NS legislated amendments to its Environment Act that were proclaimed February 2018, allowing the province the legal capacity to create its cap-and-trade system. A second suite of regulations was open for consultation in the spring 2018. The cap-and-trade program will launch in January 2019. The province anticipates about 20 companies will participate in the program which is aimed at large emitters from the fossil fuel, large industry, and emissions-intensive utilities. Small businesses and individuals will be exempt from the program.<sup>25</sup> Allocations within the cap & trade market will be auctioned, with revenues generated going toward a Green Fund. There is concern, however, that the province's openness to LNG development may create conditions that see emissions exceed the proposed cap.
- In late 2017, NB announced that rather than impose a new carbon tax at the gas pumps, the province will start by shifting 2.3-cents per litre in 2018 to 11.6-cents-per-litre by 2022 of its existing 15.5-cent-per-litre gas tax into a climate fund.<sup>26</sup> NB's plan also exempts natural gas from carbon pricing. Analysts suspected this proposal was likely to fall short of the federal equivalency requirements because it does not provide any new price signal to deter carbon consumption,<sup>27</sup> and, in fact, in October the federal government declared its intention to impose the federal backstop on the province. Negotiations on the OBPS as it applies to the province's coal-fired power plant are ongoing.

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<sup>25</sup> Government of Nova Scotia (2018). Nova Scotia's Cap-and-Trade Program. <https://climate-change.novascotia.ca/proposed-cap-and-trade-program>

<sup>26</sup> Canadian Broadcasting Corporation (January 16, 2018). Minister adamant carbon plan satisfies federal rules — despite deviations. <https://www.cbc.ca/news/canada/new-brunswick/liberals-violate-federal-carbon-price-place-1.4490156>

<sup>27</sup> Canadian Broadcasting Corporation (April 4, 2018). Feds likely to step in, says think-tank that found provincial carbon plan wanting. <https://www.cbc.ca/news/canada/new-brunswick/carbon-tax-emissions-report-1.4603988>

- Yukon planned to and will accept the federal backstop<sup>28</sup> as will Nunavut.<sup>29</sup>
- PEI had committed to implementing carbon pricing by January 2018 but rather than developing its own pricing system, the province indicated in mid-2018 that it would accept the federal backstop, but begrudgingly, proposing a climate action plan that focuses on incentivizing renewables and promoting energy efficiency. The province believes it could meet provincial targets without requiring a comprehensive price on carbon, arguing that tax rate adjustments on electricity bills are a form of price signal that can be used to alter consumer behaviour around carbon consumption.<sup>30</sup> PEI is now following the federal benchmarks that are incorporated into its own provincial plan.
- NWT released its carbon pricing plan in 2018 in which the territory indicated its plans to implement the federal backstop carbon pricing scheme starting in July 2019. Aviation fuel would be exempt and 100% of the carbon tax on heating fuel for most homes, businesses and governments would be rebated. Incentives, including rebates, would be offered to electricity generating utilities to ensure electricity rates do not escalate.<sup>31</sup>
- Early in 2018, MB had unveiled plans to use both a consumer carbon tax and an industrial output-based pricing system in the province. A \$25/tonne consumer carbon tax was slated to take effect on September 1, 2018<sup>32</sup> but was first delayed to December 2018 following political opposition to the draft enabling legislation,<sup>33</sup> and later, scrapped altogether, as Premier Pallister aligned with other Conservative premiers in the increasingly fierce opposition to carbon pricing that has marked this policy space in the latter half of 2018.

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<sup>28</sup> Government of Yukon (December 2017). Results of public engagement on Yukon's carbon price rebate released. <http://www.gov.yk.ca/news/17-273.html>

<sup>29</sup> Government of Canada (2018). Nunavut and pollution pricing. <https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/nunavut.html>

<sup>30</sup> Canadian Broadcasting Corporation (July 13, 2018). What happened to 'made-in-PE.I.' plan for carbon pricing? <https://www.cbc.ca/news/canada/prince-edward-island/pei-carbon-tax-emissions-1.4744006>

<sup>31</sup> Government of Northwest Territories (2018). Implementing Carbon Pricing in the NWT. <https://www.fin.gov.nt.ca/en/carbon-pricing>

<sup>32</sup> Government of Manitoba (2017). Made-in-Manitoba Climate and Green Plan. [https://www.gov.mb.ca/finance/budget18/papers/E\\_Climate\\_Green\\_Plan\\_r.pdf](https://www.gov.mb.ca/finance/budget18/papers/E_Climate_Green_Plan_r.pdf)

<sup>33</sup> Global News - Canadian Press (July 30, 2018). Manitoba moves closer to carbon price for big emitters. <https://globalnews.ca/news/4361589/manitoba-moves-closer-to-carbon-price-for-big-emitters/>

The province held consultations until the end of September on draft regulations for an output-based pricing system for six large industrial emitters.<sup>34</sup> In October, the federal government announced it would be applying the federal backstop to MB.

- In April 2018, SK launched a reference case in the Saskatchewan Court of Appeal, challenging the constitutionality of the federal carbon pricing backstop. The province believes carbon emissions fall under provincial, not federal, jurisdiction. Ontario joined SK's reference case in July 2018. The province will be required to adopt the federal pricing system.

## Opposition to Carbon Pricing

Opposition to carbon pricing - both the federal approach and provincial approaches - has been fierce and profuse. Beyond the very high level overview provided of the disparity among provinces when it comes to implementing carbon pricing, it would be hopeless to further attempt to summarize it here. In particular, the idea that national carbon pricing will put Canada at a competitive disadvantage gained a tremendous amount of traction over the course of the year, particularly set against a backdrop of a trade war this year with our largest trade partner.

One such example of carbon pricing being blamed for undermining competitiveness - a much larger, more systemic economic challenge that exists irrespective of climate action - can be seen in media and political reaction to mid-year amendments to the proposed federal output based pricing system (OBPS) for emissions-intensive, trade exposed industries. In the summer 2018, ECCC released a refined regulatory proposal for the OBPS. In the initial draft, the OBPS would have seen emissions priced for emissions above 70% of the industry-wide average. In the revised draft, the regulations suggest settling on a regulatory threshold set to an industry-wide average of 80-90%, in order to maximize emissions reduction benefits and minimize competitiveness impacts for emissions-intensive, trade-exposed industries.<sup>35</sup> Media and opposition politicians

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<sup>34</sup> Government of Manitoba (2018). Manitoba's Made-in-Manitoba Climate and Green Plan. <https://www.gov.mb.ca/climateandgreenplan/index.html>

<sup>35</sup> Government of Canada (2018). Update on the output-based pricing system: technical backgrounder. <https://www.canada.ca/en/services/environment/weather/climatechange/climate-action/pricing-carbon-pollution/output-based-pricing-system-technical-backgrounder.html>

lost no time in piling on about the negative impacts of carbon pricing on competitiveness,<sup>36</sup> even while economists backed up the policy shift.<sup>37</sup>

The tide of media and public sentiment appeared to shift once more in October, this time in favour of carbon pricing. The Intergovernmental Panel on Climate Change (IPCC) published its Special Report on Global Warming of 1.5°C (SR15) in the first week of October. SR15 received extensive mainstream media coverage amplifying the report's dire warnings and urgent call to climate action.<sup>38,39,40</sup> Weeks later, the federal carbon pricing announcement landed on a population primed for climate action. Canadian media began reporting stories reflecting that the majority of Canadians favour putting a price on carbon pollution, recognizing that implementing carbon pricing will position Canada to be globally competitive in a changing world economic market, ensuring jobs for generations of Canadians to come, while also being a necessary action to address climate change.

However, as 2018 draws to a close, carbon pricing remains one of the most politically divisive issues in Canada. Inherent price differentials for Canadian oil-sands crude relative to world benchmarks, plus a glut of stockpiled Alberta oil due to production outstripping current pipeline capacity and scheduled refinery maintenance shut downs, has driven the value of Canadian oil to historic lows. Canada's oil sector has been in a dramatic tailspin in the last quarter of 2018, and in December, vocal protests, particularly in communities throughout Alberta, have decried climate action, carbon pricing, and demanded action to shore up the industry. Federal carbon pricing remains an easy target for those most afflicted by job losses and sector shut downs and is an exceptionally politically charged and divisive issue in Canada.

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<sup>36</sup> Globe and Mail (August 1, 2018). Ottawa to dramatically scale back carbon tax on competitiveness concerns. <https://www.theglobeandmail.com/business/industry-news/energy-and-resources/article-ottawa-to-dramatically-scale-back-carbon-tax-on-competitiveness/>

<sup>37</sup> Canadian Broadcasting Corporation (August 1, 2018). 'A pretty small adjustment' to the carbon pricing plan - Chris Ragan of the Ecofiscal Commission defending OBPS changes: <https://www.cbc.ca/player/play/1290201667821>

<sup>38</sup> National Post (October 12, 2018). What does the IPCC climate report predict for Canada? <https://nationalpost.com/news/canada/what-does-the-ipcc-climate-report-predict-for-canada>

<sup>39</sup> Canadian Broadcasting Corporation (October 8, 2018). UN report on global warming carries life-or-death warning. <https://www.cbc.ca/news/world/un-report-global-warming-climate-change-1.4854363>

<sup>40</sup> Globe and Mail (October 8, 2018). UN report calls for urgent action to avert catastrophic climate change. <https://www.theglobeandmail.com/world/article-un-report-calls-for-urgent-action-to-avert-catastrophic-climate-change/>

## Select 2018 Media Coverage on Carbon Pricing

Concerns about competitiveness:

- <https://www.theglobeandmail.com/politics/article-carbon-price-puts-competitiveness-agenda-at-risk-business-groups-warn/>
- <https://ipolitics.ca/2018/08/02/government-media-got-it-wrong-on-carbon-tax-experts/>

Backgrounders on the introduction of the federal carbon pricing backstop in late October:

- <https://www.cbc.ca/news/politics/tasker-carbon-tax-plan-trudeau-1.4874258>
- <https://www.theglobeandmail.com/canada/article-canadas-carbon-tax-a-guide/>

Media Defence of Carbon Pricing:

- <https://www.theglobeandmail.com/opinion/editorials/article-globe-editorial-why-canada-is-right-to-put-a-price-on-carbon/>
- <https://calgaryherald.com/opinion/editorials/editorial-anti-carbon-tax-emperors-have-no-clothes>

## ENGO Defence of Carbon Pricing

CAN-Rac:

- August 8, 2018 - CAN-Rac open letter to Doug Ford: <https://climateactionnetwork.ca/2018/08/08/climate-action-network-canada-letter-to-premier-doug-ford/>
- October 23, 2018 - Statement on Canada's plans to price pollution from Climate Action Network Canada's Executive Director Catherine Abreu: <https://climateactionnetwork.ca/2018/10/23/statement-on-canadas-plans-to-price-pollution-from-climate-action-network-canadas-executive-director-catherine-abreu/>
- November 29, 2018 - Climate Action Network Canada Reacts to Ford Government's Climate Plan: <https://climateactionnetwork.ca/2018/11/29/climate-action-network-canada-reacts-to-ford-governments-climate-plan/>

Canadian Association of Physicians for the Environment:

- July 2018 - CAPE Presentation-Output Based Standards for Electricity Sector: <https://cape.ca/wp-content/uploads/2018/07/CAPE-Presentation-Output-Based-Standards-for-Electricity-Sector-July-2018.pdf>

Clean Economy Alliance:

- April 17, 2018 - No Bad Option: Comparing the economic impacts of Ontario carbon pricing scenarios: <https://cleaneconomyalliance.ca/reports/no-bad-option-comparing-the-economic-impacts-of-ontario-carbon-pricing-scenarios/>

Clean Energy Canada:

- November 4, 2018 - Op ed: <https://www.theglobeandmail.com/business/commentary/article-denying-solutions-is-the-new-climate-change-denial/>

Conservation Council of New Brunswick:

- January 15, 2018 - Statement on draft federal carbon pricing legislation: <https://www.conservationcouncil.ca/en/statement-on-federal-governments-draft-carbon-pricing-legislation/>
- October 23, 2018 - Conservation Council statement on federal carbon pricing plan: <https://www.conservationcouncil.ca/en/conservation-council-statement-on-federal-carbon-pricing-plan/>

David Suzuki Foundation:

- January 9, 2018 - Federal government clarifies rules for carbon pricing: <https://david Suzuki.org/expert-article/federal-government-clarifies-rules-for-carbon-pricing/>
- February 20, 2018 - B.C. takes impressive steps in tackling climate crisis, stalls on commitment to make oil and gas industry pay its fair share of carbon tax: <https://david Suzuki.org/press/b-c-takes-impressive-steps-tackling-climate-crisis-stalls-commitment-make-oil-gas-industry-pay-fair-share-carbon-tax/>
- June 14, 2018 - Carbon pricing is an important tool to tackle climate change: <https://david Suzuki.org/story/carbon-pricing-is-an-important-tool-to-tackle-climate-change/>
- July 16, 2018 - Four reasons why cap-and-trade is 'for the people': <https://david Suzuki.org/expert-article/four-reasons-why-cap-and-trade-is-for-the-people/>
- November 30, 2018 - David Suzuki Foundation, Ecojustice enter legal fight to support carbon pricing: <https://david Suzuki.org/press/david-suzuki-foundation-ecojustice-enter-legal-fight-to-support-carbon-pricing/>

Ecology Action Centre:

- November 14, 2018 - Updated position paper on NS cap-and-trade system: <https://ecologyaction.ca/sites/ecologyaction.ca/files/images-documents/EAC%20Cap%20and%20Trade%20Position%20Statement%20-%20Nov%202014%202018%20-%20Final.pdf>

#### Environmental Defence:

- January 15, 2018 - Statement by Environmental Defence's Keith Brooks on the Canadian government's draft carbon pricing legislation: <https://environmentaldefence.ca/2018/01/15/statement-environmental-defences-keith-brooks-canadian-governments-draft-carbon-pricing-legislation/>
- February 14, 2018 - Did the federal government get its carbon pricing bill right? <https://environmentaldefence.ca/2018/02/14/federal-government-carbon-pricing-bill/>
- April 9, 2018 - Carbon pricing has no downside so why are we still arguing about it? <https://environmentaldefence.ca/2018/04/09/carbon-pricing-no-downside-still-arguing/>
- April 9, 2018 - Two new reports by the Clean Economy Alliance show carbon pricing is consistent with Ontario's strong economic growth: <https://environmentaldefence.ca/2018/04/09/two-new-reports-clean-economy-alliance-show-carbon-pricing-consistent-ontarios-strong-economic-growth/>
- April 30, 2018 - Statement on the effectiveness of carbon pricing in Canada: <https://environmentaldefence.ca/2018/04/30/statement-environmental-defences-dale-marshall-effectiveness-carbon-pricing-canada/>
- May 16, 2018 - Everything you wanted to know about carbon pricing but were afraid to ask: <https://environmentaldefence.ca/2018/05/16/everything-you-wanted-to-know-about-carbon-pricing-but-were-afraid-to-ask/>
- June 20, 2018 - What you need to know about Ontario's carbon pricing drama: <https://environmentaldefence.ca/2018/06/20/17288/>
- July 17, 2018 - Provincial opposition to carbon pricing is set to backfire: <https://environmentaldefence.ca/2018/07/17/provincial-opposition-carbon-pricing-set-backfire/>
- August 9, 2018 - Carbon pricing is working in Ontario, so hands off: <https://environmentaldefence.ca/2018/08/09/carbon-pricing-working-ontario-hands-off/>
- December 11, 2018 - Statement on being approved as intervenors in Saskatchewan's challenge of the federal government's carbon pricing law: <https://environmentaldefence.ca/2018/12/11/statement-approved-intervenors-saskatchewans-challenge-federal-governments-carbon-pricing-law/>

#### Équiterre:

- November 1, 2018 - A price on carbon pollution in Canada: Questions and Answers: <https://equiterre.org/en/news/a-price-on-carbon-pollution-in-canada-questions-and-answers>

#### International Institute for Sustainable Development:

- April 17, 2018 - Carbon Pricing: Busting four major myths: <https://www.iisd.org/blog/carbon-pricing-busting-four-major-myths>

- October 24, 2018 - Statement on the Introduction of Canadian Carbon Taxes: <https://www.iisd.org/media/statement-introduction-canadian-carbon-taxes>

Pembina Institute:

- January 10, 2018 - Making sense of climate policy: <https://www.pembina.org/pub/making-sense-of-climate-policy>
- January 17, 2018 - Op ed, originally published in Hill Times: <http://www.pembina.org/op-ed/carbon-pricing-economic-growth>
- February 14, 2018 - Pricing carbon pollution is going mainstream: <https://www.pembina.org/op-ed/pricing-carbon-pollution-going-mainstream>
- April 9, 2018 - Submission to ECCC on OBPS: <https://www.pembina.org/pub/regulatory-framework-output-based-pricing-system>
- April 18, 2018 - Achieving compliance in Manitoba's approach to carbon pricing: <https://www.pembina.org/pub/achieving-compliance-manitobas-approach-carbon-pricing>
- April 30, 2018 - New federal analysis reaffirms carbon pricing significantly reduces carbon pollution while maintaining a strong economy: <https://www.pembina.org/media-release/new-federal-analysis-reaffirms-carbon-pricing-significantly-reduces-carbon-pollution>
- June 18, 2018 - Alberta's current carbon pricing plan is a big improvement from days gone by: <https://www.pembina.org/blog/albertas-carbon-pricing-plan-big-improvement-days-gone>
- July 19, 2018 - Saskatchewan and Ontario reject most cost effective way to reduce carbon pollution: <https://www.pembina.org/media-release/saskatchewan-and-ontario-reject-most-cost-effective-way-reduce-carbon-pollution>
- August 7, 2018: We need to hold the line on carbon pricing: <https://www.pembina.org/blog/we-need-to-keep-the-line-on-carbon-pricing>
- August 8, 2018: series of infographics - How a price on carbon reduces emissions: <https://www.pembina.org/pub/how-price-carbon-reduces-emissions>
- August 8, 2018: Breaking it down: how carbon pricing addresses climate change: <https://www.pembina.org/blog/breaking-it-down-how-carbon-pricing-addresses-climate-change>
- August 13, 2018 - Op ed, originally published in Forbes: <http://www.pembina.org/op-ed/ontario-climate-backsliding-costly>
- August 30, 2018 - Reaction to Saskatchewan carbon pricing system: <https://www.pembina.org/media-release/saskatchewan-chooses-costlier-path-reducing-emissions>
- October 23, 2018 - Reaction to federal carbon pricing plan: <https://www.pembina.org/media-release/national-price-pollution-will-bring-health-and-economic-benefits-canadians>

- October 30, 2018 - Top 5 reasons why a price on pollution is good for Ontario: <https://www.pembina.org/blog/top-5-reasons-why-price-pollution-good-ontario>
- November 1, 2018 - Why a price on carbon pollution is good for Canadians: <https://www.pembina.org/op-ed/why-price-carbon-pollution-good-canadians>
- December 13, 2018 - Achieving methane reductions through carbon pricing in Alberta: <https://www.pembina.org/pub/achieving-methane-reductions-through-carbon-pricing-alberta>

## INDUSTRY (METHANE)

### PCF + North American Leaders Summit (NALS) + Kigali Agreement Commitments:

- Decrease methane emissions 40-45% by 2025
- Gradual and differentiated phase down of hydrofluorocarbons (HFCs)
- Phase-out of fossil fuel subsidies by 2025
- Improving industrial energy efficiency
- Investing in new technologies to reduce emissions

### Status

In April 2018, Canada finalized its new methane regulations<sup>41</sup> to reduce methane emissions from the oil and gas sector by 40-45% of 2012 levels by 2025, becoming one of the first countries to have regulations that limit methane emissions from both new and existing oil and gas facilities. The Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector) come into force on January 1, 2020 (with some provisions coming into force on January 1, 2023). A further set of regulations pertaining to the petroleum and petrochemical sector, Regulations Respecting Reduction in the Release of Volatile Organic Compounds (Petroleum Sector), are still in draft form.

Alberta drafted its own significantly weaker methane regulations that were released, in draft form in March and finalized in December.<sup>42</sup> Technical discussions around provincial equivalency plans will likely unfold over the coming 12-18 months, but preliminary evaluation of Alberta's plan demonstrates that, at 22 MT of emissions reductions, it is about 13 MT less effective than federal regulations which would deliver 35 MT of reductions.<sup>43</sup>

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<sup>41</sup> Government of Canada (2018). Technical Backgrounder: Federal methane regulations for the upstream oil and gas sector. <https://www.canada.ca/en/environment-climate-change/news/2018/04/federal-methane-regulations-for-the-upstream-oil-and-gas-sector.html>

<sup>42</sup> Alberta Energy Regulator (2018). Directive 060 - Upstream Petroleum Industry Flaring, Incinerating, and Venting. <https://www.aer.ca/regulating-development/rules-and-directives/directives/directive-060>

<sup>43</sup> Environmental Defence (December 13, 2018). Alberta's methane regulations will fail to meet provincial reduction target. <https://environmentaldefence.ca/2018/12/13/albertas-methane-regulations-will-fail-meet-provincial-reduction-target/>

The federal government has proposed regulations to reduce HFC consumption and prohibit the manufacture and import into Canada of certain products containing HFCs.<sup>44</sup> It has also introduced measures to increase the recovery, recycling, and destruction of HFCs in refrigeration and air-conditioning equipment and established.

## Opposition to Methane Regulations

Opposition to the methane regulations was very loud in 2017 and, as with carbon pricing, centred on the notion that they will put Canada at a competitive disadvantage, even though Canada's management of industrial methane emissions had been far less robust than other countries. Opposition was much quieter in 2018, likely because there was no longer any window for negotiating concessions once the federal regulations were successfully finalized this year. Nevertheless, fierce industry push-back is credited with the delay in their enforcement until 2020-2023.

## ENGO Defence of Methane Regulations

Clean Air Task Force:

- April 17, 2018 - Oil and Gas Methane Leadership Awards Press Release: <https://www.catf.us/2018/04/oil-and-gas-methane-leadership-awards/>
- April 25, 2018 - Canada Issues Comprehensive Oil and Gas Methane Regulations: <https://www.catf.us/2018/04/canada-issues-comprehensive-methane-regulations/>
- May 2018 - Lessons Learned in Reducing Methane Emissions from the Oil and Gas Sector: <https://www.catf.us/2018/05/lessons-learned-reducing-methane-emissions/>
- December 10, 2018 - A Comparative Assessment of Alberta's Oil and Gas Methane Emissions Under the ECCC rules and AER'S Draft Directive 060: <https://www.catf.us/resource/albertas-oil-gas-methane-emissions-eccc-aers/>
- December 2018 - Alberta's methane regulations will fail to meet provincial reduction target: <https://www.catf.us/2018/12/albertas-methane-regulations-will-fail-to-meet-provincial-reduction-target/>

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<sup>44</sup> Government of Canada (2016). Canada Gazette - Regulations Amending the Ozone-depleting Substances and Halocarbon Alternatives Regulations. [www.gazette.gc.ca/rp-pr/p1/2016/2016-11-26/html/reg1-eng.php](http://www.gazette.gc.ca/rp-pr/p1/2016/2016-11-26/html/reg1-eng.php)

#### David Suzuki Foundation:

- January 31, 2018 - Study confirms B.C. oil and gas industry, government underreport fugitive methane emissions: <https://davidsuzuki.org/press/study-confirms-b-c-oil-gas-industry-government-underreport-fugitive-methane-emissions/>
- April 26, 2018 - Federal methane regulations position Canada as world leader: <https://davidsuzuki.org/press/federal-methane-regulations-position-canada-as-world-leader/>
- May 10, 2018 - Curbing industry's methane emissions gives Canada a leading edge: <https://davidsuzuki.org/story/curbing-industrys-methane-emissions-gives-canada-a-leading-edge/>
- June 28, 2018 - Draft Alberta methane rules offer big subsidies to industry, won't hit pollution reduction target: <https://davidsuzuki.org/press/draft-alberta-methane-rules-offer-big-subsidies-to-industry-wont-hit-pollution-reduction-target/>
- October 2018 - Regulatory Best Practices for Vented and Leaked Methane Emissions from Upstream Oil and Gas Operations: <https://davidsuzuki.org/science-learning-centre-article/regulatory-best-practices-for-vented-and-leaked-methane-emissions-from-upstream-oil-and-gas-operations/>
- October 10, 2018 - A little ambition can have a major impact in cutting B.C.'s methane pollution: <https://davidsuzuki.org/expert-article/a-little-ambition-can-have-a-major-impact-in-cutting-b-c-s-methane-pollution/>
- October 11, 2018 - B.C. government must implement best practice regulations to tackle methane problem: <https://davidsuzuki.org/press/b-c-government-must-implement-best-practice-regulations-to-tackle-methane-problem/>
- October 2018 - Submission to the British Columbia Oil and Gas Commission on their Proposed Approach to Regulating Methane Emissions from B.C.'s Oil and Gas Sector: <https://davidsuzuki.org/science-learning-centre-article/submission-to-the-british-columbia-oil-and-gas-commission-on-their-proposed-approach-to-regulating-methane-emissions-from-b-c-s-oil-and-gas-sector/>
- November 2018 - Comments on the Draft B.C. Methane Regulations: <https://davidsuzuki.org/science-learning-centre-article/comments-on-the-draft-b-c-methane-regulations/>

#### Environmental Defence:

- March 22, 2018 - New study finds methane gas emissions are 15 times higher than reported by industry: <https://environmentaldefence.ca/2018/03/22/study-finds-methane-emissions-15-times-higher-reported/>
- April 13, 2018 - National, subnational governments and industry to be honoured for their leadership in reducing methane emissions: <https://environ->

[mentaldefence.ca/2018/04/13/national-subnational-governments-industry-honoured-leadership-reducing-methane-emissions/](https://environmentaldefence.ca/2018/04/13/national-subnational-governments-industry-honoured-leadership-reducing-methane-emissions/)

- April 26, 2018 - Canada leads with regulations to limit methane from oil and gas facilities, but test will be how they address provincial regulations: <https://environmentaldefence.ca/2018/04/26/canada-leads-regulations-limit-methane-oil-gas-facilities-test-will-address-provincial-regulations/>
- May 17, 2018 - It's time we stop wasting methane: <https://environmentaldefence.ca/2018/05/17/its-time-we-stop-wasting-methane/>
- May 31, 2018 - 5 Reasons Why Alberta Methane Regulations Don't Cut It: <https://environmentaldefence.ca/2018/05/31/5-reasons-why-ab-methane-regulations-dont-cut-it/>
- July 31, 2018 - Mexico's methane regulations prove once again that Alberta's approach is badly out of step: <https://environmentaldefence.ca/2018/07/31/mexico-methane-regulations-alberta-approach-out-of-step/>
- August 20, 2018 - Feds shouldn't let Alberta undercut efforts to lower methane emissions: <https://environmentaldefence.ca/2018/08/20/feds-shouldnt-let-alberta-undercut-efforts-lower-methane-emissions/>
- September 6, 2018 - New report: Alberta may miss out on billions in regulatory benefits from methane reduction: <https://environmentaldefence.ca/2018/09/06/new-report-alberta-may-miss-billions-regulatory-benefits-methane-reduction/>
- September 6, 2018 - If you care about climate change you should care about methane: <https://environmentaldefence.ca/2018/09/06/care-climate-change-care-methane/>
- December 13, 2018 - Alberta's methane regulations will fail to meet provincial reduction target: <https://environmentaldefence.ca/2018/12/13/albertas-methane-regulations-will-fail-meet-provincial-reduction-target/>

Pembina Institute:

- April 17, 2018 - Global methane reduction leaders honoured in Canada: <https://www.pembina.org/media-release/global-methane-reduction-leaders-honoured-canada>
- April 26, 2018 - New federal methane regulations a vital step in implementing Canada's climate plan: <https://www.pembina.org/media-release/new-federal-methane-regulations-vital-step-implementing-canadas-climate-plan>
- October 12, 2018 - B.C. government must implement best practice regulations to tackle methane problem: <https://www.pembina.org/media-release/bc-government-must-implement-best-practice-regulations-tackle-methane-problem>
- October 25, 2018 - New methane reductions funding from Energy Efficiency Alberta is a good start: <https://www.pembina.org/media-release/new-methane-reductions-funding-energy-efficiency-alberta-good-start>

- November 26, 2018 - Policy Approaches for Reducing Methane Emissions: <https://www.pembina.org/pub/policy-approaches-reducing-methane-emissions>
- December 13, 2018 - Alberta's methane regulations will fail to meet provincial reduction target: <https://www.pembina.org/media-release/albertas-methane-regulations-will-fail-meet-provincial-reduction-target>
- December 19, 2018 - Photos from B.C.'s leaking methane gas wells confirm need for stronger regulations: <https://www.pembina.org/media-release/methane-leaks-images>

# TRANSPORTATION

## PCF Commitments

- Development of clean fuel standard (CFS) that will reduce carbon intensity of all fuels based on a full lifecycle analysis, resulting in 30Mt of emissions reductions
- Emissions standards for vehicles, including:
  - for light-duty vehicles
  - updating standards for heavy-duty vehicles
  - new efficiency requirements for heavy-duty trucks
  - efforts to support efficiency and fuel switching in rail, aviation, marine, and off-road sectors
- A Canada-wide zero emissions vehicle strategy by 2018
- Investments in electric vehicle infrastructure
- Investments in public transit, transportation hubs and ports

## Status

Among all anticipated PCF policies, the Clean Fuel Standard (CFS) is expected to deliver the single largest emissions reductions since it would cover liquid, solid, and gaseous fuels, and transportation makes up such a large proportion of our national emissions inventory. It is a technically complicated regulation. Due to the technical complexity of the regulation development and also because of industry pushback that could weaken regulations and give political leverage to opposition parties, we did not expect to see draft regs until after the 2019 federal election.

However, a regulatory design paper for a CFS for liquid fuels was released December 20, 2018 and is open for comment until February 1, 2019.<sup>45</sup> Draft regulations for the liquid stream should be published to Canada Gazette, Part I in spring / summer 2019 with final regulations to follow in 2020. CFS regulations for solid and gaseous fuels are also in development and we can expect similar regulatory design papers for these fuel streams in 2019-2020, with final regulations for solid and gaseous fuel standards by 2021. The current design paper

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<sup>45</sup> Government of Canada (2018). Clean Fuel Standard regulatory design. <https://www.canada.ca/en/environment-climate-change/services/managing-pollution/energy-production/fuel-regulations/clean-fuel-standard/regulatory-design.html>

projects a policy impact from the CFS of 30 Mt of emissions reductions by 2030, with 23 Mt attributed to policies applying to liquid fuels.

Vehicle emissions regulations were significantly delayed through 2018 as Canada works to navigate an increasingly complicated, interdepartmental trade situation with US, and changes to US EPA regulations, the Corporate Average Fuel Economy (CAFE) Standards, to which Canadian regulations currently default. Set in 2014, the CAFE standards applied annually increasing efficiency stringency to vehicles sold between 2022-2025 and were the common standard used in Canada and the US, including California. In August 2018, the Trump administration opted to freeze standards at a 2020 efficiency level. California opted to retain the Obama-era CAFE standards. Canada, by default, follows the now weakened US EPA rulemaking, but has the option to instead follow California's more stringent standards. If Canada joined the several other allied states that follow the California standard, this would create a trade block larger than that under EPA regulatory jurisdiction and could induce the automotive sector to shift to production methods compliant with this more stringent standard.

From August 20 through September 28, 2018, the federal government held a consultation period to develop new light-duty vehicle regulations standards for the 2022-2025 vehicle model years.<sup>46</sup> Draft regs should be out this fall and will be open for public comment period, with decision deadlines closing in time to give vehicle manufacturers time to set 2021 standards and priorities.

Heavy-duty vehicle regulations and policies to improve efficiency and fuel switching in rail, aviation, marine, and off-road sectors are under development but no draft regulations have yet been released.

Meanwhile, federal efforts to produce a zero-emissions vehicle strategy have lagged. No further action is anticipated on this policy at the federal level until at least 2019. Provinces are currently in the lead on promoting ZEV mandates, with Québec having issued a ZEV policy in late 2017<sup>47</sup>, and BC having pledged in its December 2018 CleanBC climate plan to eliminate the sale of internal

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<sup>46</sup> Government of Canada (August 20, 2018). Canada begins consultations on vehicle emission standards. <https://www.canada.ca/en/environment-climate-change/news/2018/08/canada-begins-consultations-on-vehicle-emission-standards.html>

<sup>47</sup> Government of Québec (2018). The zero-emission vehicle (ZEV) standard. <http://www.environnement.gouv.qc.ca/changementsclimatiques/vze/index-en.htm>

combustion engine driven automobiles by 2040.<sup>48</sup>

## Threats to Transportation Policies

Opposition to the clean fuel standard and many transportation policies had been relatively muted until mid-2018, when industry began to push back against perceived regulatory overreach. For example, in June, the C.D. Howe Institute sounded an alarm that the CFS could impair industry and manufacturing competitiveness, arguing that a straight carbon price would be a more direct and less obtrusive way of reducing sector emissions.<sup>49</sup> Alberta similarly challenged the CFS in late August, voicing concerns that any new fuel levy would cause undue financial hardship to already-struggling Albertans.<sup>50</sup> While the federal government has not abandoned the CFS, the choice to focus only on liquid fuels and delay action on other fuel streams may be, in part, due to the political hostility the regulation is already facing.

The greatest threat to Canada's vehicle emissions standards remains the fact that they are harmonized with the United States' CAFE standards which, if retained, could see Canada's vehicle efficiency performance stall at the 2020 level.

## ENGO Defence of Transportation Policies

Clean Economy Alliance:

- December 12, 2018 - More than 40 organizations ask Canada to maintain strong vehicle emissions standards: <https://cleaneconomyalliance.ca/openletter/over-40-organizations-ask-canada-to-maintain-strong-vehicle-emissions-standards/>

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<sup>48</sup> Government of British Columbia (2018). Climate Planning & Action. <https://www2.gov.bc.ca/gov/content/environment/climate-change/planning-and-action>

<sup>49</sup> Radio Canada International (July 20, 2018). Think tank blasts Liberal plan on clean fuel standards as too murky. <http://www.rcinet.ca/en/2018/07/20/clean-fuel-standard-c-d-howe-report/>

<sup>50</sup> Global News (August 29, 2018). Alberta energy minister slams Trudeau government's clean-fuel standard plan. <https://globalnews.ca/news/4418073/alberta-energy-minister-clean-fuel-standard-liberal-carbon-emissions/>

#### Clean Energy Canada:

- November 2017 - What a Clean Fuel Standard Can Do for Canada: <http://cleanenergycanada.org/wp-content/uploads/2017/11/CleanFuelStandard-Report-FINAL.pdf>
- November 23, 2017 - How a clean fuel standard will build an industry: <https://www.theglobeandmail.com/report-on-business/rob-commentary/how-a-clean-fuel-standard-will-build-an-industry/article37067163/>
- October 11, 2018 - Submission: The mid-term evaluation of the Passenger Automobile and Light Truck Greenhouse Gas Emission Regulations: <http://cleanenergycanada.org/report/submission-the-mid-term-evaluation-of-the-passenger-automobile-and-light-truck-greenhouse-gas-emission-regulations/>
- October 16, 2018 - Batteries not included: solutions series: <http://cleanenergycanada.org/report/batteries-not-included/>
- November 20, 2018 - Easier access to electric cars will save B.C. drivers money and cut pollution: <http://cleanenergycanada.org/easier-access-to-electric-cars-will-save-b-c-drivers-money-and-cut-pollution/>
- December 20, 2018 - Framework for cleaner fuels charts the right course for Canada: <http://cleanenergycanada.org/framework-for-cleaner-fuels-charts-the-right-course-for-canada/>

#### Climate Reality Project Canada:

- June 2018 - Partner letter to Minister McKenna re: EVs and CFS: <https://docs.google.com/document/d/1Aff8DR38pRetD1ZCKvUp6iSPDtY8GMcd-f3P8O82EPK8/edit?usp=sharing>

#### Équiterre:

- January 15, 2018 - Zero-emission vehicles: Quebec speed things up, Norway shows way, and Canada takes turn: <https://equiterre.org/en/news/zero-emission-vehicules-quebec-speed-things-up-norway-shows-way-and-canada-takes-turn>
- June 28, 2018 - Action of the Month: Electrify your vacation! <https://equiterre.org/en/news/action-of-the-month-electrify-your-vacation>
- August 2, 2018 - Automobile and Light Truck GHG Emissions Control: U.S. Administration moving backwards, Canada must act independently: <https://equiterre.org/en/communiquer/automobile-and-light-truck-ghg-emissions-control-us-administration-moving-backwards-canada>

#### Pembina Institute:

- April 27, 2018 - On vehicle emissions standards, it's time Canada divorced the U.S.: <https://www.pembina.org/op-ed/vehicle-emissions-standards-its-time-canada-divorced-us>

- December 5, 2018 - Five bright spots in B.C.'s new climate plan: <https://www.pembina.org/op-ed/bc-clean-growth-plan>

## BUILDINGS

### PCF Commitments:

- Make new buildings more energy efficient by developing and adopting increasingly stringent model building codes, starting in 2020, with the goal that provinces and territories adopt a “net-zero energy ready” model building code by 2030.
- Retrofit existing buildings and support fuel switching.
  - By 2022, and with the goal that provinces and territories adopt the code, develop a model code for existing buildings that can help guide energy efficiency improvements when renovating buildings.
  - Require labelling of building energy use by as early as 2019
- Improving energy efficiency for appliances and equipment - set new standards for heating equipment and other key technologies to the highest level of efficiency that is economically and technically achievable.
- Support building codes and energy efficient housing in Indigenous communities. This will involve developing new housing for Indigenous communities, built to high-efficiency standards that incorporate Traditional Knowledge and culture, and retrofitting existing housing.

### Status<sup>51</sup>

Though the PCF is a federal document, most of the energy efficiency and buildings goals fall only under provincial jurisdiction, with municipalities leading in labeling energy use of buildings. The federal government has access to a limited number of tools that can be applied to the sector, such as creating a net-zero ready model building code. The federal government can also provide capacity support to encourage deep energy retrofits and net zero energy ready new buildings through the budgeting process. Ultimately, though, with the exception of Indigenous communities that fall under federal fiduciary responsibility, it will be up to provinces to apply buildings policies and for municipalities under provincial jurisdiction to adopt them.

One of the few concrete steps the federal government has taken to date to implement built environment policy changes was the March 2017 ECCC notice of

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<sup>51</sup> CAN-Rac gratefully acknowledges the expertise of the low-energy buildings team at the Ecology Action Centre in Halifax, NS, for their leadership on this file and contribution to this section of the update.

intent to improve the energy efficiency of appliances and equipment, committing to the publication of a draft regulatory proposal within two years.<sup>52</sup>

Over the past year, CAN-Rac members have worked on identifying the federal tools and fiscal measures that ensure implementation of PCF efficiency goals, while also ensuring adoption of provincial policies that support PCF. Specifically, groups have worked to ensure that federal funding from the Low Carbon Economy Fund, the Low Carbon Economy Challenge and the Green Infrastructure Fund gets allocated to support GHG emissions reduction in buildings as part of Canada's climate change commitments. CAN-Rac member, the Ecology Action Centre, made a submission to the Green Budget Coalition this year, with a focus on federal funding support for mandatory labeling and energy disclosure, as the PCF named labelling of building energy use as a goal to reach by as early as 2019.

### Challenges to Built Environment Policies

While policies in this area do not experience nearly the level of industry or public opposition that we see with other PCF policies, 2018 saw some significant setbacks to progress. In particular, the change of government in Ontario resulted in the termination of a number of the province's energy efficiency policies. Ontario had also nearly fully adopted new, efficient, low-carbon building codes, which have also now been lost. The province had been a leader in efficiency policies for the built environment, with other provinces learning by Ontario's example, so these losses represent a major setback that affects all Canadian progress on built environment climate policies.

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<sup>52</sup> Government of Canada (March 4, 2017). Notice of intent to improve the energy efficiency of appliances and equipment through Amendment 15 to the Energy Efficiency Regulations. <http://www.gazette.gc.ca/rp-pr/p1/2017/2017-03-04/html/notice-avis-eng.html#ne11>

## ENGO Work on Built Environment Policies

### Clean Energy Canada:

- January 18, 2018 - The Power of Procurement: Cutting the federal government's carbon emissions: <http://cleanenergycanada.org/report/procurement-federal-emissions/>

### Clean Energy Canada & Efficiency Canada:

- May 2, 2018 - Less is More: <http://cleanenergycanada.org/report/less-is-more/>  
This report looked at the economic impact if Canada implements or exceeds all the PCF efficiency goals.

### Pembina Institute:

- British Columbia Green Buildings Map: <https://www.pembina.org/bcgreen-buildings/>
- October 2017 - Federal Policies for Low-Carbon Buildings: <https://www.pembina.org/reports/federal-policies-for-low-carbon-buildings-2017-en.pdf>
- February 5, 2018 - An untapped Alberta resource: energy efficiency: <https://www.pembina.org/blog/untapped-alberta-resource-energy-efficiency>
- April 18, 2018 - Five types of green buildings explained: <https://www.pembina.org/pub/green-buildings-infographic>
- April 30, 2018 - Zero Emissions Building Catalyst Policy is step forward for Vancouver: <https://www.pembina.org/pub/zero-emissions-building-plan-2018>