

Alberta's Climate Leadership Plan

Policy Overview

IPPSA Conference

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Presentation Overview

- Climate Leadership Plan - Overview
- Output Based Allocation (OBA) Development
 - OBA Definition
 - Principles
- Electricity Industry Input: What We're Hearing
- Opt-in to SGER
- Energy Efficiency
- Conclusions & Next Steps

**Coal-fired Emissions
Phase Out by 2030**
Generation to be replaced by
renewables and natural gas

**Carbon Levy
& OBA**

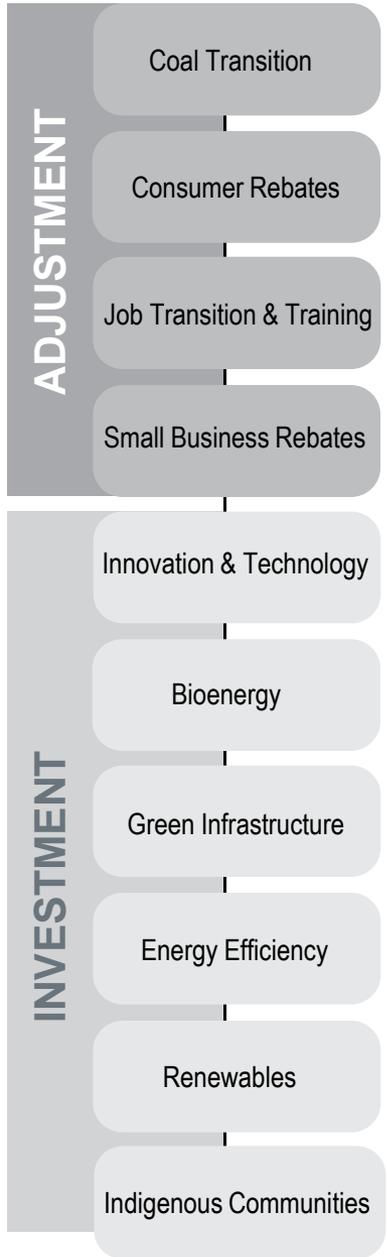
Oil Sands Limit (100Mt)

**Joint-Methane
Reduction Initiative**

Revenue:
Section 3 of
Climate Leadership
Implementation Act

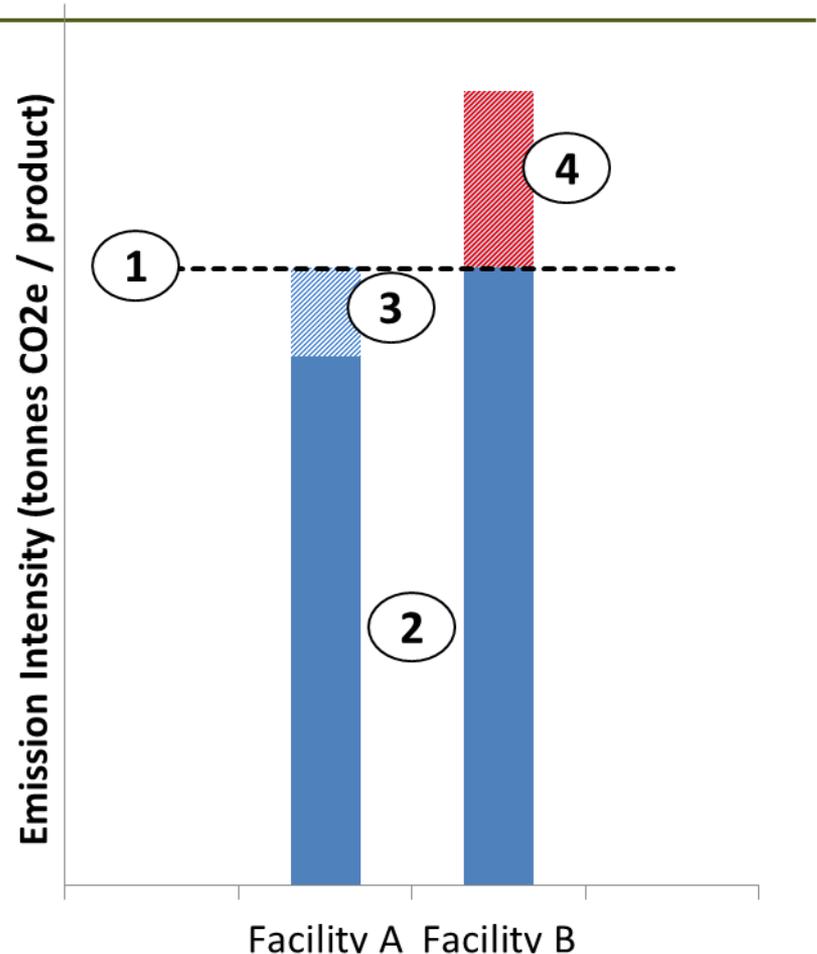
**Cabinet
Decision**

**Annual
Revenue
Allocation**



Output-Based Allocation (OBA) Definition – What is an OBA?

1. OBA set according to certain methodology (e.g. top quartile emission intensity), and free allowances granted up to that level.
2. Facility emissions intensity (solid blue).
3. Facilities with emission intensity below the OBA will have excess allowances or emission performance credits.
4. Facilities with emission intensity above the OBA will have compliance obligation (payment or submission of offsets or emission performance credits).



OBA Principles & Outcomes

Key Principles:

- **Consistency** across all sectors and products
- **Transparency** in developing, verifying and reviewing OBAs
- **Integrity/verifiability** in data use to establish and report on allocations
- **Simplicity** of administration and compliance

Desired Outcomes:

- Encourages meaningful **emission reductions**
- Addresses possible issues of **competiveness**
- **For electricity**, an OBA:
 - **Reduces cost pass-through to consumers (residential/commercial/industrial)**
 - **Allows compliance flexibility.**

Electricity Sector Engagement

- Minister's kick-off and on-going engagement (Sept 2016).
- Three engagement workshops to date for electricity and all covered sectors (Oct – Feb 2016).
- Extensive comments received and analysis on-going.
- Discussion document on AEP website with opportunity for anyone to comment.

Electricity Sector Engagement

We are hearing from electricity industry:

- **Consider market change and potential cumulative effects** – e.g. federal carbon price
- **OBA:** range of 0.40 to 0.42 tCO₂e/MWh
- **Renewables:** input varied – some stakeholders advocate for including renewables in OBA system, some advocated for the opposite
- **Co-Gen:** should continue to be incentivized
- **Ramp Rate:** range of views from no ramp to 1% over 5 years
- **Compliance Flexibility**

Electricity Sector Engagement

What we're hearing from ENGOs:

- Align with recommendations of the Climate Change Advisory Panel.
- **OBA:** 0.375 tCO₂e/MWh
- **Ramp Rate:** of 1-2% per year
- **Co-Generation:** only reward if it improves overall emissions

Opt-in to SGER

- Opt-in provision was included in the Climate Change Advisory Panel's recommendations.
- Currently seeking approval on policy options
- Outcome is to recognize facilities with like for like competitors currently regulated under the Specified Gas Emitters Regulation.
- In addition to opt-in provision, there are other policy levers being considered:
 - Industrial energy efficiency investments that may help reduce operating costs.
 - ACCO is interested in receiving feedback on industrial energy efficiency options and opportunities.

Energy Efficiency & Solar Programs

Our work together and with Energy Efficiency Alberta is critical.

Energy Efficiency Alberta

- \$645 million to support programs and services for homes and businesses

The Energy Efficiency Alberta Act established Energy Efficiency Alberta to:

- Raise awareness among consumers
- Promote, design and deliver energy efficiency and conservation programs
- Develop community energy systems
- Promote energy efficiency services industry

Energy Efficiency & Solar Programs – Working Together

First Wave of Programming

Residential and Commercial Solar Program (Summer 2017)

- Capital cost incentives (per-Watt) for eligible residential, commercial and non-profit entities with solar photovoltaic systems.

Residential No-Charge Energy Savings Program (April 2017)

- Direct, no-charge installation of low-cost energy efficiency products to residences, such as lighting, water, and heating components (for example, programmable thermostats).

Residential Retail Products Program (April 2017)

- Rebates on efficient appliances, lighting and insulation for homes.

Business, Non-Profit and Institutional Rebate Program (April 2017)

- Incentives for high-efficiency retrofits of lighting, heating, cooling and hot water systems for businesses, non-profits and institutions.

Conclusions & Next Steps

- Government is committed to working with stakeholders on OBA development process that considers both greenhouse gas reductions and competitiveness.
- Next Steps:
 - Publish “What We Heard” document
 - Continue analysis with consideration of feedback received
 - Provide comment period on proposed OBA framework