Environment Canada Environnement Canada

June 2008

# *TURNING THE CORNER*

## Canada's Credit for Early Action Program

## Final Program Guide

Canada

For more information:

**www.ecoaction.gc.ca**

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# SUMMARY

## Purpose of this document

This document provides an overview of the Credit for Early Action Program (the Program) and includes the eligibility requirements and process for allocating early action credits.

The objective of the Program is to recognize facilities that took verified early action to reduce greenhouse gases between 1992 and 2006. The purpose is to address the disadvantage that a facility could incur for having undertaken an incremental action to reduce greenhouse gases before the proposed regulatory regime was set out.

The Program will provide a one-time allocation of credits in recognition of greenhouse gas reductions achieved by facilities that could be subject to the proposed industrial air emissions regulations in 2010.

To be recognized, the early action must have been beyond usual business conditions when the initial greenhouse gas reductions from the project were achieved.

The early action credit budget is 15 megatonnes of carbon dioxide equivalent. A *pro rata* allocation will be used if the eligible reductions exceed the 15 megatonnes.

A maximum of five megatonnes of early action credits will be allocated for use in each of 2010, 2011 and 2012.

It is anticipated that the proposed industrial greenhouse gas emissions regulations will set out the conditions under which regulated entities will be able to use early action credits to comply with their obligations.

The Program will be implemented using a three-step process.

- Phase I (June–September 2008): The “initial information submission phase” will generate information to allow for the calculation of an estimate of the total potential claim on the early action budget and to help potential applicants to assess whether they wish to participate in the next phase of the Program. As part of Phase I, applicants will need to submit a “Notice of Interest” by July 28, 2008 and the completed “Phase I template” by September 5, 2008.
- Phase II (February–April 2009): In the “final submission phase” applicants will provide the information necessary for the determination of the allocation of the 15 megatonnes.
- Phase III (July 2009): The allocation of early action credits to successful applicants.

Phase I must be completed successfully in order to participate in Phase II.

# 1. INTRODUCTION

## 1.1 Background

In April 2007, the Government of Canada released *Turning the Corner: an Action Plan to Reduce Greenhouse Gases and Air Pollution*. That document outlined the Government's approach to reducing greenhouse gas and air pollutant emissions. Among other things, it is proposed that regulations will mandate reductions from major industrial sectors. In the case of greenhouse gases, the regulations would set a 2010 implementation date for emission-intensity reduction targets for regulated entities.

On March 10, 2008, the Government of Canada published further details on the *Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas Emissions*. This document sets out several compliance mechanisms to provide industry with flexibility in meeting regulatory obligations. One such mechanism is the Credit for Early Action Program, which is intended to recognize facilities that took verified early action to reduce greenhouse gases between 1992 and 2006.

### April 2007 *Turning the Corner* on Credit for Early Action

"Firms in a number of sectors have made efforts over the last decade to reduce emissions. There would be a one-time allocation of credits to those firms covered by the proposed regulations that took verified action to reduce their greenhouse gas emissions between 1992 and 2006. A maximum of 15 megatonnes would be allocated, with no more than 5 megatonnes to be used in any one year.

Firms would be invited to make a one-time application where they would submit evidence of changes in processes or facility improvements they undertook that resulted in incremental greenhouse gas emission reductions in the specified timeframe. There would be eligibility criteria to determine which emission reduction activities would be considered, and evidence of emission reductions would be audited. Once all applications were received, the reserve would be allocated to all qualifying applicants on a *pro rata* basis. The maximum allocation for emission reductions would be one credit for one tonne of carbon dioxide equivalent reduction. If the total tonnage of emission reductions applied for were to exceed 15 megatonnes, the credits would be distributed to individual firms in proportion to their contribution to the total emission reduction achieved."

## 1.2 Purpose of This Document

This guide is intended to provide an overview of the Credit for Early Action Program. It includes the eligibility requirements and the process for allocating credits.

On March 15, 2008, the Government published a draft version of this guide in the *Canada Gazette*, initiating a 60-day comment period. The comments received were considered in the drafting of the final guide.

This guide also introduces a number of technical issues regarding the quantification of greenhouse gas reductions. These technical issues will be addressed in more detail in the forthcoming "Guidance Manual for Applicants for Early Action Credits" (the Guidance Manual). The Guidance Manual will provide detailed technical guidance to applicants wishing to have their actions to reduce greenhouse gases recognized under this program. The Guidance Manual will also include requirements for acceptable third-party verifiers and guidance for undertaking verifications. The Program anticipates that consultations regarding the draft Guidance Manual will take place in fall 2008.

## 1.3 Program Objective

The objective of the Credit for Early Action Program is to recognize actions that were taken by facilities to achieve an incremental reduction in greenhouse gases between 1992 and 2006. Its purpose is to address the disadvantage that a facility could incur for having undertaken an incremental action to reduce greenhouse gases before the regulatory regime was set out.

The Program will provide a one-time allocation of credits in recognition of greenhouse gas reductions achieved by facilities that meet the Program eligibility requirements. These reductions must have been achieved between 1992 and 2006. The total early action credit budget is 15 megatonnes of carbon dioxide equivalent ($CO_2e$). If the eligible reductions are less than 15 megatonnes, the balance will remain unallocated. A *pro rata* allocation of the budget will be used if the eligible reductions exceed 15 megatonnes.

The Credit for Early Action Program is a voluntary program under the *Canadian Environmental Protection Act*, 1999. **It is anticipated that the proposed industrial air emissions regulations will set out the conditions under which regulated entities will be able to use early action credits to comply with their obligations.**

## 1.4 Guiding Principles

The design of the Credit for Early Action Program is based on the following principles:

1. *Simplicity and cost-effectiveness* – The Program will impose the lowest cost possible on government and industry that is consistent with the level of rigour needed;
2. *Fairness* – Facilities that wish to have actions considered for recognition will have an equal opportunity and all submissions will undergo the same evaluation process;
3. *Transparency* – The Program requirements, technical guidance and approach to making allocation decisions will be clearly expressed and publicly available; and
4. *Consistency* – The technical guidance and evaluation of submissions will be as consistent as possible across sectors.

## 1.5 Participants

### *Government of Canada*

The Minister of the Environment is responsible for the Program. Program decisions will include:

- developing the eligibility requirements, guidance documentation and submission requirements;
- overseeing application processes;
- evaluating submissions; and
- allocating and issuing early action credits.

It is anticipated that a system for tracking all credits from issuance to retirement or cancellation (the “Domestic Credit Tracking System”) will be established prior to issuance.

### *Applicants*

Applicants are responsible for preparing their submissions. As part of the application process, applicants will be required to:

- provide completed submission templates and any supporting material in Phases I and II;
- demonstrate that the action for which they are seeking early action recognition meets the eligibility requirements;
- quantify greenhouse gas reductions, including establishing a baseline; and
- provide evidence to support the early action claim, including assurance from a third-party verifier.

In order to receive credits, an account will need to be established in the Domestic Credit Tracking System.

# 2. CHARACTERISTICS OF EARLY ACTION CREDITS

Early action credits will have the following characteristics:

1. *Unique* – Each will have a unique serial number and will be tracked from issuance to retirement or cancellation. Each will represent one whole tonne of carbon dioxide equivalent.

2. *Earned* – Allocation and issuance will only occur when greenhouse gas reductions can be demonstrated in accordance with the Program requirements.

3. *Uses for regulatory compliance* – It is anticipated that the proposed industrial greenhouse gas emissions regulations will set out the conditions under which regulated entities will be able to use early action credits to comply with their obligations. It is anticipated that regulated parties will be able to use one early action credit to satisfy a compliance obligation of one tonne of carbon dioxide equivalent.

4. *Tradable* – Credits can be traded among facilities, subject to any applicable laws or regulations, as well as with other market participants.

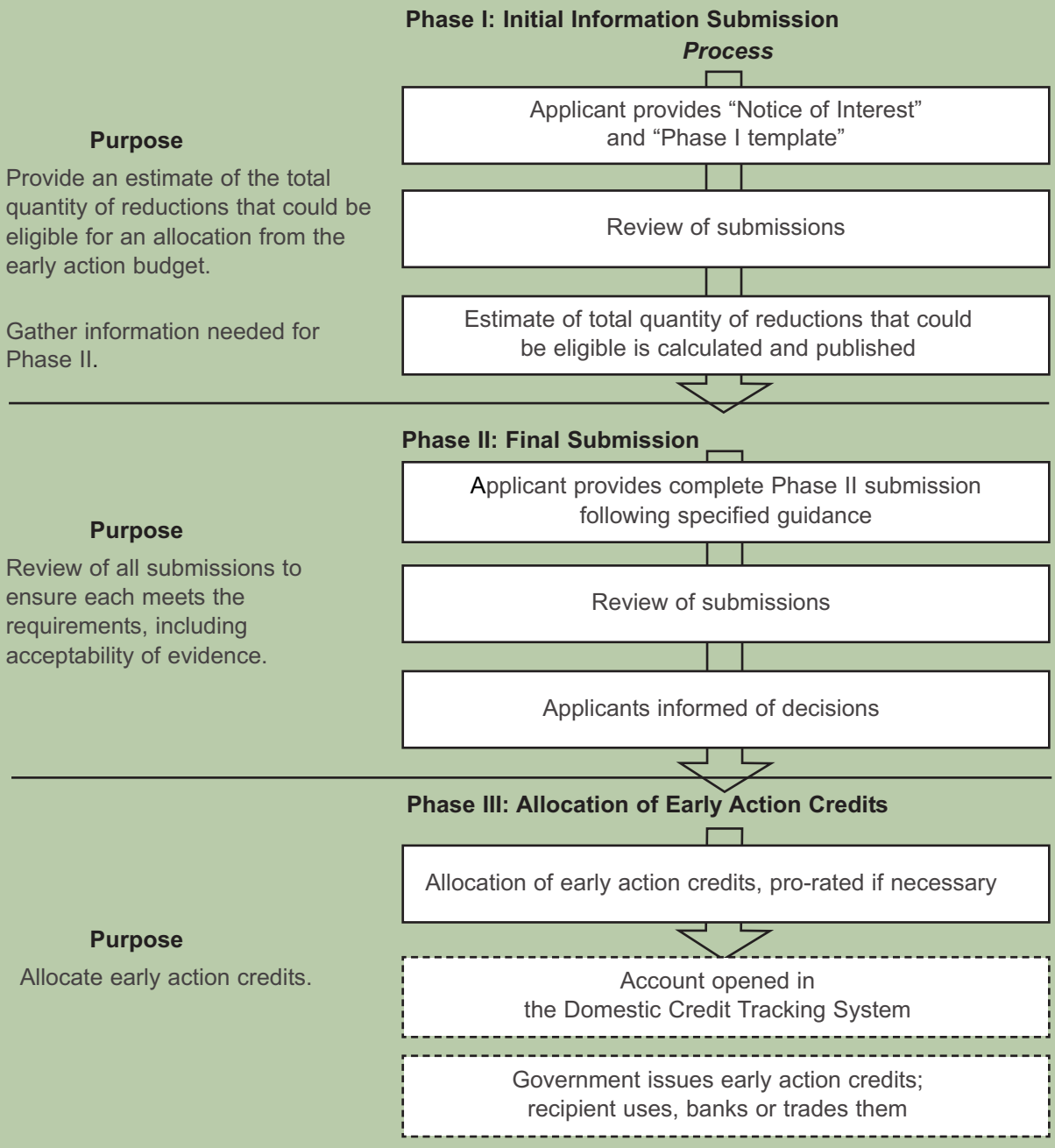
5. *Bankable* – It is anticipated that the proposed industrial greenhouse gas emissions regulations will not impose any restrictions on the banking of credits for future use.

The market will determine the financial value, if any, of an early action credit.

# 3. APPLICATION PROCESS

***The application process for early action credits will have three phases.***

**FIGURE 1: CREDIT FOR EARLY ACTION APPLICATION PROCESS**



## 3.1 Phase I: Initial Information Submission (June–September 2008)

*Purpose:* To generate information that will

1. allow for an estimate of the total quantity of reductions that may be eligible for an allocation from the early action budget; and
2. assist with the drafting of the Guidance Manual for Phase II.

*Outcome*: In October 2008, an estimate of the total potential claim on the early action budget will be published. The estimate is intended to help applicants decide if they wish to continue to participate in Phase II.

*Process:*

Applicants will complete two templates: a Notice of Interest template (Annex 1) and a Phase I template (Annex 2).

1. Using the "Notice of Interest" template, applicants will have until July 28, 2008 to provide the Program with administrative information about the facility and a description of the actions for which the applicant is seeking early action recognition.

2. Using the instructions and "Phase I Submission" template, applicants will have until September 5, 2008 to provide the Program with the following:

    a. information about the facility;
    b. information on the actions for which they are seeking early action recognition, including eligibility requirements;
    c. an estimate of the number of tonnes that the applicant will claim for early action; and
    d. information on the quantification approach the applicant used to develop the estimate.

3. Each submission will be reviewed for completeness and to ensure eligibility requirements are met.

4. It is expected that an estimate of the total potential claim on the early action budget will be published in October 2008.

Phase I will be based on self-certification. Applicants will not be required to provide supporting evidence with the Phase I submission. Applicants will sign a certification declaring that the information that they have provided is complete and accurate, and that the estimate has been made using their best efforts.

## 3.2 Phase II: Final Submission (February–May 2009)

Consultation on the draft "Guidance Manual for Applicants for Early Action Credits" (the Guidance Manual) is expected to occur in the fall of 2008. It is anticipated that the Guidance Manual will set out

- information about the Phase II application process;
- requirements for acceptable evidence (for example, to support the assertion of greenhouse gases reduced or to support the certification made in Phase I that the action continued to December 31, 2006);
- acceptable approaches to establishing the baseline;
- acceptable quantification approaches;
- qualifications for third-party verifiers; and
- information for verifiers regarding their roles and responsibilities in the verification process.

It is anticipated that the final Guidance Manual will be published in February 2009. Phase II will begin shortly thereafter. Applicants will then have approximately three months to submit their submissions.

### Phase I must be completed successfully in order to participate in Phase II

*Purpose:* For applicants to provide the information needed for the final allocation decisions.

*Outcome:* Applicants are notified as to the eligibility of their claim.

*Process:*

1. Before Phase II begins, the following will be published on the Credit for Early Action website (www.ec.gc.ca/cmap-cea):

    a. Information on the Phase II application process;
    b. The Guidance Manual; and
    c. "Phase II Submission" template and instructions.

2. Using the Guidance Manual and the instructions and submission template for Phase II, applicants will submit the Phase II submission template and a verification statement (see Section 4.8 for further details on verification).

3. Submissions in Phase II will be reviewed to determine their eligibility.

## 3.3 Phase III: Allocation of Early Action Credits (July 2009)

*Purpose:* Allocate up to 15 megatonnes of early action credits, using a *pro rata* distribution, if necessary.

*Outcome:* Allocation of early action credits.

*Process:* Early action credits will be allocated using a *pro rata* distribution if eligible reductions exceed the 15 megatonne budget.

## 3.4 Fees

There are no fees for applications to the Credit for Early Action Program.

It is anticipated that at some point in time fees will be required to establish an account in the Domestic Credit Tracking System and to move credits among accounts in the system.

# 4. PROGRAM REQUIREMENTS

## 4.1 Who Can Apply?

The operator of the facility at the time of application (the applicant) can make a submission for early action. If the operator of the facility changes between Phase I and II, only the operator of the facility at the time of Phase II can make the Phase II submission.

## 4.2 Eligible Actions

An action to reduce greenhouse gases may be eligible for early action credits if all of the following six requirements are satisfied:

1. The action reduced emissions in the facility of one or more of the following greenhouse gases: carbon dioxide ($CO_2$), methane ($CH_4$), nitrous oxide ($N_20$), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride ($SF_6$).[1]
2. The action occurred in a facility as defined in Annex 3.
3. The action occurred in a facility where the emissions from or capacity of the facility in 2006 exceeded the minimum threshold specified in Table 1. If there is no threshold specified, the threshold is zero.

**Table 1. Minimum Thresholds[2]**

| Sector | Threshold |
|---|---|
| Chemicals | 50 kilotonnes $CO_2e$ |
| Fertilizers (nitrogen-based) | 50 kilotonnes $CO_2e$ |
| Natural gas pipelines | 50 kilotonnes $CO_2e$ |
| Upstream oil and gas[3] | 3 kilotonnes/facility and 10 000 barrels of oil equivalent/day/company |
| Electricity | 10 megawatts |

4. The initial greenhouse gas reductions from the action occurred in 1992 or later, and the reductions continued at least until December 31, 2006.

1 For HFCs and PFCs, only those formulas that are on the List of Toxic Substances (Schedule 1) of the Canadian Environmental Protection Act, 1999 are covered by this program (See: http://www.ec.gc.ca/ceparegistry/subs_list/Toxicupdate.cfm).

2 Source: March 2008 *Regulatory Framework for Industrial Greenhouse Gas Emissions* (Section 4.2).

3 Includes natural gas liquids facilities.

5. The greenhouse gas reductions from the action are unique. A greenhouse gas reduction is not unique if it has already received a greenhouse gas credit through a mandatory program or in a voluntary system, for example, the Pilot Emission Removals, Reductions and Learnings (PERRL) and the Greenhouse Gas Emission Reduction Trading Pilot (GERT).
6. The action was incremental, that is, beyond usual business conditions, when the greenhouse gas reductions first occurred. Section 4.3 sets out how an action is incremental.

## 4.3 Incremental Criterion

To be eligible, reductions must have been caused by "incremental" actions—that is, the reductions must have resulted from an action that was beyond usual business conditions when the initial greenhouse gas reductions were achieved.

An action to reduce greenhouse gases is considered incremental or beyond usual business conditions if all of the three following conditions are met.

The action is:

1. surplus to legal requirements;
2. beyond standard improvements in line with changes generally occurring in Canadian industry;
3. beyond actions that result from the receipt of a direct federal, provincial or territorial climate change incentive.

Evidence of financial incrementality—that is, where an action to reduce greenhouse gases would not have proceeded without the expectation of some future financial benefit—is not required.

### *Establishing that an Action is Incremental*

Applicants can use **either of** the following two methods to establish that their action is incremental.

**Method 1:** As part of the quantification of greenhouse gas reductions, applicants adjust the facility baseline emission intensity by a cumulative "annual rate of improvement" of 1% per year for each year up to 2006[4].

How this option works:

- In Phase I, applicants indicate their preference to use this option. The early action claim is calculated and reported, accounting for the annual rate of improvement.
- Applicants will not be required to demonstrate with evidence in either Phase I or Phase II that the action was surplus to legal requirements or beyond standard improvements,
- In Phase II, applicants use the technical guidance provided in the Guidance Manual to calculate the final early action claim.

See Section 4.7 on quantification for additional information about how to quantify greenhouse gas reductions using Method 1.

[4] The 1% increase is cumulative. Therefore, year one is 1%, year two is 2%, year three is 3%, etc.

## *OR*

**Method 2:** Applicants provide evidence to demonstrate that their action is incremental.

How this option works:

- In Phase I, applicants indicate their preference to use this option. The early action claim is calculated and reported.
- In Phase II, applicants submit the supporting evidence to demonstrate their action is surplus to legal requirements and beyond standard improvements. This information will be reviewed with the Phase II submission.
- Applicants are required to demonstrate that the action was incremental when the initial greenhouse gas reductions were achieved. Applicants will not be required to demonstrate the action remained incremental up to 2006.

**For both Method 1 and 2, the applicant must also demonstrate that the reductions were beyond those resulting from the receipt of a direct climate change incentive.**

## *The Three Conditions that Define Incremental*

### Surplus to Legal Requirements

Applicants that choose Method 2 will be required to demonstrate that the action to reduce greenhouse gases was surplus to legal requirements.

Legal requirements are defined as all federal, provincial or territorial statutes or regulations targeting the release of the six greenhouse gases (listed in Section 4.2), that had a defined timeframe when the requirement was to be satisfied and a clear target (for example, emissions cap, performance standard, rate of annual improvement from a baseline).

If an action surpassed the legal requirement(s), the applicant can submit a claim for those reductions achieved beyond the legal requirement(s).

### Standard Improvements

Applicants that choose Method 2 will be required to demonstrate that the action was beyond standard improvements.

An action to reduce greenhouse gases is beyond standard improvements if the following two conditions are met:

1. The action was not a result of “normal capital stock turnover”, defined as improvements resulting from normal replacement of existing capital equipment after its operating life is over; and

2. There was a significant barrier to implementation that impeded most other sector facilities from implementing the action. Any of the following may be a barrier to implementation:

   a. *Financial barriers*, for example, high costs or high perceived risks from an unproven technology, resulting in difficulty obtaining access to credit or capital;

b. *Technology operation and maintenance barriers*, for example, where a particular technology is not technically feasible for installation in some facilities due to differences in the process which would render the technology ineffective;

c. *Infrastructure barriers*, for example, an insufficient supply or transport infrastructure for feedstock, spare parts or fuels;

d. *Institutional barriers*, for example, institutional opposition to the implementation of the action in question because of an aversion to high upfront costs or lack of awareness of benefits; or

e. *Resource availability barriers*, for example, irregular or uncertain supply of necessary resources.

Being “uneconomical” is not a necessary condition for an action to be incremental.

### Climate Change Incentives

For both Method 1 and Method 2, applicants will be required to demonstrate that the action was beyond those resulting from the receipt of a direct federal, provincial or territorial climate change incentive.

A direct climate change incentive is a financial contribution to the demonstration or implementation of a project.

A direct climate change incentive is not a(n):

1. voluntary agreement if there were no financial contributions;
2. loan or loan guarantees;
3. financial contribution to the research and development or a feasibility study;
4. financial contribution with a built-in pay-back mechanism; or
5. accelerated deduction for tax purposes.

An action that received a direct climate change incentive may be partially eligible for early action credits if:

1. performance surpassed the performance benchmark/target associated with the incentive; or
2. in the absence of a performance benchmark, the action was partially funded and the early action claim subtracted out a portion of the reductions. This will be done by using the total percentage of funding from government as the basis for adjusting the reduction claim. For example, if 20 percent of the project costs were funded by the incentive program, the tonnes claimed would be reduced by 20 percent.[5]

[5] Applicants will be allowed to use the estimated project costs stated in the contract or agreement between the incentive program and the applicant.

**Table 2. Eligibility of Federal Climate Change Incentive Programs: Examples**

| Eligibility | Examples | Rationale |
|---|---|---|
| Fully eligible | • Sustainable Development Technology Canada: R&D and feasibility studies<br>• Green Municipal Funds: feasibility studies<br>• Canadian Industry Program for Energy Conservation: energy assessments, training and information | Actions at the pre-implementation phase |
| | • Technology Early Action Measures<br>• Partnerships Canada | Incentives with built-in pay-back mechanisms |
| Partially eligible | • Sustainable Development Technology Canada: demonstration projects<br>• Opportunities Envelope | Applicants can claim a portion above the performance standard or percent of project not funded |

## 4.4 Ineligible Actions

An action to reduce greenhouse gases is not eligible for early action credits if:

1. the greenhouse gas reductions were a result of reductions in production or shut-downs;

2. the action was implemented outside the facility's boundary (for example, reforestation projects, transportation of goods offsite);

3. the greenhouse gas emissions of the facility were reduced by moving production off-site, resulting in a displacement, not a reduction, of greenhouse gas emissions (except for when the three conditions in Section 4.5 are met);

4. the greenhouse gases were
    - captured or recovered; and
    - sequestered, moved off-site or sold to another facility;

5. the greenhouse gas reductions resulted from an energy efficiency improvement that reduced the emissions of another facility. For example, an action reduced the electricity, steam or heat consumption of the facility but these inputs were purchased from a grid or another facility;

6. the action reduced emissions from a fixed process; or

7. the action reduced fugitive emissions, such as equipment leaks and storage from the upstream oil and gas and oil sands sectors and natural gas transmission, distribution, and storage facilities.

## 4.5 Other Eligibility Information: Displacement of On-site Production

As outlined in Section 4.4 the displacement of greenhouse gas emissions from the facility to an off-site location is not eligible for early action. However, early action claims for this type of action are acceptable when the following three conditions are met:

- the reductions resulted from the replacement of existing on-site production with the equivalent purchased input;
- the on-site production ceased between 1992 and 2006; and
- the applicant can demonstrate that the off-site production was less energy intensive.

For example, an oil-based boiler that was used by facility A to produce electricity was shut down in 2000 in favour of purchasing electricity from a natural gas facility. Facility A can claim the net reduction in greenhouse gases (in other words, the difference in emissions between the oil-based boiler and the natural gas), all other things being equal.

For those instances where electricity is purchased from the grid, the Guidance Manual will provide the emission factor(s).

## 4.6 Allocation and Issuance of Early Action Credits

There will be no division or initial allocation of the 15 megatonne credit budget on the basis of sector or region.

Credits will be allocated at a maximum rate of one credit per tonne (carbon dioxide equivalent) of eligible reduction. If the quantity of eligible reductions exceeds 15 megatonnes, a *pro rata* allocation will be used. If the total claim against the budget is less than 15 megatonnes, the balance will remain unallocated.

A maximum of five megatonnes of early action credits will be allocated for use in each of 2010, 2011 and 2012.

## 4.7 Quantification

This section introduces a number of technical issues related to the quantification of greenhouse gas reductions. The Guidance Manual for Early Action Credits will specify the requirements for quantification in more detail. It is anticipated that consultations on the draft Guidance Manual will take place in fall 2008.

In Phase I, applicants must provide a point estimate of greenhouse gas reductions using one of the formulas specified in this section.

### *Approach to Quantifying Greenhouse Gas Reductions*

Greenhouse gas reductions will be calculated as the difference between what the emissions would have been in the absence of the action (that is, under standard operating conditions at that time) and the emissions that occurred with the action in place.

$$\sum_{y=x}^{n=2006} O_y \times \left[ EI_B - EI_A \right]$$

Where:

O = Facility production output (units)
$EI_B$ = Facility emission intensity in the baseline year
$EI_A$ = Facility emission intensity in the first year the applicant is claiming early action credits
y = Year
x = First year which the applicant is claiming early action credits

If the applicant chooses to use the annual rate of improvement (see Method 1 in Section 4.3), the applicant must calculate greenhouse gas reductions as follows:

$$\sum_{y=x}^{2006} O_y \times \left[ EI_B - EI_A - \left( EI_B \times 0.01 \times (y - x + 1) \right) \right]$$

Where:

O = Facility production output (units)
$EI_B$ = Facility emission intensity in the baseline year
$EI_A$ = Facility emission intensity in the first year the applicant is claiming early action credits
y = Year
x = First year which the applicant is claiming early action credits
0.01 = 1% annual rate of improvement in baseline emission intensity

EI = Emission intensity or emissions divided by production output

To quantify eligible reductions

- applicants will establish a baseline, representing the conditions most likely to have occurred in the absence of the action;
- for certain actions, the Guidance Manual will specify the approach to quantify the emission intensity of the facility with the action; and
- for other specified actions, applicants may be allowed to use their own approach provided that the requirements are met.

Reductions in greenhouse gases will be calculated on an emissions intensity basis. Absolute emission reductions at the facility level are not required as a condition for eligibility.

### *Calculating Greenhouse Gas Reductions*

Applicants must use either of the following two approaches to calculate greenhouse gas reductions up to and including 2006:

### *Approach 1 – first year:*

- Quantify the change in emission intensity for the first full calendar year in which the initial greenhouse gas reductions were achieved.
- Multiply the change in emission intensity from the first full year by production or output related to that action in each subsequent year, including 2006.
- Sum the total greenhouse gas reductions from the first year through 2006.

### *OR*

### *Approach 2 – best year:*

- Quantify the change in emission intensity for the “best year” (based on a full calendar year).
- Multiply the change in emission intensity from the ”best year” by production or output related to that action in each subsequent year, including 2006.
- Sum the total greenhouse gas reductions from the “best year”, for each year, up to and including 2006.
- The applicant can choose the “best year”, but reductions will only be aggregated from that year onward.

There will be no premium for earlier versus later reductions.

## 4.8 Project Review

Third-party verification will be required for Phase II submissions.

Verification of greenhouse gas reduction claims is important for ensuring the integrity of the early action credits. Third-party verification consists of an independent expert assessment of the accuracy of reported greenhouse gas reductions and conformity with the Program’s accounting, reporting and eligibility requirements.

Applicants will need to maintain, and make available for review if requested, evidence and documentation that the greenhouse gas reductions meet all the Program requirements.

## 4.9 Confidentiality

In order to provide transparency to the public, selected information from the application process may be published subject to the provisions of the *Canadian Environmental Protection Act*, *1999*, the *Access to Information Act*, the *Privacy Act* or other applicable legislation.

## 4.10 Inquiries

Direct all questions to the Credit for Early Action Help Desk at 819-956-6610 or nationwide at 1-866-576-3516.

Written inquiries can be sent to:

Debbie Scharf
Head, Credit for Early Action
Trading Regimes Division
Environment Canada
351 St. Joseph Boul.
Gatineau, Quebec K1A 0H3
Email: cea.cmap@ec.gc.ca
Website: www.ec.gc.ca/cmap-cea

# 5. TIMING

The proposed Program schedule is as follows:

| Activity | Timing |
|---|---|
| Publication of the Phase I submission requirements | June 28, 2008 |
| Deadline for submission of ”Notice of Interest” | July 28, 2008 |
| Deadline for submission of the “Phase I” template | September 5, 2008 |
| Publication of an estimate of the total potential claim on early action budget | October 2008 |
| Consultation on draft “Guidance Manual for Applicants for Early Action Credits” | December 2008 |
| Publication of final “Guidance Manual for Applicants for Early Action Credits” and launch of Phase II | February 2009 |
| Deadline for submission of the Phase II template and verification statement | May 2009 |
| Allocation of early action credits | July 2009 |

# 6. DEFINITIONS

**Allocation** – Determining the total number of credits to be issued to an industrial entity.

**Baseline** – The hypothetical reference case against which the performance of an action will be measured.

**Cancellation** – The final use of a credit for purposes other than complying with the proposed industrial air emissions regulations.

**Carbon dioxide equivalent** – A unit that expresses any greenhouse gas in terms of carbon dioxide, calculated using the mass of a given greenhouse gas multiplied by its global warming potential. In more technical terms it is a unit that expresses the radiative forcing of a mass of a given greenhouse gas in terms of a mass of carbon dioxide with equivalent radiative forcing.

**Emission intensity** – Greenhouse gas emissions per unit of production or output.

**Fixed Process Emissions** – Emissions that are:

1. from chemical processes that produce carbon dioxide emissions and are fixed to production;
2. created in a process where:
    a. carbon that is chemically bound in the raw materials is removed from these materials to produce a carbon-free product (that is, less than 1% carbon by mass);
    b. carbon is used to remove an undesired component from the raw material and where the raw material is not substitutable; or
    c. unintentional oxidation of hydrocarbon feed stocks results from the catalytic conversion of these feedstocks into products; or
    d. carbon dioxide entrained in ethane gas feedstock is removed and released to the atmosphere in order to process the feedstock.

Fixed process emissions do not include the result of:

1. combustion, where combustion is the exothermic reaction of a fuel with gaseous oxygen; or
2. a process that is for the purpose of reducing emissions of air pollutants from the facility; or
3. the release of formation carbon dioxide from the processing of crude oil or natural gas.

**Greenhouse Gas** – A gas emitted to the atmosphere from natural sources and as the result of human activity. Greenhouse gases both absorb and reflect the sun's radiation.

**Issuance** – The deposit of credits into the specified account in the Domestic Credit Tracking System.

**Operator** – The person, or persons, owning or having charge, management or control of a facility.

**Reduction (greenhouse gases)** – A decrease in greenhouse gas emissions released into the atmosphere by a source.

**Retirement** – The transfer of a credit into a retirement account in the Domestic Unit Tracking System in order to comply with a regulatory requirement.

**Verification** – Process for establishing whether a statement or information about greenhouse gas reductions achieved from an action is accurate.

# ANNEX I: NOTICE OF INTEREST

Environment Canada Environnement Canada

**CREDIT FOR EARLY ACTION: NOTICE OF INTEREST**

**IDENTIFICATION**

Company Name: _____

Facility Name: _____

Street Address of Facility: _____

City: _____ Province/Territory: _____ Postal Code: _____

Telephone Number: (with area code) _____ Email (if available): _____

***If different from Street Address***

Mailing Address of Facility: _____

City: _____ Province/Territory: _____ Postal Code: _____

***Provide facility codes (if applicable).*** If not applicable enter N/A.

- Facility Identification Number for Emissions Reporting System: _____
- 6-digit North American Industry Classification System (NAICS) Code: _____
- 4-digit 2002 NAICS Code: _____

Contact Name: _____

Title of Contact: _____

Mailing Address (if different from above): _____

City: _____ Province/Territory: _____ Postal Code: _____

Telephone Number: (with area code) _____ Email (if available): _____

**CERTIFICATION**

I acknowledge that I have read, understood and that I agree to abide by all other terms, conditions, instructions, or notices set out in *Turning the Corner: Canada's Credit for Early Action Program – Final Program Guide.*

I declare that best efforts have been used to develop the estimate provided in this application; and that the remainder of the information that is submitted in or with this application is complete and accurate.

I declare that I am duly authorized to sign this application.

_____ _____

Name (print) Title
(individual or duly authorized representative)

_____ _____

Signature Date of Signature

Provide the information postmarked no later than July 28, 2008 to: 1
Minister of the Environment, to the attention of the Credit for Early Action Program
Place Vincent Massey, 21st floor, 351 Saint-Joseph Boulevard, Gatineau, Quebec K1A 0H3
Telephone: 1-866-576-3516 or 819-956-6610; Fax: 819-997-0449
Email: cea.cmap@ec.gc.ca

Canada

# ANNEX I: (CONTINUED)

**CREDIT FOR EARLY ACTION: NOTICE OF INTEREST**

**SUBMISSION**

**Title for the action**
*Provide a short-title to refer to the action for which you are claiming early action. For example, "fuel switch from natural gas to biomass".*

**Description of the action**
*Provide a short description of the action taken to reduce greenhouse gases. The description should be a few sentences on what the facility upgrades or process changes were. Actions can be aggregated by emission source (e.g. stationary combustion, industrial processes, etc.) and if by industrial processes, by type of industrial activity (e.g. production of metallurgical coke).*

**Identify the greenhouse gases reduced by the action**[1]
*Please check all applicable boxes*

- ☐ Carbon dioxide $CO_2$
- ☐ Methane $CH_4$
- ☐ Nitrous oxide $N_2O$
- ☐ Hydrofluorocarbons (if yes, specify formula(s)) _____
- ☐ Perfluorocarbons (if yes, specify formula(s)) _____
- ☐ Sulphur hexafluoride $SF_6$

[1] For HFCs and PFCs, only those formulas that are on the List of Toxic Substances (Schedule 1) of the *Canadian Environmental Protection Act, 1999* are covered by this Program (see: http://www.ec.gc.ca/ceparegistry/subs_list/Toxicupdate.cfm).

# ANNEX II: PHASE I TEMPLATE

Environment Canada Environnement Canada

**CREDIT FOR EARLY ACTION: PHASE 1 TEMPLATE**

**IDENTIFICATION**
**Please refer to the instruction booklet "Phase 1 Template, Initial Information Submission Instructions" for guidance on how to complete this submission.**

**1. Identification information**

Company Name: _____

Facility Name: _____

Street Address of Facility: _____

City: _____ Province/Territory: _____ Postal Code: _____

Telephone Number: (with area code) _____ Email (if available): _____

***If different from Street Address***

Mailing Address of Facility: _____

City: _____ Province/Territory: _____ Postal Code: _____

***Provide facility codes (if applicable).*** If not applicable enter N/A.

- Facility Identification Number for Emissions Reporting System: _____
- 6-digit North American Industry Classification System (NAICS) Code: _____
- 4-digit 2002 NAICS Code: _____

Contact Name: _____

Title of Contact: _____

Mailing Address (if different from above): _____

City: _____ Province/Territory: _____ Postal Code: _____

Telephone Number: (with area code) _____ Email (if available): _____

Provide the information postmarked no later than September 5, 2008 to:
Minister of the Environment, to the attention of the Credit for Early Action Program
Place Vincent Massey, 21st floor, 351 Saint-Joseph Boulevard, Gatineau, Quebec K1A 0H3
Telephone: 1-866-576-3516 or 819-956-6610; Fax: 819-997-0449
Email: cea.cmap@ec.gc.ca

1

Canada

# ANNEX II: (CONTINUED)

**CERTIFICATION**
**2. Number of schedules attached : _____**
**Schedule Names (provide list)**

I acknowledge that I have read, understood and that I agree to abide by all the terms, conditions, instructions, or notices set out in *Turning the Corner: Canada's Credit for Early Action Program – Final Program Guide.*

I declare that best efforts have been used to develop the estimate provided in this application; and that the remainder of the information that is submitted in or with this application is complete and accurate.

I declare that I am duly authorized to sign this application.

| | |
|---|---|
| Name (print)<br>(individual or duly authorized representative) | Title |
| Signature | Date of Signature |

2

# ANNEX II: (CONTINUED)

**Schedule name:**

**ELIGIBILITY**

**3. Description of the action to reduce greenhouse gases**

**4. Identify the greenhouse gases reduced by the action**[1]
*Please check all applicable boxes*

- ☐ Carbon dioxide $CO_2$
- ☐ Methane $CH_4$
- ☐ Nitrous oxide $N_2O$
- ☐ Hydrofluorocarbons (if yes, specify formula(s)) _____
- ☐ Perfluorocarbons (if yes, specify formula(s)) _____
- ☐ Sulphur hexafluoride $SF_6$

**5. What is the emission source associated with this action?**
*Please check one box only*

- ☐ Stationary combustion
- ☐ Venting
- ☐ Flaring
- ☐ Industrial process (describe process) _____
- ☐ Other (please specify) _____

**6. Indicate the type of facility where action was implemented**

**7. Did the action occur within the facility?**

- ☐ Yes
- ☐ No

**8. Did the action result in a reduction in the facility's greenhouse gases?**

- ☐ Yes
- ☐ No

**9. Are the emissions from or the capacity of the facility in 2006 above the minimum thresholds for your sector?**

- ☐ Yes
- ☐ No

[1] For HFCs and PFCs, only those formulas that are on the List of Toxic Substances (Schedule 1) of the *Canadian Environmental Protection Act, 1999* are covered by this Program (see: http://www.ec.gc.ca/ceparegistry/subs_list/Toxicupdate.cfm).

3

# ANNEX II: (CONTINUED)

**Schedule name:**

**10. Indicate the first full calendar year the initial reductions from the action occurred:** _____

**11. Indicate the first full calendar year for which a claim for early action is being made:** _____

**12. Did the action taken continue from the first full calendar year for which a claim for early action is being made (as specified in question 11) up to and including December 31, 2006?**

☐ Yes
☐ No

**13. Identify which of the following two methods will be used to demonstrate incrementality:**

☐ Method 1: Annual rate of improvement (go to question 16)
☐ Method 2: Provision of evidence (go to question 14)

*Incrementality*

**14. Was the action to reduce greenhouse gases beyond standard improvements generally in line with changes occurring in Canadian industry?**

Was the action part of normal capital stock turnover? ☐ Yes ☐ No

If no, briefly explain

Did the action have a barrier to implementation? ☐ Yes ☐ No

If yes, indicate the type of barrier and briefly explain

☐ Financial: _____
☐ Technology operation and maintenance: _____
☐ Infrastructure: _____
☐ Institutional: _____
☐ Resource availability: _____
☐ Other: _____

# ANNEX II: (CONTINUED)

**Schedule name:**

**15. Was this action to reduce greenhouse gases surplus to all "applicable" federal, provincial or territorial statutes or regulations?**

☐ Yes
☐ No

If yes, estimate what proportion of the claim was surplus to the requirements _____

**16. Was a direct federal, provincial or territorial climate change incentive received? If yes, please provide the name of the incentive program and a description of what was funded.**

☐ Yes
☐ No

If yes,

Indicate name of incentive _____

Describe the type of project funded _____

Estimate of the proportion of the claim that is incremental _____

**17. Was the ownership of the reductions sold or transferred?**

☐ Yes
☐ No

**QUANTIFICATION**

**18. Provide a point estimate of the tonnes of greenhouse gases reduced by this action from the first year of calculation, up to and including 2006.**

*Use a point estimate only, not a range.*

| Greenhouse Gas | Tonnes |
|---|---|
| Carbon dioxide | |
| Methane | |
| Nitrous oxide | |
| Hydrofluorocarbons | |
| Perfluorocarbons | |
| Sulphur hexafluoride | |

Notes (if applicable):

5

# ANNEX II: (CONTINUED)

**Schedule name:**

**19. If you answered yes to either of questions 15 or 16, provide an estimate of the proportion (in percentage terms) of the tonnes of greenhouse gas reductions reported in question 18 that would be eligible.**

**20. What is the source of the quantification approach that you used to quantify your greenhouse gas reductions?** *(please check one box)*

1 ☐ Industry protocol
2 ☐ Environment Canada Sector-specific guidance
3 ☐ US Environmental Protection Agency methodology
4 ☐ Provincial government protocol
5 ☐ Protocol from an international organization
6 ☐ Protocol developed by my facility
7 ☐ Other

If you checked one of boxes 1 through 5, indicate the full reference and go to question 22

If you checked one of box 6 or 7, go to question 21

**21. For protocols developed by your facility or not otherwise available to Environment Canada:**

**a. provide the equation(s) and/or method used to calculate the "baseline emissions" and the "with action emissions".**

**b. Provide any emission factors used and a reference for the source of each emission factor.**

**c. Specify the production metric used to calculate the tonnes of greenhouse gases reduced.**

**22. List any assumptions used in the calculation of the tonnes of greenhouse gases reduced.**

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# ANNEX III: FACILITY DEFINITION

## A ”facility” is any one of the following (#1 through 4):

**1)** a) All buildings, equipment, structures and stationary items that:

1. are located on a single site, or on contiguous sites or adjacent sites;
2. are owned or operated by the same person; and
3. function as a single integrated site.

and

b) is specified in schedules 5 to 9, 11, 12, 14 and 16 to 19 of the December 8, 2007 Section 71 Notice[1]. (The thresholds in the Section 71 Notice do not apply); or

c) is specified in Schedule 13; excluding natural gas distribution facilities; or

d a “natural gas liquids facility” – a type of upstream oil and gas facility that reprocesses or fractionates natural gas liquid inlet into one or more component streams, and or stores those natural gas liquids or component streams.

**Iron Facility**

**2)** A facility that engages in one or more of the following activities

1. the production of metallurgical coke;
2. the sintering of iron-bearing materials to yield material for feeding a blast furnace to produce iron;
3. the production of iron by direct reduction;
4. the production of pig iron in a blast furnace; or
5. the production of thermal energy for use in making metallurgical coke or iron

for all buildings, equipment, structures and stationary items that are involved in these activities and

1. are located on a single site, or on contiguous sites or adjacent sites;
2. are owned or operated by the same person; and
3. function as a single integrated site.

**Steel Facility**

**3)** A facility that engages in one or more of the following activities

1. the production of liquid steel in a basic oxygen furnace (BOF);
2. the production of liquid steel in an electric arc furnace (EAF);
3. the reheating of steel for the purpose of preparing it for rolling into a steel shape in order to be used to manufacture other products; or
4. the production of thermal energy for use in making steel or steel shapes;

[1] “Notice with respect to reporting of information on air pollutants, greenhouse gases and other substances for the 2006 calendar year” found in the Supplement to the Canada Gazette Vol. 141, N o. 49, December 8, 2007.

for all buildings, equipment, structures and stationary items that are involved in these activities and

1. are located on a single site, or on contiguous sites or adjacent sites;
2. are owned or operated by the same person; and
3. function as a single integrated site or

**Ilmenite Facility**
**4)** A facility that engages in one of the following;

1. the smelting of ilmenite ore into titanium slag and iron;
2. the production of titanium slag upgraded using the UGS process;
3. the production of steel from iron obtained from the smelting of ilmenite ore; or
4. the production of thermal energy for use in smelting ilmenite ore into titanium slag and iron, in upgrading titanium slag, or in the production of steel;

for all buildings, equipment, structures and stationary items that are involved in the activities engaged in by the facility specified above and

1. are located on a single site, or on contiguous sites or adjacent sites;
2. are owned or operated by the same person; and
3. function as a single integrated site.