

# Regulation of Greenhouse Gas Emissions in Saskatchewan

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**Climate Resilience Branch**

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# Overview of Presentation

- Background and History – Climate Change and Carbon Pricing
- Canada's *Greenhouse Gas Pollution Pricing Act*
- Saskatchewan's Output-Based Performance Standards Program
- Interacting Greenhouse Gas Regulations
- Questions

# What is Climate Change?

- Climate change has been identified as one of the defining challenges of our time.
- Greenhouse gas (GHG) concentrations are at their highest in two million years.
- The consequences of climate change include melting permafrost, flooding, droughts, catastrophic storms and declining biodiversity, among others.
- Climate change can affect our health, ability to grow food, housing, safety and work.



# What is the world doing about Climate Change?

**Rio Earth Summit (1992) COP-1**

**Canada's GHG Targets**

**Kyoto Protocol (1997) COP-3**



**6% below 1990 by 2012**

**Copenhagen Accords (2009) COP-15**



**20% below 2005 by 2020**

**Paris Agreement (2015) COP-21**



**30% below 2005 by 2030**

# What is Government of Canada Doing about Climate Change?

**Vancouver Declaration**



**Pan Canadian Framework on Clean Growth and Climate Change**



**Greenhouse Gas Pollution Pricing Act**

# What is the Federal Backstop?

- A suite of carbon pricing regulations defined in the *Greenhouse Pollution Pricing Act*.
- Part 1 is the Fuel Charge, administered by Revenue Canada.
- Part 2 is the Output-Based Pricing System (OBPS), administered by Environment and Climate Change Canada (ECCC).

# Part 1 - The Federal Fuel Charge

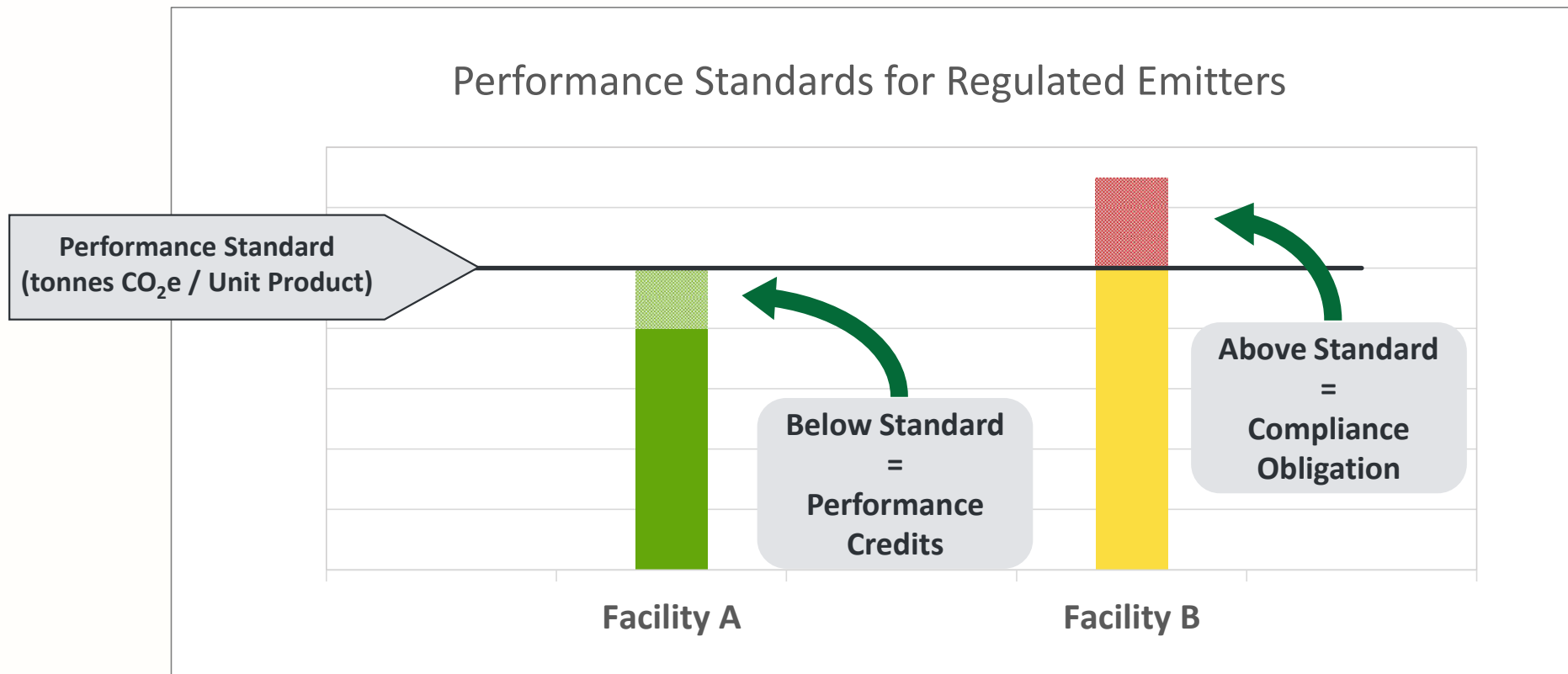
- A price paid on fossil fuels proportional to the quantity of emissions produced when the fuel is combusted.
- Most commonly paid by households and small businesses on gasoline, diesel, propane and natural gas.
- The fuel charge is currently \$50/tonne of emissions and will increase to \$65/tonne on April 1, 2023.
- The fuel charge has been in effect in Saskatchewan since 2019.

## Part 2 - The Federal OBPS

- A mechanism for sheltering facilities which are Emissions Intensive and Trade Exposed (EITE) .
- A facility must qualify as EITE to be eligible to enroll in the federal OBPS.
- Facilities must pay compliance if their emissions intensity exceeds the permitted limit.
- The cost of compliance typically matches the carbon price, which is currently \$65/tonne, and increases by \$15 every January 1.



# An example of the performance Standard



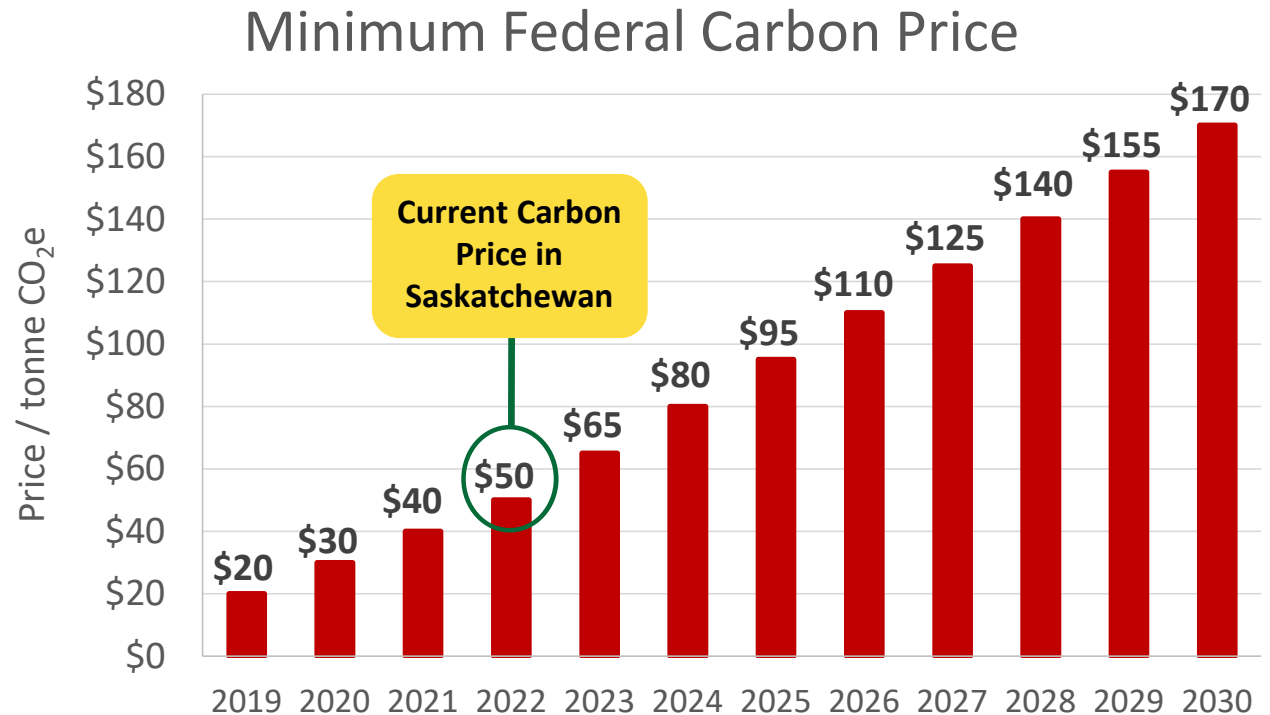
# The *Greenhouse Gas Pollution Pricing Act*



- Sets out minimum national standards for carbon pricing known as the benchmark, including:
  - A common scope of emissions coverage
  - A minimum carbon price of \$65 in 2023, rising to \$170 by 2030
  - Maintaining the carbon pricing signal
- Canada will impose the federal backstop in provinces that fail to meet the benchmark.

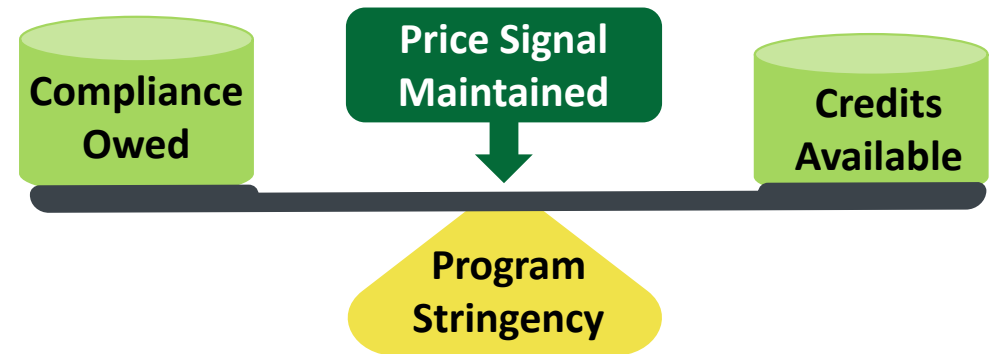
# What is the Minimum Carbon Price?

- Price increased \$10 per year until 2022.
- Price will increase \$15 per year starting in 2023.
- Current federal price tops out at \$170 in 2030.
- Saskatchewan must match minimum federal price.



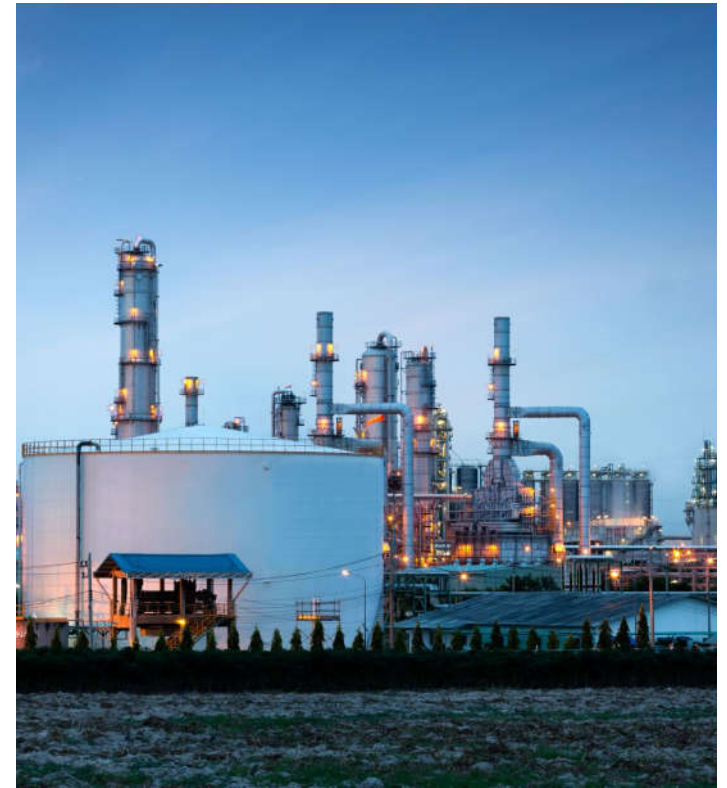
# What is a 'carbon pricing signal'?

- The incentive for regulated emitters to reduce their emissions intensity.
  - \$ per tonne of excess greenhouse gas emissions.
- Price signal is maintained when compliance owed (credit demand) meets or exceeds the credit supply in the program.
- Saskatchewan must maintain the price signal while protecting industry competitiveness and economic growth.



# What is a common scope of emissions coverage?

- Saskatchewan's OBPS program must cover a similar number of emissions as the federal backstop.
- We will add sectors to our OBPS program:
  - Electricity generation
  - Natural gas transmission pipelines
- We will extend coverage to flare and on-site transportation emissions for oil and gas sector.

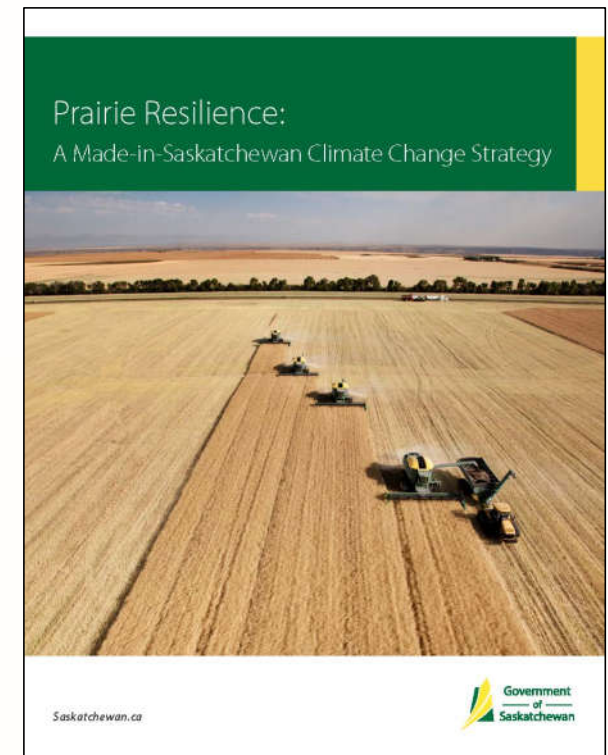


# Saskatchewan's Response to Carbon Pricing and Canada's GGPPA

- Declined to join the pan-Canadian framework.
- Became the first province to mount a legal challenge against the *Greenhouse Gas Pollution Pricing Act* on the grounds of constitutionality.

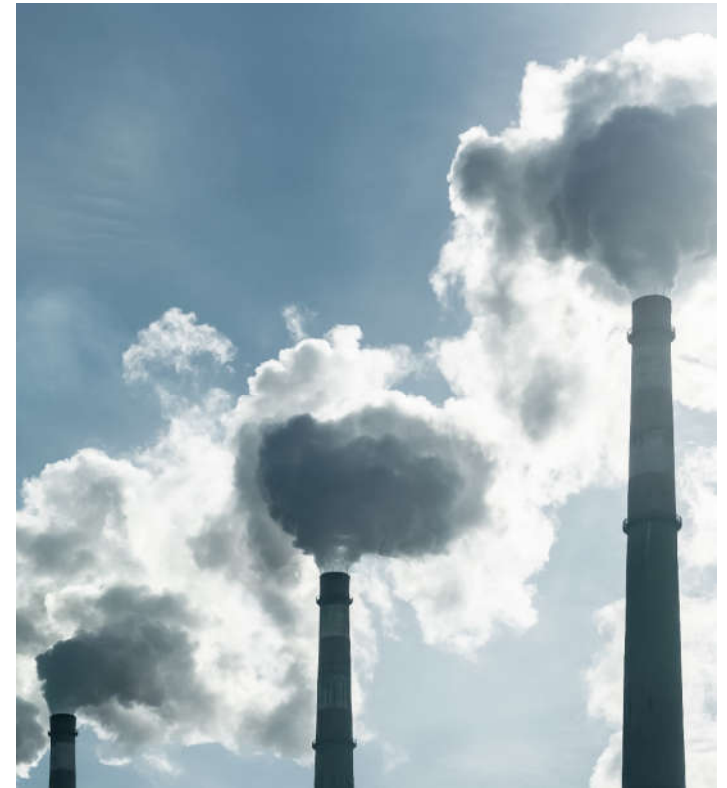
# Saskatchewan's Climate Change Strategy?

- Saskatchewan's climate change strategy is *Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy*
- The strategy makes more than 40 commitments in five key areas:
  - Natural Systems
  - Physical Infrastructure
  - Economic Sustainability
  - Community Preparedness
  - Monitoring and Reporting



# What is Saskatchewan's Provincial OBPS?

- Federal **O**utput-**B**ased **P**ricing **S**ystem
- Provincial **O**utput-**B**ased **P**erformance **S**tandards
- In effect since 2019, updated in 2023
- Covers individual facilities and aggregates, which are made up of over 13,000 small dispersed pieces of oil and gas infrastructure.



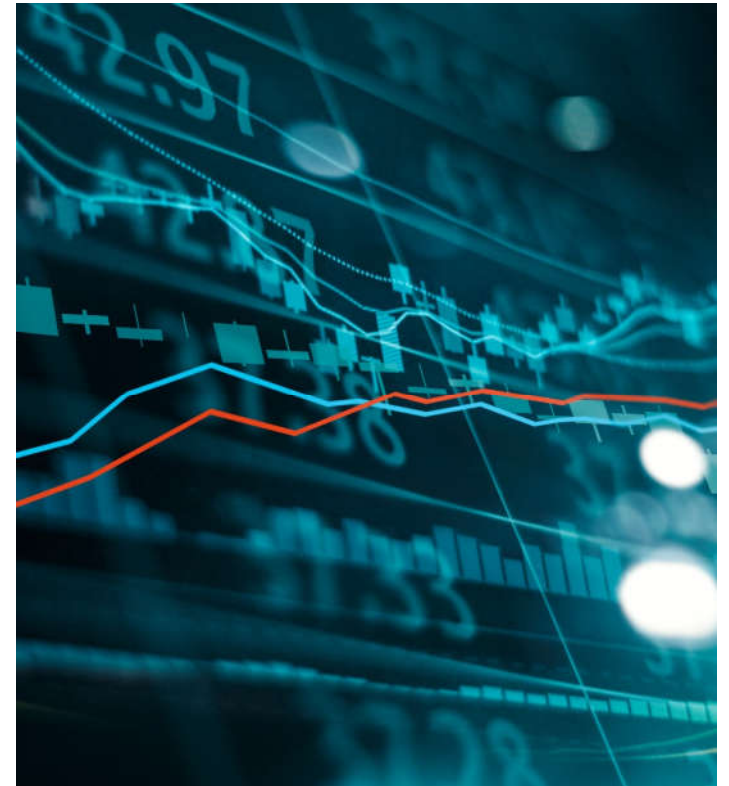


# What is Carbon Leakage?

- When local businesses are at a disadvantage to external competitors due to the cost of complying with climate change regulations.
- Can result in companies moving operations, declining to invest in a jurisdiction due to onerous regulations.
- Acute concern for EITE companies that cannot pass on increased costs from carbon pricing to consumers.

# Modelling Saskatchewan's OBPS Program

- Uses historical and forecasted data from regulated emitters (2014-2022).
- Analyzed data to identify trends in emissions intensity.
- Use trends to forecast emissions intensity for all facilities to 2030.
- Model calculates minimum stringency required in OBPS program to maintain price signal.



# What did our modelling show?

- More stringent performance standards are needed to maintain carbon pricing signal.
- OBPS 2023 performance standards are expected to save Regulated industries \$3.7 billion relative to the Federal OBPS.

Sector	Original Standards	OBPS 2023 Standards
Upstream oil and gas	15%	20%
Refining and upgrading	10%	20%
Natural gas transmission pipelines	N/A	20%
Mining, iron and steel mills, grain and oilseed processing, and all other regulated sectors	5%	15%

# Saskatchewan Technology Fund

- Based on Cabinet direction and two years of industry engagement.
- Accessible only by industry registered in SK's OBPS Program through a competitive, application-based process.
- Supports industry competitiveness by reducing emissions intensity and compliance costs through technology and innovation.
- The program will begin accepting project proposals this year.
- To be eligible for funding projects must be at a facility in Saskatchewan that is owned and operated by a regulated emitter.

# How did we engage industry and other ministries?



- 100+ meetings with industry
- Discussion paper for written feedback
- Two engagement webinars, attended by over 300 participants
- 10+ bilateral meetings and 15+ multi-ministry meetings with GOS ministries and agencies

# Overlapping Federal Regulations and Policies

- The Clean Fuel Regulations
- The Methane Action Plan (OGEMR)
- The Coal Equivalency Agreement
- The Clean Electricity Regulations
- The Zero Emission Vehicle Mandate

# What are our next steps?

- Complete the drafting of regulations and revisions to Standards.
- ECCC will amend Greenhouse Gas Pollution Pricing Act to remove SK as a province covered by federal OBPS.
- Proposed changes in force retroactive to January 1, 2023.



Any questions?





Thank You!

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