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United States

California Air Resources Board adopts cap-and-trade regulation

The California Air Resources Board (CARB) recently adopted its final regulation to establish a cap-and-trade system for major greenhouse gas (GHG) emitters in California. Although CARB had initially planned to adopt an earlier version of the regulation in 2010, that adoption was delayed when CARB was successfully challenged for not considering all available GHG mitigation alternatives to cap-and-trade.

The regulation is set to come into force on January 1, 2012, with the first phase of caps taking effect on January 1, 2013.

The regulation will limit GHG emissions from about 600 facilities, which are responsible for approximately 85% of California's total GHG emissions. Coverage will be phased in: the first phase, beginning in 2013, will cap the emissions of electric utilities and major industrial sources; and the second phase, starting in 2015, will also cover emissions associated with distributors of transportation fuels, natural gas and certain other fuels. In 2013, the aggregate emissions cap will be set at approximately two percent below the forecasted level of 2012 emissions. The cap will then decline by approximately 2% in 2014 and 3% annually from 2015 to 2020.

Covered emitters will not be given specific emissions limits. Rather, they must cover each ton of their annual emissions with an emissions allowance or an emissions offset credit. As the system's aggregate cap declines each year, the total number of allowances issued in California will correspondingly decrease, over time encouraging investments in emission-abatement activities or other GHG emissions reductions in California. During 2013–2014, CARB will allocate free emissions allowances to covered emitters using industry-specific benchmarks that reward efficient facilities. Companies that require additional allowances to cover their emissions can buy them in the market or purchase them at regular quarterly auctions to be conducted by CARB. The first auctions are scheduled for August and November 2012.

Covered emitters may also cover up to 8% of their annual emissions using offset credits awarded by CARB for certain voluntary GHG emission-reduction or -removal projects. To be eligible for offset credits, a project must be implemented in accordance with a CARB-approved offset protocol; CARB has currently approved protocols for projects that reduce or remove emissions through forestry management, urban forestry, the digestion of dairy methane and the destruction of ozone-depleting substances in the United States.

To provide covered emitters some flexibility in achieving the compliance obligations, the regulation will allow them to cover their emissions over multi-year compliance periods: the first compliance period will be 2013–2014, with three-year compliance periods thereafter. In each year of a compliance period, a covered emitter will be required to surrender CARB allowances or offsets equal to at least 30% of its previous year's emissions. Then, after each compliance period, the emitter will have to surrender allowances or offsets equal to any emissions during that period for which

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allowances or offsets had not previously been surrendered. The regulation also requires CARB to maintain a reserve of emissions allowances that will be released to the market if the price of allowances on the market rises above acceptable levels, as determined by CARB.

California's actions are being watched closely by the provinces of British Columbia, Manitoba, Ontario, and Quebec, which are partners with California in the Western Climate Initiative. Most recently, Quebec has proposed draft cap-and-trade regulations that would take effect at the same time as those proposed by California. For further information, please see our [April Climate Change Bulletin](#).

For further information, please see the [news release](#) and the CARB emissions [program overview](#).

Ontario

Government undertaking mining safety blitz

The Ontario Ministry of Labour is undertaking an occupational health and safety blitz that targets hazards affecting clean air in underground mines. This blitz is intended to focus on employers' maintenance of ventilation systems, diesel equipment and workplace air sampling. The blitz targets underground mines with large fleets of diesel equipment operating underground, recently re-opened or new mines operating diesel equipment, mines whose previous ventilation concerns were observed and mines with a poor health and safety compliance history.

For further information, please see the ministry's mining safety blitz [press release](#).

Alberta

Public and other stakeholder review for new GHG offset protocols

Alberta Environment (AE) and Climate Change Central (CCC) have published four new draft emissions offset protocols for public review and comment. The four protocols, if approved, would allow parties to earn GHG emissions offset credits for projects that voluntarily reduce or remove GHG emissions through conservation cropping, residual feed intake, solution gas conservation and drilling rig conservation. These credits could then be used to offset emissions from facilities covered by Alberta's Specified Gas Emitters Regulation, which limits the emissions intensity of certain industrial facilities in the province. The deadline for comments is January 3, 2012.

In addition, AE and CCC have scheduled the next stakeholder review session for these new emissions offset protocols for January 18, 2012. This review period will provide an opportunity for stakeholders to comment on draft protocols that were submitted by April 30, 2011, and approved in concept by AE. Updated drafts of those protocols that will be subject to the January 2012 review must be submitted to AE and CCC by January 3, 2012. For further information, please see the [CCC Website](#). 