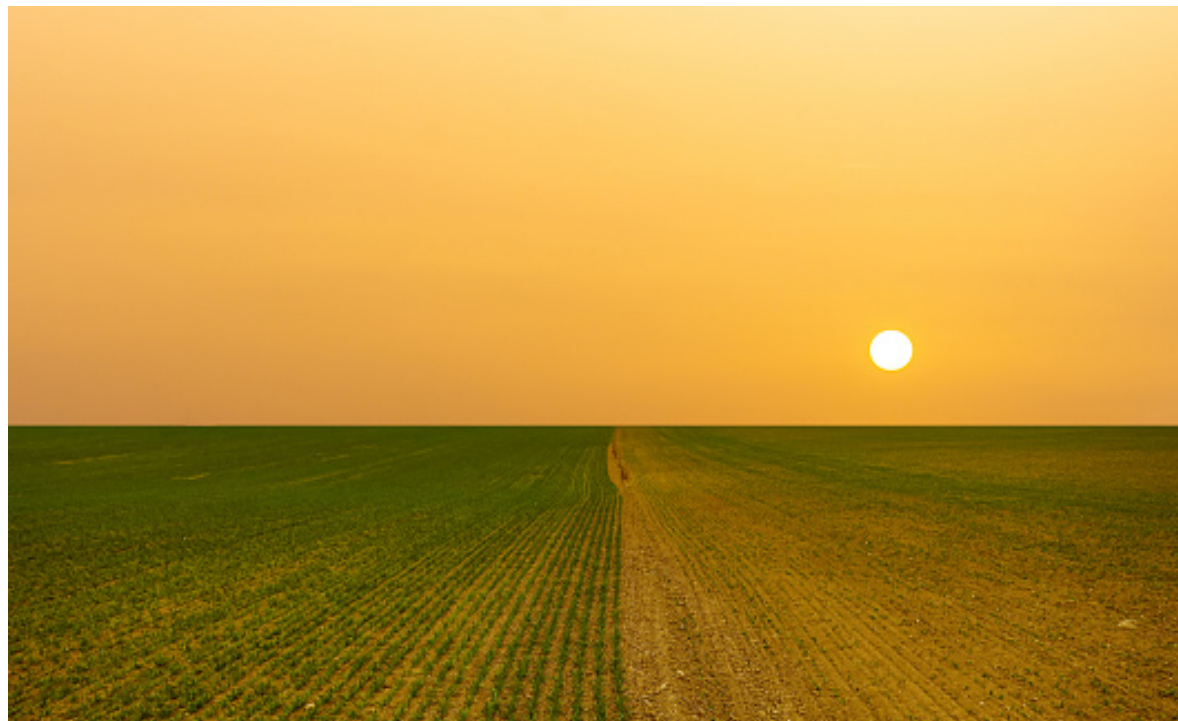


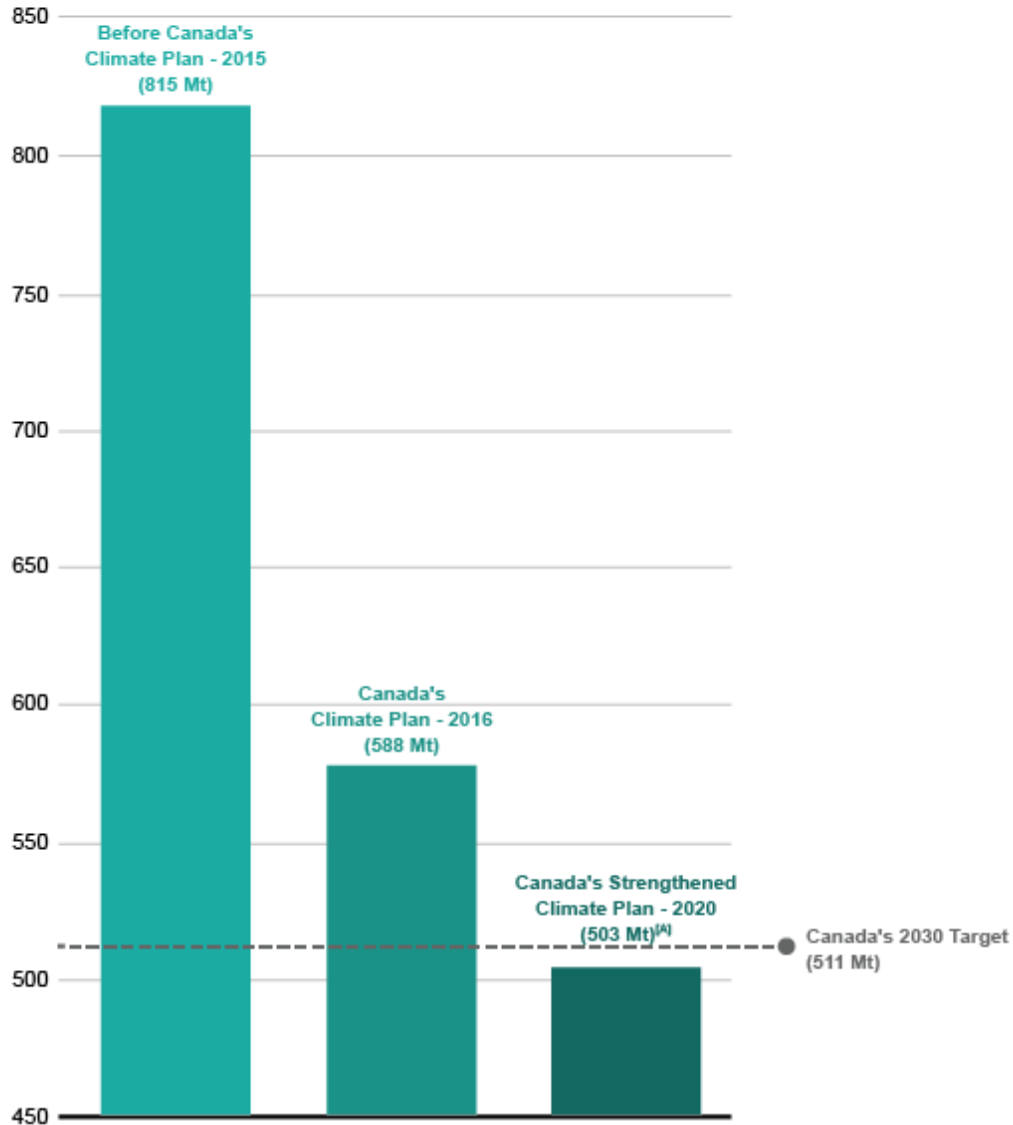
REGULATORY DEVELOPMENTS IN CANADA'S CLIMATE CHANGE EFFORTS

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AGENDA

- Canada's climate change policy
- *Canadian Net-Zero Emissions Accountability Act*
- *Greenhouse Gas Pollution Pricing Act and The Management and Reduction of Greenhouses Gases Act*
- Proposed Clean Fuel Standard
- Key Takeaways





<https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/progress-towards-canada-greenhouse-gas-emissions-reduction-target.html>

COMMITTED TO GREATER GHG EMISSION REDUCTION

- Canada adopted its first national climate plan in 2016 – the Pan-Canadian Framework
 - Without PCF, Canada's emissions projected to increase 12% above 2005 levels by 2030
- June 2021 – Emission reduction enshrined in law under *Canadian Net-Zero Emissions Accountability Act*
- July 2021 – submitted enhanced Nationally Determined Contribution to the UN
 - Includes substantive submissions from provincial and territorial governments and Indigenous partners

CANADA'S CLIMATE PLAN

Building on *A Healthy Environment and a Healthy Economy*:

- i. Making the places we live and gather more affordable by cutting energy waste*
- ii. Making clean, affordable transportation and power available in every community*
- iii. Making Canada a leader in clean power*
- iv. Continuing to ensure pollution isn't free and households can get more money back*
- v. Building and securing Canada's clean industrial advantage*
- vi. Embracing the power of nature to support healthier families and more resilient communities*
- vii. Creating resilience in Canada*
- viii. Canada's partnership with Indigenous peoples*
- ix. Demonstrating international leadership*



CANADIAN NET-ZERO EMISSIONS ACCOUNTABILITY ACT

Assented to June 29, 2021

CANADIAN NET-ZERO EMISSIONS ACCOUNTABILITY ACT

- Sets national GHG emissions target of net-zero emissions by 2050
- Establishes process to set 5-year national emissions-reduction targets (2030, 2035, 2040, 2045, 2050)
- Minister must develop GHG reduction plans to achieve each incremental target
 - Minister must consult provinces, Indigenous groups, advisory body and other interested persons
- First plan (2030 target) within 6 months of Royal Assent, i.e. end of January, 2022

CANADIAN NET-ZERO EMISSIONS ACCOUNTABILITY ACT

Key Elements

- Progress and assessment reports, including explanations and measures if targets are not being met
- Advisory body to provide Minister of Environment with advice re: meeting Canada's 2050 net-zero emissions goal
- Independent reviews of measures aimed at mitigating climate change conducted by the Commissioner of the Environment and Sustainable Development at least once every five years

CANADIAN NET-ZERO EMISSIONS ACCOUNTABILITY ACT

Progress Reports

- At least one progress report for each milestone year no later than 2 years prior to that year
- First report due at the end of 2023
- Must contain:
 - *Update on progress toward achieving target*
 - *GHG projections for next milestone year*
 - *Summary of Canada's most recent GHG emissions inventory*
 - *Update on federal measures and strategies*

CANADIAN NET-ZERO EMISSIONS ACCOUNTABILITY ACT

Assessment Reports

- To be completed after each milestone year
- Summarize Canada's GHG emissions for the year
- Whether emissions target met
- Measures Canada took to achieve target or could be taking to achieve future targets

IMPACTS OF THE LEGISLATION

Canadian Net-Zero Emissions Accountability Act

- Accelerate emissions reduction commitments
- Alter mining and extraction processes to be less energy-intensive





GREENHOUSE GAS POLLUTION PRICING ACT

Federal, in force since June 21, 2018

THE MANAGEMENT AND REDUCTION OF GREENHOUSE GASES ACT

Saskatchewan, amended Act in full force since December 2018
(partially proclaimed January 1, 2018)

GREENHOUSE GAS POLLUTION PRICING ACT

- Legal framework for federal carbon pollution pricing backstop system
- System consists of two parts:
 - (i) charge on fossil fuels
 - (ii) OBPS for industrial facilities with high levels of GHG emissions
- Both the Fuel Charge and the OBPS became effective in Saskatchewan on April 1, 2019
- In March 25, 2021 decision, the SCC upheld the GGPPA's validity as a pan-Canadian carbon pricing system
 - Majority emphasized the backstop nature of GGPPA

GREENHOUSE GAS POLLUTION PRICING ACT

- OBPS applies to industrial facilities that:
 - (i) are located in provinces and territories that do not have a carbon pollution pricing system in place that meets the Pan-Canadian Approach to Pricing Carbon Pollution
 - (ii) emit 50,000 tonnes or more of CO₂e per year; and
 - (iii) carry out an activity for which an output-based standard is prescribed
- OBPS will apply to emission sources not covered by Saskatchewan's output-based performance standards
 - annual emissions of 50,000 tonnes or more of CO₂e and primary activity is either:
 - (a) for a natural gas pipeline transmission system, transmitting natural gas; and
 - (b) for any other facility, the generation of electricity using fossil fuels.

GREENHOUSE GAS POLLUTION PRICING ACT

- Person responsible for covered facility must report re: GHG emissions and emissions limit
- Receive surplus credit if emissions are less than emissions limit
 - One surplus credit for every tonne of CO2e below emissions limit
- Must pay compensation if GHG emissions exceed emissions limit
 - (i) remit compliance units;
 - (ii) pay an excess emissions charge; or
 - (iii) a combination of both

GREENHOUSE GAS POLLUTION PRICING ACT

New Federal Benchmark

- Updated federal benchmark for 2023-2030 published in August 2021
- Provincial carbon pricing systems must meet/exceed new benchmark
- Key elements:
 - Provincial systems must cover same proportion of emissions as federal backstop
 - Cannot contain measures that weaken price signal
 - OBPS for industry must be sufficiently stringent to create strong markets that maintain a clear price signal across covered emissions
 - Protections against carbon leakage restricted to at-risk sectors
 - Offset credits must meet best practices identified by Canadian Council of Ministers of the Environment
 - Provincial systems must be aligned with new benchmark until 2030
 - Opportunity to propose carbon pricing systems for 2023-2030, with proposals evaluated in 2022
 - Benchmark criteria to be reevaluated in 2026

GREENHOUSE GAS POLLUTION PRICING ACT

Fuel Charge

- Does not Apply to 'covered facilities' within Saskatchewan
- Charge applies to 21 types of fuel delivered, transferred, used, produced, imported or brought into the Province
- In most cases, charge is payable by a registered distributor – generally not applicable to end users
- Charge applies to persons holding inventories of fuel on April 1
- Monthly reporting periods with the CRA

GREENHOUSE GAS POLLUTION PRICING ACT

Fuel Charge

- Saskatchewan's proposed replacement for the federal fuel charge was rejected in July 2021
- Saskatchewan will be subject to federal backstop until 2023
- GGPPA Found constitutional in *References re Greenhouse Gas Pollution Pricing Act*, 2021 SCC 11

GREENHOUSE GAS POLLUTION PRICING ACT

Output-Based Pricing System Regulations

- Apply retroactively to January 1, 2019
- Detail the types of credits generated under the OBPS
- Person responsible for covered facility must report on GHG emissions and emissions limit for each compliance period – Jan 1 to Dec 31
- Provides formulas for a covered facility's reporting requirements

GREENHOUSE GAS POLLUTION PRICING ACT

Output-Based Pricing System Regulations

- Payment of Excess Emissions Charge
- Compliance units
 - Surplus credit: issued if GHG emissions are less than emissions limit
 - Recognized unit: credit issued under another crediting system that meets requirements in OBPS Regulations
 - Offset credit: issued for "projects that prevent greenhouse gases from being emitted or that remove greenhouse gases from the atmosphere"

THE MANAGEMENT AND REDUCTION OF GREENHOUSE GASES ACT

- Part of *Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy*, launched in December 2017
- Partially in force on January 1, 2018, amended December 2018
- MRGGA and regulations are Saskatchewan's primary legislation for reduction of GHG emissions
- Implements OBPS for large industrial emitters that emit more than 25,000 tonnes of carbon dioxide equivalents (CO₂e) each year
- Performance standards obligate regulated emitters to reduce emissions intensity associated with production

GGPPA AND MRGGA INTERPLAY

Currently

- On May 3, 2021, Saskatchewan proposed a carbon pricing regime to the federal government with an intention of replacing the GGPPA backstop
 - On July 12 it was rejected, federal government not accepting submissions until 2023
- GGPPA applies to electricity generation and natural gas transmission pipelines
- MRGGA applies to everything else

Post-2023

- Either provincial or federal scheme will apply, depending on provincial regime's compliance with the backstop

STATUTORY DEVELOPMENTS TO WATCH

Saskatchewan proposed electricity regulations for the *MRGGA*

- Would subject self-generation of electricity (using natural gas) to its own decreasing output-based performance standard more stringent than federal standards for similar situated facilities
- Included in May 2021 proposal to federal government, which was rejected

Federal carbon pricing

Year	2023	2024	2025	2026	2027	2028	2029	2030
Minimum Carbon Pollution Price (\$ CAD/tonne CO ₂ e)	\$65	\$80	\$95	\$110	\$125	\$140	\$155	\$170

REGULATION OF CARBON OFFSETS

- Price incentive for industry emitters to reduce GHG emissions and spur innovation by providing a domestic carbon-trading market
- Federal system consists of:
 - **regulations** to implement the operational aspects of the system;
 - federal **offset protocols** that establish the approach for quantifying GHG emissions reductions for a given project type; and
 - a **tracking system** to register offset projects, issue and track offset credits, and share key information through a public registry.
- Discussion papers:
 - Carbon Pollution Pricing: Considerations for Protocol Development in the Federal Greenhouse Gas Offset System (2020)
 - Saskatchewan Offset Framework Discussion Paper (May 2019)
- **Caps on CCS?**

IMPACTS OF THE LEGISLATION

GGPPA* and *MRGGA

- Adoption of carbon pricing for capital projects
- Evolving state of regimes leaves industry uncertain of its regulatory obligations





CLEAN FUEL STANDARD (PROPOSED)

Regulations published December 18, 2020 – coming into force
December 2022

CLEAN FUEL STANDARD

Regulations require fossil fuel suppliers (producers & importers) to reduce the lifecycle carbon intensity of fuels

- Initially intended to include gaseous and solid fuels, but has since limited reach of this regulatory requirement to only liquid fuels

Requires liquid fossil fuel primary suppliers (i.e., producers and importers) to reduce the carbon intensity of their liquid fossil fuels used in Canada from 2016 carbon intensity levels.

Subjects liquid fossil fuels to annual reduction requirements

- Gasoline, diesel, kerosene, light and heavy fuel oils

CLEAN FUEL STANDARD

Does not apply to liquid fossil fuels that are:

- (a) sold or delivered for a use other than combustion;
- (b) sold or delivered for use in a marine vessel that had a non-Canadian port as its destination; or
- (c) sold or delivered for use for non-industrial purposes in a geographic area serviced by neither:
 - (i) electrical distribution network that is under the jurisdiction of the North American Electric Reliability Corporation, nor
 - (ii) natural gas distribution system
 - e.g.: remote and/or Northern communities

CLEAN FUEL STANDARD

Sets out carbon-intensity reduction requirements, beginning in 2022 and progressively getting more stringent

- Each supplier's requirements based on fossil fuel amount produced/imported for use in Canada

Reduction requirements are satisfied with credits created by actions contributing to reduced GHG lifecycle emissions, including:

- (1) Actions through lifecycle of a fossil fuel that reduce its carbon intensity;
- (2) Supply of low-carbon-intensity fuels; and
- (3) Specific end-use fuel switching in transportation

Parties that are not fossil fuel primary suppliers may participate in credit market as voluntary credit creators

- Currently non-fossil fuel facilities can only create credits through carbon capture and storage

IMPACTS OF THE REGULATIONS

Clean Fuel Standard

- Increase retail price for fuel for consumers
- Increase in costs to industry
- Require significant capital investment for ongoing compliance





KEY TAKEAWAYS

TAKEAWAYS FOR MINING SECTOR

1. Increased costs to participants in mining industry
2. Demands significant innovation and capital expenditure to keep pace with increasing stringency of legislation
3. Evolving state of both federal and provincial regimes makes projecting statutory impacts difficult and leads to uncertain investment climate
4. Global shifting target, persistent ambiguity
5. Market opportunity for carbon neutral products

Q&A

THANK YOU

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