



Energy Management: What's New and What's Next

Regulatory Update

Requirements and Opportunities from Ontario's new Cap and Trade system and Introduction to Bill 135

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October 26, 2016 (Toronto)

November 2, 2016 (Ottawa)

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Cap and Trade System

- The Ontario Government has passed legislation to implement a “Cap and Trade” system starting in January 2016
 - Intended to assist in meeting the greenhouse gas (GHG) emissions reductions that Ontario has committed to achieve for 2020 and 2030
 - Essentially, non-exempt emitters will have to purchase emissions credits to cover their GHG emissions
 - While a wide variety of industries will receive free allowances (credits) for their emissions, this does not apply to natural gas distributors and gasoline distributors, nor to ordinary use of those fuels in non-exempt industries
 - Emissions may come from the use of hydrocarbons (in which case the person providing the gasoline, oil, natural gas will ordinarily purchase the emissions credits), and emissions may also come from industrial processes

Implications of Cap and Trade for building owners/managers

- Costs of Cap and Trade system are unknown, but likely to increase over time to send the proper price signals to reduce emissions
- Costs for natural gas will increase because (in most cases) the distributor will be buying emissions credits for customers' consumption/emissions
 - This will become part of the delivery charge on gas bills
 - There will be no separate identification of the Cap and Trade charges
 - The actual impact is not yet known (estimated at around \$.035 per cubic meter in one source that I have seen – equivalent to around \$75 per household).
 - The new rates will be effective starting on January 1, 2017
 - Presumably the rates will increase each year

Implications of Cap and Trade for building owners/managers

- All facilities with emissions >10,000 tonnes of CO² must annually report on their actual emissions to the Ministry of Environment and Climate Change
- Possible opportunity to be a “voluntary participant” and manage your own emissions credits
 - Where the emissions from a facility are equivalent to >10,000 tonnes of CO² (but also <25,000), then the facility owner can be a “voluntary participant” in the Cap and Trade system
 - This will only apply to large buildings (may not be impactful for multi-residential buildings)
 - A voluntary participant can purchase its own emissions credits, using its own strategy, which use different approaches to make sure all compliance obligations are satisfied by the end of 2020
 - To be a “voluntary participant”, you must register (deadline November 2016 for 2017)

Implications of Cap and Trade for building owners/managers

- The Cap and Trade system includes incentives for reductions in emissions
 - Offset credits
 - Where a person undertakes activities that result in GHG reductions, such as planting trees and carbon sequestration, that person may receive “offset credits” that can be sold or used
 - Regulation/rules not yet released, but it is clear that there will be limits on available offset credits, and that verification will be required
 - Perhaps this could apply to green roofs on new buildings
 - Early reduction credits
 - This would be credits made available to persons who implement emissions reductions investments in advance of Cap and Trade being fully implemented
 - Idea is to make sure that there is no disincentive to wait until after Cap and Trade has been running for several years
 - Eligible persons might receive emissions credits to be used or sold, representing GHG emissions reductions achieved
 - Regulation/rules not yet released, but it is clear that there will be limits on available early reduction credits, and that verification will be required
- Ultimately, Cap and Trade may lead to acceleration in fuel switching away from natural gas and into cleaner forms of energy (geothermal, solar)

Climate Change Action Plan

- Climate Change Action Plan (CCAP) was released by Ontario Government in early June, at the time that the Cap and Trade Plan was unveiled
 - CCAP sets out the measures over the next five years to reduce GHG emissions and transition the province to a low-carbon economy
 - The Action Plan includes spending of between \$6 and \$8 billion to achieve a reduction in GHG emissions of 8.9 million tonnes by 2020
 - Funding is to come from Cap and Trade emissions credit sales
- The CCAP covers a broad range of sectors, including: transportation, buildings and homes, land-use planning, industry and business, collaboration with Indigenous communities, R&D, government and agriculture, forests and lands

CCAP - Opportunities for Building Owners

- Specific initiatives under the CCAP range are set out in a variety of topic headings, including transportation, buildings and homes, land use planning, research & development and Government
- Under the CCAP, there will be substantial funding (grants, incentives, tax advantages) available to promote priority initiatives
- Note that some of these initiatives depend on coordination with Federal or Municipal Governments

CCAP - Opportunities for Building Owners

- Some items of interest to multi-residential building owners and managers include:
 - Promotion of electric vehicles – investments in charging stations and free overnight charging (in residential and multi-residential buildings)
 - Total cost of almost \$100M, including \$80M to invest in the “rapid deployment of charging in workplaces, multi-residential buildings etc.
 - Requirement that as of 2018, all new commercial office buildings must include vehicle charging infrastructure
 - Not clear whether this could be extended to multi-residential buildings
 - Energy efficiency apartment retrofits – especially for older buildings, within incentives for investments and protection from rent increases
 - Total cost of between \$680M and \$800M
 - Focus is upon social housing and older apartments – it’s not clear what incentives will exist for condominiums
 - Net zero buildings – incentives and rebates for constructing and purchasing “near net zero carbon emission homes”
 - The focus is on “small buildings” – it’s not clear how this will apply to condominiums

CCAP - Opportunities for Building Owners

- (Cont'd) Some items of interest to multi-residential building owners and managers include:
 - Changes to *Building Code* with long-term energy efficiency targets for new buildings, with goal of “net zero” carbon emission by 2030
 - Focus is on “small buildings” – it’s not clear how this will apply to condominiums
 - This may incent/force transition to “cleaner” sources of heat/electricity
 - Elimination of minimum parking requirements in zoning by-laws, especially in transit corridors and “walkable areas”
 - This is targeted for the next five years
 - Accelerated CCA for technologies that reduce GHG emissions
 - This would require coordination with Federal Government
 - Incentives for geothermal heating/cooling may be available
 - Not clear how the incentives will apply to multi-residential complexes

Bill 135 (*Energy Law Statute Amendment Act*)

- Bill 135 was passed earlier this year, and paves the way for increased involvement by the Minister of Energy in preparing Long Term Energy Plans
- A less noticed aspect of Bill 135 is amendments to the *Green Energy Act* (GEA) that are meant to incent energy and water conservation
- The new provisions of the GEA support new Regulations to require “prescribed persons” to report on energy and water consumption, and to prepare and submit an energy conservation and demand management plan
 - It’s not clear what the Government will do with the information
- These provisions are broader than what has been in place up to now, including the fact that water consumption/conservation is now brought into focus

Bill 135 (*Energy Law Statute Amendment Act*)

- Draft Regulation was released for comment in February
- It proposes an Energy and Water Reporting and Benchmarking (EWRB) regulatory requirement for commercial, multi-unit residential and some industrial buildings that are 50,000 square feet and above
- Building/property owners would be required to report energy and water consumption, greenhouse gas (GHG) emissions and other building characteristic information to the Ministry of Energy on an annual basis, using ENERGY STAR Portfolio Manager
- The Ministry of Energy would disclose some of this information publicly and develop reports summarizing key findings

Bill 135 (*Energy Law Statute Amendment Act*)

- Regulation to be issued late 2016/early 2017
 - The Ministry is considering the many comments received about the draft Regulation
- Timing of Reporting
 - Originally proposed an initial date of summer 2017 for 2016 consumption/emissions
 - Now looks like first reporting in July 2018 for 2017 consumption
 - Will gradually pull in smaller facilities – by third year, will include all buildings over 50,000 square feet

Energy Insider

The screenshot shows the Energy Insider website homepage. At the top, there is a navigation bar with the logo "energy insider" and "AIRD & BERLIS LLP Barristers and Solicitors". Below the navigation bar, there are four main article sections on the left and a search bar, a subscribe button, and a Twitter feed on the right. The first article is titled "UPDATE: Feds to Impose National Minimum Carbon Price" by Zoë Thoms on October 7, 2016. The second article is "British Columbia Utilities Commission Approves System Expansion Fund for FortisBC Energy" by David Stevens on October 6, 2016. The third article is "OEB Issues Regulatory Framework for Gas Distributor Cap and Trade Costs" by David Stevens on October 3, 2016. The fourth article is "Feds Approve Pacific NorthWest LNG Project". The right sidebar includes a search bar, a green "SUBSCRIBE" button, and a Twitter feed showing a tweet from Aird & Berlis Energy about the national carbon price.

Energy Insider

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UPDATE: Feds to Impose National Minimum Carbon Price

By Zoë Thoms on October 7, 2016

All Canadian jurisdictions will have carbon pricing in place by 2018 at a minimum of \$10 per tonne of CO2 emissions. Earlier this week, the federal government released details of a national minimum carbon price. The government had previously announced that it would impose a national minimum carbon price, but had not shared what that [...]

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British Columbia Utilities Commission Approves System Expansion Fund for FortisBC Energy

By David Stevens on October 6, 2016

In a recent decision, the British Columbia Utilities Commission (BCUC) approved a "System Extension Fund" of up to \$1 million per year to assist eligible customers in low density areas to connect to the FortisBC Energy (FEI) gas distribution system. The approval is in the form of a four-year pilot program, under which FEI will [...]

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OEB Issues Regulatory Framework for Gas Distributor Cap and Trade Costs

By David Stevens on October 3, 2016

On September 26, 2016, the Ontario Energy Board (OEB) released its Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities (the "Framework"). The OEB's explanatory letter states that the Framework is intended to facilitate the recovery of costs incurred by rate-regulated natural gas utilities (Enbridge Gas Distribution Inc., Natural [...])

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Feds Approve Pacific NorthWest LNG Project

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A vertical photograph of the Toronto skyline, featuring the CN Tower and various skyscrapers, reflected in the water. The image is positioned on the left side of the slide.

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