

Compliance Flexibility Policy

Fact Sheet

Principles

- The compliance flexibility policy under the Carbon Competitiveness Incentive Regulation (CCIR) was informed by the following guiding principles:
 - Enable fiscal planning for revenue recycling by reducing volatility and uncertainty in forecasting annual compliance revenue.
 - Maintain a functional and effective credit trading market.
 - Achieve greenhouse gas reductions beyond the regulation.
 - Reduce compliance cost for industry.
 - Encourage investment in greenhouse gas reducing projects and technologies.
 - Draw down current bank of credits.
 - Mitigate impact of banking on fiscal planning over time.
- The credit usage limit of 40 per cent on old and new credits with an additional 20 per cent allowance for new credits will continue for 2020 and 2021.
- In 2022 and forward, the limit will be combined to an overall 60 per cent.
- The table below outlines the credit limit usage breakdown.

	Credit Limit	2018	2019	2020	2021	2022
Limit on Credit Usage	New and Old	40%	40%	40%	40%	60%
	New	10%	15%	20%	20%	

Policy Decision

- For the 2018 compliance period, the use of credits (both Emission Performance Credits and offsets) is limited to 40 per cent of the total compliance obligation for old and new credits, with an additional 10 per cent usage allowance for new credits.
- Old credits are defined as 2016 vintage and earlier; new credits are defined as 2017 and later.
- In the 2019 and 2020 compliance periods, the additional allowance for new credits will increase by five per cent per year to 15 and 20 per cent (respectively).
- Additionally, an expiry period is being introduced to help ensure credits are moving through the system:
 - Credits from 2014 and earlier expire in 2020 (can be last used for 2020 compliance).
 - Credits from 2015 expire in 2021 (can be last used for 2021 compliance).
 - Credits from 2016 expire in 2021 (can be last used for 2021 compliance).
 - New credits from 2017 and forward have an eight-year expiry (2017 vintage credits can be last used for the 2025 compliance period).