

Torys on Climate Change

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Recent Developments

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International

Global carbon market grows slightly in 2009

The value of the global carbon market grew to more than US\$143.7 billion in 2009, up from US\$135 billion in 2008, despite a 0.6% decline in global GDP, according to a new World Bank report. Driving this growth was an additional US\$17 billion in allowance transactions in the European Union Emissions Trading System. This trading system is the world's largest allowance, or offset, market, with a value of more than US\$118 billion in 2009. Notably, the market for Kyoto-recognized, project-based emission reductions dropped in 2009, particularly the market for primary and resale Certified Emissions Reductions – that is, the credits issued to voluntary emissions offset projects under the Clean Development Mechanism (CDM). This decline has resulted partly from bottlenecks in the CDM registration process and from the political uncertainty of the CDM and other Kyoto mechanisms after 2012.

In North America, the market for Regional Greenhouse Gas Initiative (RGGI) allowances grew to more than US\$2.1 billion in 2009. RGGI is a northeastern U.S. program that caps the carbon dioxide emissions of electric power generators. The voluntary Chicago Climate Exchange, meanwhile, saw its market size shrink to US\$50 million in 2009, from US\$309 million in 2008.

For further information, please see the [World Bank's report](#).

Canada

Environment Canada to regulate GHG emissions from coal-fired plants

On June 23, 2010, Minister Jim Prentice announced that Environment Canada would be moving forward to regulate greenhouse gas (GHG) emissions from coal-fired power plants. The regulations would require, by 2015, all new coal-fired generation units, and all coal-fired units that have reached the end of their economic life, to achieve more stringent performance standards. Environment Canada expects the regulations, along with provincial initiatives to phase out coal-fired plants in order to reduce approximately 15 megatonnes of GHG emissions. Notably, a significant portion of these reductions would result from Ontario's existing regulations requiring the closure of the province's four existing coal-fired generators by December 31, 2014. According to Environment Canada, draft regulations are expected to be released in early 2011, with final regulations to be issued later that year and to come into force by 2015.

Environment Canada releases sustainability report

Environment Canada recently released a federal sustainable development strategy titled *Planning for a Sustainable Future*, which focuses on climate change and air quality, among other areas. After reiterating the federal target to reduce Canada's

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GHG emissions by 17% below 2005 levels by 2020, the report goes on to list a number of implementation strategies to achieve that goal. In particular, the report highlights research and development initiatives, especially with regard to reducing emissions from land use and transportation; the government's continued support of a clean energy dialogue and regulatory coordination with the United States; and ongoing involvement with the United Nations climate change negotiations, as well as the Asia-Pacific Partnership on Clean Development and Climate, which does not impose binding emission limits on its members.

Notably, the sustainability report does not include any specific measures that would put a nationwide price on GHG emissions. It does, however, suggest that Environment Canada will begin to develop a one-window federal reporting system for covered firms' GHG emissions. Environment Canada will also oversee the development of an offset system for GHGs, perhaps building on previous Liberal and Conservative proposals. To date, Environment Canada has not adopted any methodologies for quantifying and implementing the types of voluntary projects that would feed into a national offset system.

For further information, please see [the report](#).

Ontario and Quebec maintain support of cap-and-trade

At a recent joint meeting of the Ontario and Quebec cabinets, Premier Dalton McGuinty announced Ontario's ongoing plans, along with Quebec and British Columbia, to implement a cap-and-trade system for GHGs. Together, these provinces are working with several U.S. members of the Western Climate Initiative to implement a regional cap-and-trade system by 2012. Premier Jean Charest also affirmed at the joint meeting that his province plans to be a leader in bringing cap-and-trade to North America. As reported in previous [Torys bulletins](#), Ontario, Quebec and B.C. have each passed legislation that would enable future cap-and-trade regulations to be brought into force.

For further information, please see the [premiers' comments](#) following the joint meeting.

Alberta offset market grows in 2009

Firms covered under Alberta's intensity-based cap-and-trade system purchased 3.8 million tonnes of emissions offsets in 2009, up from 2.75 million tonnes in 2008. The Alberta system allows covered firms to maintain a certain GHG emissions intensity or, in lieu of onsite abatement, to purchase allowances from other covered firms, to purchase emission offsets for voluntary reduction projects in Alberta or to pay C\$15 per tonne of GHGs into a technology fund. In 2009, covered firms paid C\$63 million into the technology fund, down from C\$83.3 million in 2008.

For further information, please see [Alberta Environment's website](#).

United States

Senate introduces energy bill without cap-and-trade provisions; rejects proposal to restrict EPA regulations

U.S. Senate Republicans have introduced a bill, the *Practical Energy and Climate Plan*, that would reduce U.S. GHG emissions through a variety of energy-efficiency initiatives, renewable fuel standards and loan guarantees for nuclear power plants, among other things. The bill would target a reduction of about 20% in business-as-usual emissions by 2020. Unlike the Kerry-Lieberman bill described in [Torys' May Climate Change Bulletin](#), which the Senate continues to debate, the Republican bill would not establish a cap-and-trade system for GHGs.

The U.S. Senate also recently rejected, on a 47-53 vote, a resolution to overturn the U.S. Environmental Protection Agency's finding that GHG emissions endanger the public health and welfare of current and future generations. This so-called endangerment finding is a prerequisite for the EPA's new motor vehicle emissions standards under the *Clean Air Act*, as well as for the EPA's plans to require technology-based performance standards for large stationary GHG emitters beginning in 2011. **II**