

# New Brunswick's Climate Change Action Plan

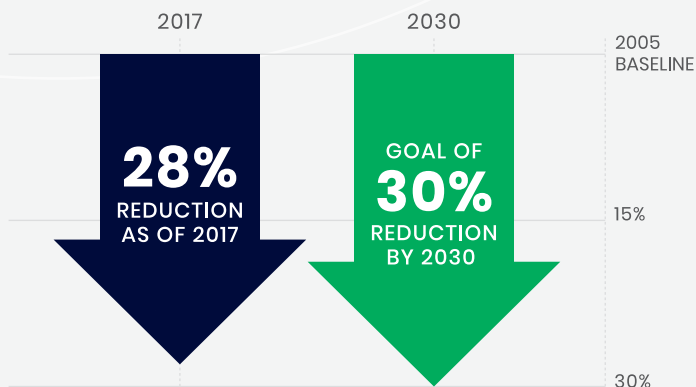


## Made-in-New Brunswick Regulatory Approach for Large Industrial Emitters

The Department of Environment and Local Government is seeking feedback on New Brunswick's proposed approach for the regulation of greenhouse gas (GHG) emissions from the industrial and electricity generation sectors in New Brunswick – a New Brunswick Output-Based Pricing System (OBPS).

**The Government of New Brunswick is committed to being part of the solution on climate change.**

New Brunswick is a leader in greenhouse gas reductions and has already made significant progress towards contributing to Canada's 2030 goal.



On October 23, 2018, the federal government announced it would apply the federal carbon pricing backstop to large industrial emitters, including electricity generation, in New Brunswick.

In response, on December 5, 2018, the Government of New Brunswick announced its intentions to continue the implementation of the Province's Climate Change Action Plan: Transitioning to a Low Carbon Economy, including a commitment to develop a made-in-New Brunswick approach to regulating large industrial emitters as an alternative to the federal government's approach. The federal backstop output-based pricing system does not recognize New Brunswick's unique economic circumstances, including our high trade exposure, and puts the province at a significant disadvantage compared to other jurisdictions that have been allowed to develop their own systems. New Brunswick is best-suited to develop a made-in-New Brunswick approach that will reduce greenhouse gas emissions from industry while addressing the unique circumstances of New Brunswick's industrial sectors.

## Output-Based Pricing System

**The Government of New Brunswick is developing an Output-Based Pricing System for New Brunswick's large industrial emitters, including electricity generators.**

New Brunswick's system will meet the federal government's criteria while at the same time it will recognize New Brunswick's unique economic circumstances; allow for a smoother transition and greater market acceptance; and ensure New Brunswick can still experience the opportunity for economic growth similar to other areas of the country which have been permitted to design their own systems.

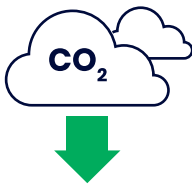


## PERFORMANCE STANDARDS

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**Consistent with what has been proposed and accepted by the federal government in other Canadian jurisdictions, New Brunswick will be implementing performance standards for large industrial emitters, including electricity generation.**

To achieve this, New Brunswick will be amending the *Climate Change Act* to provide the necessary authorities, as well as developing regulations which will apply to facilities that emit more than 50,000 tonnes of greenhouse gas each year. As well, New Brunswick will provide the ability for those facilities emitting greater than 10,000 tonnes of greenhouse gas annually to opt-in.



Performance standards will deliver incremental greenhouse gas emission reductions by obligating regulated emitters to reduce emissions intensity associated with production.

The proposed performance standards for large industrial emitters will achieve a total emissions intensity reduction of 10% by 2030.

The proposed performance standards for electricity generation have been designed to minimize electricity rate impacts on New Brunswickers and deliver greenhouse gas emissions reductions.



## COMPLIANCE OPTIONS

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Facilities that exceed their performance standard will have a compliance obligation. It is anticipated that New Brunswick facilities will be able to choose from a suite of flexible compliance options when meeting their compliance obligations.

**SIMILAR TO OTHER ESTABLISHED OUTPUT-BASED PRICING SYSTEMS, THESE ARE EXPECTED TO INCLUDE:**



Reducing emissions intensity to meet the performance standard.



Contributing to New Brunswick's Climate Change Fund at a rate following the federal price schedule (\$20/tonne in 2019 increasing to \$50/tonne in 2022).



Purchasing performance credits from facilities outperforming performance standards which will be bankable and tradeable.



Purchasing of offset credits.

# KEEPING NEW BRUNSWICK COMPETITIVE

New Brunswick industries are highly trade exposed with the majority of our products being consumed outside the province, largely in the United States. In these export markets, our industry's competitors rarely have a carbon charge and, as a result, any carbon charge that cannot be passed on will need to be absorbed making our companies less competitive. New Brunswick therefore needs a regulatory framework that provides recognition and protection for our businesses that compete in export markets.

New Brunswick is proposing to consider emissions intensity and trade exposure (EITE) when designing performance standards to minimize competitiveness and carbon leakage risk.



## NEXT STEPS



**New Brunswick is intending to have its Output-Based Pricing System in place in 2019 and to have it apply to emissions as of January 1, 2019.**

New Brunswick will continue to refine this proposal through consultation with stakeholders and will work with the federal government to remove New Brunswick from the federal backstop output-based pricing system, so New Brunswick can address industrial emissions under its own program.

