Changes to the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances

> Webinar May 2022





### Outline

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- 3. Impacts of the Free Allocation Rules on the Economy and Greenhouse Gas Emission Reduction
- 4. Free Allocation Rules and Other Changes
- 5. Other Changes to the Regulation<sup>1</sup>
- 6. Use of Consigned Funds and Other Support Measures

<sup>1</sup>Regulation respecting a cap-and-trade system for greenhouse gas emission allowances.





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## 1. Timeline













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## 2. Introduction





- 2030 Plan for a Green Economy (2030 PGE): The government has committed to a new approach to free allocation for the 2024–2030 period, including a mechanism to consign a portion of the reduced free allocation of emission units.
  - "This will require a significant effort from companies, in line with the greenhouse gas reduction objectives [...]"<sup>1</sup>
  - The consignment mechanism is an "unprecedented lever for investment in reducing greenhouse gas emissions in Québec."<sup>1</sup>
- Approach developed jointly by the MELCC, the MEI, and the MFQ
  - Originally presented in September 2019
  - New draft presented in May 2021 incorporating stakeholder feedback
  - Revised approach based on comments received since May 2021

<sup>1</sup> 2030 Plan for a Green Economy.

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### Introduction Objectives of the 2024–2030 Approach to Free Allocation

- Decrease in the level of free allocation consistent with Québec's climate objectives
- Maintain the competitiveness of the industrial sector, given Québec's lead in carbon pricing
- Accelerate companies' investments in their climate transition
- Adapt the free allocation to reflect companies' changing realities since the implementation of the C&T system<sup>1</sup>

<sup>1</sup> Cap-and-trade system for greenhouse gas emission allowances

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Note: Data observed from 2013 to 2020 and projection for subsequent years based on economic growth forecast.

(1) Linear extrapolation between the 2030 cap and a 95% reduction in emissions from the sectors covered by the C&T system in 2050 compared to 1990.

(2) Historical and projected free allocation. The total level of free allocation shown for 2024–2050 reflect the levels that would be reached if the free allocation per unit produced were maintained at the level prescribed for 2023.

65,3 2013–2030 caps Free Allocation<sup>(2)</sup>

#### Relationship between caps on emission units and the total number of free allocation

(in millions of metric tons of CO<sub>2</sub> equivalent)

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**Need for Greater Consistency with Québec's Climate Objectives** 

Given the goal of carbon neutrality by 2050, it is therefore preferable to gradually adjust the trajectory of the free allocation now, rather than take dramatic action starting in 2030





Introduction

### Introduction

#### **Consider Worldwide Carbon Pricing to Limit Carbon Leakage**

## Global GHG emissions covered by carbon pricing

(percentage of total emissions)



Source: World Bank.

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**Significant differences** in climate change practices internationally

- In 2019, carbon pricing was about 6 times more prevalent in Québec than in the rest of the world<sup>1</sup>
- This may encourage companies to move part of their production to regions where carbon pricing is lower or even non-existent (carbon leakage)
  - Potential increase in global emissions if production is moved to countries where manufacturing processes have higher emissions
- Free allocation help limit the relocation of polluting activities

<sup>&</sup>lt;sup>1</sup> For 2019, Québec's estimated carbon pricing ratio is 6.4. This ratio, developed by the government in collaboration with international partners, takes into account both the explicit price of a tonne of GHGs and the proportion of emissions covered across jurisdictions. A technical manual on the carbon pricing ratio is available.



### Introduction Growing Gaps Between Establishments

## **Evolution of allowances to purchase and excess allowances**

(in millions of dollars)



Note: Observed data from 2013 to 2020 and projection for subsequent years based on assumptions of no improvement in business performance, constant production, and continuation of 2023 prescribed rules for the 2024–2030 period.

- Growing gap between the level of free allocation and current emissions for some establishments
  - In some cases, this reflects the differences in the cost of reduction among companies...
  - ... and, in other cases, it reflects the difficulty of tailoring the free allocation to the realities faced by establishments
- Need to mitigate the gaps in order to reduce the free allocation in an equitable manner





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- Gradually decrease the overall number of free allocation granted, consistent with the decrease in emission caps and the 2030 reduction target
- Modulate the rate of reduction of the free allocation according to relocation risk
- Set aside on behalf of the companies amounts equivalent to a portion of the value of the emission units resulting form the reduction of free allocation (consignment), allowing companies to finance their climate transition projects
- **Gradually integrate companies' more recent GHG performance** in the calculation of the free allocation to account for their new realities





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### **Introduction** Major Changes from the Approach Presented in 2021

1. The annual reduction of the free allocation granted will be predetermined and predictable

- The trajectory for the reduction of the free allocation accounts for Québec's current lead in carbon pricing compared to the rest of the world<sup>1</sup>
  - Annual decrease less pronounced in the short term, to account for this lead
  - Reduction in the free allocation gradually accelerates until 2030, so that the volume of free allocation in 2030 is consistent with Québec's climate objectives
  - Specifically: The carbon pricing ratio factor (CPRF) will be replaced by the trajectory modulation factor (TMF)
- The annual reduction will therefore no longer rely on the annual change in global carbon pricing (as measured by the carbon pricing ratio), as originally planned

<sup>1</sup> The carbon pricing ratio can be used to measure this leadership. For the year 2019, the estimated value of the ratio was 6.4, which means that carbon pricing was about 6 times more prevalent in Québec than in the rest of the world in that year.





#### **Introduction** Major Changes from the Approach Presented in 2021

2. Changes to the method to take into account the actual emissions intensity into the calculation of the target intensity

- The **average actual intensity for the years 2017 to 2019**<sup>1</sup> will be gradually phased into the target intensity (at a rate of 10% annually)
  - Rather than including the actual emissions intensity of 4 years ago, for a given year (proposed in the May 2021 pre-consultation)
- More predictability for businesses and more incentive to undertake emission reduction projects
- 3. Slower reduction of the free allocation for the companies that are at risk of relocation
  - More specifically:
    - Addition of a level of risk to competitiveness (from 6 to 7 risk levels)
    - Reduced effort for all establishments when fixed process emissions greater than 50%<sup>2</sup>
  - Better reflects the differences in the risk to competitiveness between sectors



 $<sup>^{\ 1}</sup>$  Or a more recent period, depending on the emitter's situation.

<sup>&</sup>lt;sup>2</sup> In the May 2021 pre-consultation, it was proposed that the effort would be reduced for all establishments with fixed process emissions greater than 50%, except those with the highest risk levels.

#### Introduction **Principles Behind the Proposed Approach**





#### Illustration of the reduction in free allocation, by parameter<sup>(1)</sup>

Note: The estimates are based on information available as of January 31, 2022. Data observed from 2017 to 2020 and projection for subsequent years including the effect of projected economic growth on production increases.

(1) The number of free allocation and average annual effort factor in the impact of all parameters of the approach, including the incorporation of the company's more recent GHG emissions performance into the calculation of the free allocation.

(2) pp: percentage point.

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- In addition to consignment, the 2022–2027 Implementation Plan for the 2030 Plan for a Green Economy includes \$1.34 billion to support the industrial sector in its climate transition and accelerate its decarbonization, including:
  - \$484 million over 5 years for the ÉcoPerformance Grands émetteurs program (support for energy efficiency and conversion projects)
  - \$100 million earmarked to partially cover the operating costs of energy conversion projects for industrial applications, with a priority focus on electrification and conversion to other lowcarbon energies





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## 3. Impacts of the Free Allocation Rules on the Economy and Greenhouse Gas Emission Reduction





## **Effect on the Volume of Free Allocation**

A Decrease in the Free Allocation Granted Consistent with Québec's Climate Objectives

#### **Total volume of free allocation**

(in millions of metric tons of CO<sub>2</sub> equivalent)



2013 2015 2017 2019 2021 2023 2025 2027 2029

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 The total volume of free allocation granted to large industrial businesses will decrease from 2024 onwards despite the expected increase in production 17

- This decrease is consistent with Québec's climate objectives
- a portion of the emission units resulting from the reduction in the level of free allocation will be consigned on behalf of businesses
  - Revenues from the auctioning of the consigned units will be set aside on behalf of each business to finance projects related to the climate transition

Note : The estimates are based on information available as of January 31, 2022. Observed data from 2013 to 2020 and projection for subsequent years, including the effect of projected economic growth on production increase.

## **Effect on the GHG Emission Reduction**

A Reduction of 0.7 Million Tonnes of GHG Emissions in Québec

## Impact of the new free allocation rules on GHG emissions in 2030<sup>(1)</sup>

(in millions of metric tons of CO<sub>2</sub> equivalent)

	2024-2030 Free Allocation Rules
Decrease in the level of free allocation	-0.4
Consignment and reinvestment of amounts	-0.3
TOTAL	-0.7

Note : The impact analyses take into account the effects of the C&T system and the reinvestment of revenues from the C&T system in the implementation plan of the 2030 PGE.

The estimates are based on information available as of January 31, 2022.

(1) Compared with a situation where free allocation per unit produced is maintained at the level prescribed for 2023.

- The reduction of 0.7 million tonnes<sup>1</sup> is due to:
  - the decrease in the level of free allocation (price signal effect)
  - the projects funded by amounts generated by consigned units or by amounts deposited into Electrification and Climate Change Fund (ECCF)<sup>2</sup>
- These reductions are in addition to those already planned under the 2030 PGE

<sup>2</sup> This Fund finances the 2030 PGE mesures throughout the Economy.





<sup>&</sup>lt;sup>1</sup> Compared with a situation where free allocation per unit produced is maintained at the level prescribed for 2023.

## **Financial Impact for Businesses**

#### New Rules: \$671 M in Purchase of Additionnal Emission Units over the Period 2024-2030

	<u>Financial impact</u> <u>for 2024-2030</u> (purchase of allowances)	Reduction in the number of excess allowances for 2024-2030 <sup>(1)</sup>	<u>Total value of</u> for 202	reduced units 24-2030
Maintaining the rules <sup>(2)</sup>	\$500 M	N/A	N	/A
Additionnal impact of the 2024-2030 rules	\$671 M	\$292 M	\$ <b>96</b>	53 M
Total	\$1 171 M			
timates without improvement in the	performance of businesses in terms of GHG emissior	ns and with constant production.	Consigned free allocation \$581 M	Amouts deposited into the ECCF <sup>(3)</sup> \$382 M

Note : Estimates without improvement in the performance of businesses in terms of GHG emissions and with constant production.

The estimates are based on information available as of January 31, 2022.

(1) Since 2007 2010, some businesses have been able to improve their GHG emission performance more quickly than the reduction in their free allocation. They have therefore been able to generate a surplus of free allocation (excel allowances).

(2) Effect on the 2024-2030 period of maintaining the free allocation rules per unit produced at the level prescribed for 2023.

(3) Electrification and Climate Change Fund (ECCF) finances the 2030 PGE mesures throughout the Economy.

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## Effect on the Economy

#### A limited Impact of \$57 Million on Québec's Real GDP in 2030

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## Financial impact of the new free allocation rules in 2030<sup>(1)</sup>

(millions of dollars, in real terms)

	2024 2030 free allocation rules
Consumption	_
Investment	72
Net exports	-129
Government spending	_
TOTAL – GDP	-57
Household disposable income	-5
Jobs (in full-time equivalent jobs)	-430

Note : The impact analyses take into account the effects of the C&T system and the reinvestment of revenues from the C&T system in the implementation plan of the 2030 PGE. These estimates are based on information available in January 2022 and on the GHG emission projections made in the 2020 2021 budget.

(1) Compared with a situation where free allocation per unit produced is maintained at the level prescribed for 2023.

• The new free allocation rules:

- could increase the cost to some businesses...
- ... but on the other hand, will also result in additional revenues, which will be reinvested in the implementation plan of the 2030 PGE (notamment dans le cadre de la mise en consigne)
- Therefore, it is estimated that the new free allocation rules will have a small negative impact of \$57 million on Québec's real GDP in 2030 (less than 0.1%)<sup>1</sup>

<sup>&</sup>lt;sup>1</sup> Compared with a situation where free allocation per unit produced is maintained at the level prescribed for 2023. The positive effect on the economy of the measures provided for in the implementation plan of the 2030 PGE is not included in the estimate.



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## **Effort of Reducing the Free Allocation Required of enterprises**

A 2.7% Average Annual Reduction in Free Allocation Granted for 2024-2030......

#### Average reduction in the free allocation granted to businesses per unit produced

(average annual change, in percentage, unless otherwise stated)

	2013-2023	<b>2024-2030</b> <sup>(1)</sup>	Average cost per tonne of CO <sub>2</sub> equivalent of emissions (in dollars) <sup>(2)</sup>
Pulp and paper <sup>(3)</sup>	-1.9	-3.7	20
Chemicals and refining	-1.3	-3.3	11
Mining, pelletization and metallurgy	-1.0	-2.4	9
Aluminium	-0.2	-3.0	5
Cement et lime	-0.8	-1.9	6
Others <sup>(4)</sup>	-2.3	-3.0	19
ALL LARGE INDURSTIAL BUSINESSES	-0.8	-2.7	9

Note: The reduction effort is calculated as the reduction, over a given period, of the free allocation granted to establishments per unit produced, relative to the reference intensity calculated over the period 2007 2010. For each sector, the average reduction effort of establishments is reported.

(1) Annual reduction estimated with all the parameters of the proposal.

(2) Coût moyen par tonne métrique équivalent CO<sub>2</sub> émise de 2024 à 2030 pour les grandes entreprises industrielles, en considérant les achats totaux de droits d'émission de 2024-2030 (effet cumulé des règles prescrites pour 2023 et des nouvelles règles proposées).

(3) Financial impact includes costs associated with covering emissions from cogeneration, an activity not eligible for free allocation.

(4) The majority of emissions from "Other" establishments are combustion emissions, for which the level of free allocation is lower than for fixed process emissions.

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## 4. Free Allocation Rules and Other Changes





## 2024–2030 Free Allocation Rules

**Free Allocation** 

- Free allocation separated into two elements:
  - **Granted** to the emitter (similar to the current free allocation)
  - Allocation for auction (consignment units: mechanism mentioned in the 2030 PGE)





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$$A_i = P_{R\,i} \times I_i \times (AF - MEE_i)$$

#### Where:

A <sub>i</sub>	Total number of GHG emission units allocated without charge for year <i>i</i>
P <sub>R i</sub>	Total quantity of reference units produced or used by the establishment during year <i>i</i>
$\mathbf{I}_{\mathbf{i}}$	Target intensity for GHG emissions for year <i>i</i>
AF	<ul> <li>Assistance factor</li> <li>Linked to the type of activity (reference unit)</li> <li>Value defined in the Regulation</li> <li>Defined in the regulation for the 2021–2023 period</li> <li>Constant from 2023 to 2030</li> </ul>
MEE <sub>i</sub>	Minimal expected effort for year <i>i</i>





**Assistance Factor and Minimal Expected Effort** 

- Assistance factor (AF)
  - Per reference unit
  - Takes into account emission intensity and trade exposure
  - Defined in the regulation for 2021–2023
  - Constant from 2023 to 2030
- Minimal expected effort (MEE): 1 pp/year







#### **Target Intensity – Changes**

- Integration of real data
  - For all establishments (on a sectoral and non-sectoral basis)
  - 10% integration per year
  - Fixed value instead of the actual intensity of year *i*-4
    - Average for 2017–2019, excluding the year the establishment started operating
    - Reference period, for establishments with more recent years of historical data
    - Adjustment for global warming potentials (GWP) in effect since January 1, 2021
    - Sectoral basis: Use of data from covered establishments in 2021





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**Target Intensity Calculation** 

$$I_{i,j} = 0.9 \times I_{i-1,j} + 0.1 \times I_{A j}$$

#### Or

$$I_{S i,j} = 0.9 \times I_{S i-1,j} + 0.1 \times I_{RS j}$$

#### Where:

l <sub>i,j</sub>	Target intensity of activity j at the establishment for year i
l <sub>i-1,j</sub>	Target intensity of activity j at the establishment for year i-1
I <sub>A j</sub>	Average actual intensity of activity <i>j</i> at the establishment
I <sub>S i,j</sub>	Target intensity in the sector of activity <i>j</i> for year i
I <sub>S i-1,j</sub>	Target intensity in the sector of activity <i>j</i> for year <i>i</i> -1
I <sub>RS j</sub>	Average actual intensity in the sector for activity <i>j</i>





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#### Free Emission Units (Total Allocation) Target Intensity

- Uses the latest calculated target intensity as a starting point for the 2024–2030 period  $(i_{i-1})$ 
  - Target intensity for 2023
    - Sectoral target intensity: aluminum, lime, and cement sectors
    - Update of 2021–2023 target intensities for liquid aluminum (same method as other target intensities)
    - Addition of the 2021–2023 target intensities for the lime sector to the Regulation
  - Initial intensity for covered establishments after 2023





**Integration of Real Data in the Target Intensity** 









**Integration of Real Data in the Target Intensity – Reduction Project** 

- Fictional scenario of an under-allocated establishment in 2030
- Incorporation of real data to align with the 2017–2019 average actual intensity level (instead of year *i*-4)
- Emissions reduction project in 2026
  - No impact on target intensity
  - Incentive to reduce maintained
  - Price signal maintained







**Equation for Free Emission Units** 

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$$A_{E i} = P_{R i} \times \min[I_i \times (AF - CDF_i - EEE_i - TMF_i); I_{max} \times AF]$$

#### Where:

A <sub>E i</sub>	Total number of GHG emission units paid directly to the emitter for year <i>i</i>	
P <sub>R i</sub>	Total quantity of reference units produced or used by the establishment during year <i>i</i>	
$\mathbf{I}_{\mathbf{i}}$	Target intensity for GHG emissions for year <i>i</i>	
AF	Assistance factor	
CDF <sub>i</sub>	<ul> <li>Cap decline factor for year <i>i</i></li> <li>Same value regardless of the activity</li> <li>Value of 2.34 pp per year</li> </ul>	
EEE	Extra effort expected for year <i>i</i>	
TMF <sub>i</sub>	Trajectory modulation factor for year <i>i</i>	
I <sub>max</sub>	Maximal allocation intensity target (calculated using equations from section 19.2)	
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**Cap Decline Factor and Trajectory Modulation Factor** 

- Cap decline factor (CDF): 2.34 pp/year
- Trajectory modulation factor (TMF)
  - Replaces the carbon pricing ratio factor (CPRF) presented in the pre-consultation to provide more predictability, as the values assigned to it are predetermined
  - Smaller reduction in the first years to reflect Québec's current lead in carbon pricing. Acceleration thereafter so that the number of allocation granted without charge in 2030 is consistent with Québec's climate objectives
  - Cumulative effect of trajectory modulation from 2024 to 2030: zero in 2030





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**Trajectory modulation factor (TMF)** 

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### $TMF_i = TMF_{i-1} + trajectory modulation_i$

Year i	Trajectory modulation for year <i>i</i> (in percentage point)
2024	-0.50
2025	-1
2026	-1.25
2027	-1.25
2028	-1
2029	-0.50
2030	0



Note: The annual trajectory modulation is defined in the Regulation (Table 9).

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#### Free Allocation for Emitters Extra Effort Expected

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- Extra effort expected (EEE), which is a function of:
  - The level of risk to competitiveness, which determines the value of the "additional reduction" in the requested free allocation
    - Risk levels from 1 to 7, calculated by the Ministry of Finance
      - Added risk level from what was proposed in the May 2021 pre-consultation
  - The relative importance of fixed process emissions, which determines the value of the "proportion factor of fixed process emissions" (PFF)
    - PFF value:
      - 0.272 pp if fixed process emissions are at least 50% of total
      - 0 pp if fixed process emissions are less than 50% of total
    - Therefore, the effort is reduced by 0.272 pp for all establishments with a greater than 50% part
      of fixed process emissions<sup>1</sup>
    - Annual reassessment: last verified report

<sup>1</sup> In the May 2021 pre-consultation, it was proposed that the effort would be reduced for all establishments with a greater than 50% part of fixed process emissions, except those with the highest risk levels.





**Extra Effort Expected (EEE) Calculation** 

$$EEE_i = EEE_{i-1} + Additionnal reduction_i - PFF_i$$

Where:

EEE	Extra effort expected for year i
EEE <sub>i-1</sub>	Extra effort expected for year <i>i-1</i>
Additional reduction <sub>i</sub>	<ul> <li>Additional reduction for year <i>i</i></li> <li>Related to the risk level</li> <li>Value defined in the Regulation (table 8)</li> </ul>
PFF <sub>i</sub>	<ul> <li>Proportion factor of fixed process emissions for year <i>i</i></li> <li>0.272 pp if GHG<sub>FP</sub> ≥50%</li> <li>0 pp if GHG<sub>FP</sub> &lt;50%</li> </ul>





**Risk Levels** 

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Sources: Québec Ministry of the Environment and the Fight Against Climate Change and Ministry of Finance.





**Extra Effort Expected** 

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#### Extra effort expected, by level of risk to competitiveness and by relative importance of fixed process emissions

(in percentage points per year)



Sources: Québec Ministry of the Environment and the Fight Against Climate Change and Ministry of Finance.





**Maximal Allowance Intensity Target** 

- A mechanism is planned to ensure that the free allocation per unit produced granted to an establishment once actual emission intensities have been integrated into target intensities does not exceed the free allocation per unit produced granted in 2023.
- Maximum level of free allocation
  - Determined by the level of free allocation per reference unit in 2023
  - Takes into account the special equations in effect in 2023
  - No limitations on the total allocation (any additional units are consigned)





**Maximal Allowance Intensity Target – Non-Sectoral Basis** 

- Equations in section 19.2 of the Regulation
- Establishment covered before 2024
  - 2023 target intensity
  - Takes into account the special equations applicable in 2023
- Establishment using the energy method in 2023
  - Initial intensity used, calculated when 3 years of data (excluding the year the establishment started operating) are available
- Establishment covered as of 2024
  - Initial intensity used





**Maximal Allowance Intensity Target – Sectoral Basis** 

- 2023 target intensity
  - Value published in the Regulation
  - Addition of 2021–2023 target intensities for the lime sector in section 9 (table 3) retention of the planned calculation method
  - Striking out of subdivision 8.3, "Calculation method for standard intensities for an establishment producing lime"





## Free Allocation for Auction Equation for Free Allocated Units to be Auctioned<sup>1</sup>

 $A_{V \ establishement \ i} = A_{establishement \ i} - A_{E \ establishement \ i}$ Where:

A <sub>V establishment i</sub>	Total quantity of GHG emission units allocated without charge to be auctioned for an establishment for year <i>i</i>
A <sub>establishment i</sub>	Total quantity of GHG emission units allocated without charge for an establishment for year <i>i</i>
A <sub>E establishment i</sub>	Total quantity of GHG emission units allocated without charge and paid to the emitter for an establishment for year <i>i</i>

<sup>1</sup> Consignment.





#### Free Allocation Rules Example for 2024

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(1) In case of a negative adjustment of the free allocation to be auctioned, the over-allocated units will be deducted from the next instalment.

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## **Free Allocation Rules**

#### **Granting of the Free Allocation**

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- Importance of signing the agreement before the deadline:
  - If the agreement is not signed by the deadline, the free units that should be consigned for the following year will not be
  - For example, if the agreement is not signed by September 1, 2023, no units will be consigned for 2024 (75% instalment on January 14, 2024, and 25% instalment on September 14, 2025). However, if the agreement is then signed by September 1, 2024, consignment will begin for 2025.





## **Free Allocation Rules**

#### **Information Provided to Emitters (Confidential)**

- Before each free allocation is granted:
  - Total free allocation
  - Free allocation to be granted to the emitter
  - Free allocation for auction
  - Free allocation that would have been auctioned (for emitters whose agreements were not signed on time)
  - Parameters used to calculate the allocation
  - One statement per emitter, but detailed information for each establishment
- After each auction:
  - Number of emission units sold on behalf of the emitter and settlement price at the time of sale
  - Corresponding reserved amount
  - Number of unsold emission units, if applicable
  - One statement per emitter, but detailed information for each establishment





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## **Free Allocation Rules**

#### **New Sections of the Regulation**

- Section 18: General equations for the 2024–2030 period
- Section 19: Establishments covered before 2024
- Section 20: Establishments addressed on a sectoral basis
- Section 21: Newly operational establishment (with all historical data available)
- Section 22: Newly operational establishments (historical data not fully available)
- Section 23: Establishments covered as of 2024 (with all historical data available)
- Section 24: Establishments covered as of 2024 (historical data not fully available)





## **Additional Changes**

**Main Elements** 

- The additional main changes are related to:
  - Recalculation of the target intensity
  - The aluminum sector, including the target intensity for liquid aluminum
  - The energy method
  - Opt-ins (registration and early emissions coverage)
  - Dropping below the 10,000 mt  $CO_{2 eq.}$  threshold





### **Establishments Covered as of 2024** Main Elements

- Provisions are made for establishments that are subject to the regulation as of 2024. They distinguish between:
  - Newly operational establishments
  - Newly covered establishments





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#### Pulp and Paper Sector Main Elements

- Specific changes are made in relation to:
  - The introduction of new reference units
  - Electricity produced by cogeneration





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## 5. Other Changes to the Regulation





#### **Other Changes** Main Elements

- Other changes include those related to:
  - Registration, information updates, and account management
  - Auctions and sale by mutual agreement by the Minister





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## 6. Use of Consigned Funds and Other Support Measures





#### **Consigned Funds** Terms of Use

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- Addition of Part III to the end of Schedule C of the Regulation<sup>1</sup>
- This part lists the terms and conditions applicable to implementation of:
  - Studies of the technical and economic potential
  - Greenhouse gas emissions reduction projects
  - Technological innovation projects for the reduction greenhouse gas emissions



### **Other Support Measures**

- Mesure d'aide à la décarbonisation du secteur industriel québécois (MADI) (assistance measure to decarbonize Québec's industrial sector)
  - A communication was sent to industrial emitters on May 10
- GHG Challenge (pending approval)
  - A communication will be sent to industrial emitters when it comes into effect
- GHG intervention group (GIGES)
  - Industrial emitters can already communicate with GIGES at carbone@economie.gouv.qc.ca



