

Torlys on Climate Change

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Ontario Power Authority to Sell Environmental Attributes

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Late last week, after a very limited, informal consultation, the Ontario Minister of Energy directed the Ontario Power Authority (OPA) to initiate a pilot program to sell a limited number of the environmental attributes (EAs) it has accumulated under its power purchase agreements with Ontario-based electricity generators. Under many of these agreements, the OPA takes the right, title and interest to all the environmental benefits associated with the generation, subject to certain exemptions. The definition of EAs is broad, and the term could include, for example, the benefits associated with reductions in greenhouse gas or other emissions where a renewable energy supplier had displaced fossil-fired generation.

In his Directive, the Minister requires the OPA to establish the pilot program for 18 months, during which the OPA must sell, track and audit a limited number of EAs through “a competitive, open and fair procurement process.” The Minister’s Directive also indicates that revenue from the sale of EAs must benefit Ontario ratepayers, although some of the revenue could also be used to cover the expenses of a program manager, who is to be retained no later than March 15, 2011.

The Minister states that a condition of any EA sale must state that the EAs must be retired in Ontario, meaning that they could not be used in a compliance market in other jurisdictions, including to offset emissions in those markets. In any event, as the EAs have not been generated in accordance with any recognized methodology, it is unlikely that they could be used to offset emissions in a compliance market. It is unclear whether or how the sale of EAs will be coordinated, generally, with Ontario’s currently stated plans to develop a WCI-compatible cap-and-trade system within the province.

The sale of EAs is likely to depend on voluntary purchasers that find reputational or other benefits in purchasing EAs. Although this may limit the market for, and value of, EAs, the pilot program will ultimately be an important gauge in the potential revenue stream.

Before the initiation of the pilot program, a key challenge for the OPA will be to quantify the EAs that it owns under its power purchase agreements with various suppliers. Additional details are expected to be forthcoming.

For further information, please see the [Minister’s Directive](#). 

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