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Policy Regarding

VOLUNTARY PARTICIPATION

in the Output-Based Pricing System



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POLICY REGARDING VOLUNTARY PARTICIPATION IN THE OUTPUT-BASED PRICING SYSTEM

PURPOSE

Under section 172 of the *Greenhouse Gas Pollution Pricing Act* (GGPPA), a person responsible for a facility may request that the facility be designated as a covered facility under the Act. This policy outlines considerations the Minister would take into account when making such a designation. It also outlines the procedures that the person responsible for such facilities is to follow when requesting such a designation. This policy does not apply to facilities that meet the criteria in the *Notice Establishing Criteria Respecting Facilities and Persons and Publishing Measures*¹ (the Notice) issued under section 194 of the GGPPA.

The aim of this policy is to minimize competitiveness and carbon leakage risks from the exposure of a sector to the federal fuel charge (under Part 1 of the GGPPA), while retaining a price signal on carbon pollution that creates an incentive to reduce greenhouse gas emissions.

DEFINITIONS

For the purposes of this policy, facility has the same meaning as under the Notice.

Covered activity means a covered activity listed in section 3 of the Notice.

The date of commissioning means either:

- a) the date on which the facility first produces a product resulting from carrying out a covered activity;
- b) the date on which the facility starts producing a product resulting from carrying out a covered activity after a major retrofit has occurred; or
- c) the date on which a facility resumes producing a product resulting from carrying out a covered activity after an expansion has occurred.

A major retrofit has occurred if the facility has made an investment equal to or greater than 25% of the original capital required for the facility, adjusted for inflation, and the facility no longer carries out a previous covered activity and instead carries out a new covered activity.

An expansion has occurred when a facility has increased its production resulting from carrying out a covered activity by 25% or more.

¹ Available at <http://gazette.gc.ca/rp-pr/p2/2018/2018-10-31/html/sor-dors213-eng.html>

DESIGNATION AS A COVERED FACILITY

EXISTING FACILITIES

1. The facility is located in a province or area set out in Part 2 of Schedule 1 to the GGPPA;
2. The facility is used to carry out any of the covered activities listed in section 3 of the Notice in a province or area set out in Part 2 of Schedule 1 of the GGPPA;
3. A report was made, in accordance with a *Notice with respect to reporting of greenhouse gases* (GHGs) published under section 46 of the *Canadian Environmental Protection Act, 1999*, in respect of that facility indicating that that facility emitted a quantity of greenhouse gases equal to 10 kt of CO₂e or more, as one or more facilities as defined in such a notice, during the 2017 calendar years or after; and
4. A complete application for registration in the Output-based Pricing System is submitted in respect of the facility in the form and manner determined by the Minister. The application must be made by a person responsible for that facility. For the purpose of section 172 of the Act, the organization or individual that is the owner or operator is the person responsible for that facility.

NEW, RETROFITTED OR EXPANDED FACILITY

1. The facility is located in a province or area set out in Part 2 of Schedule 1 to the GGPPA;
2. The facility is used to carry out any of the covered activities listed in section 3 of the Notice in a province or area set out in Part 2 of Schedule 1 of the GGPPA;
3. The facility was not required to report greenhouse gas emissions under a previous *Notice with respect to reporting of greenhouse gases* (GHGs) published under section 46 of the *Canadian Environmental Protection Act, 1999*, and:
 - a) Was first commissioned in the past three years but no earlier than 2017,
 - b) Has undergone a major retrofit in the past three years, or
 - c) Has undergone an expansion in the past three years,

The facility submits as part of its application for registration in the Output-based Pricing System estimates, bearing a valid engineering stamp in accordance with the law of a province or territory that governs the practice of professional engineering, that demonstrate the facility is projected to emit 10 kt of CO₂e or more per year within 3 years from the date of commissioning. Such estimates should be consistent with currently recognized industry practices for the quantification of emissions; and

4. A complete application for registration in the Output-based Pricing System is submitted in respect of the facility in the form and manner determined by the Minister. The application must be made by a person responsible for that facility. For the purpose of section 172 of the Act, the organization or individual that is the owner or operator of the facility is the person responsible for the facility.

TIMING

A responsible person for a facility may request that it be designated as a covered facility at any time. A responsible person for a facility that makes an application under this policy will receive a notification indicating the decision regarding their request to have their facility designated as a covered facility.

This policy may be amended from time to time.