Carbon Competitiveness Incentive Regulation

Fact Sheet

Eligibility Threshold

The Carbon Competitiveness Incentive Regulation (CCIR) applies to any facility that has emitted 100,000 tonnes or more of carbon dioxide equivalent (CO_2e) greenhouse gases (GHGs) in 2003 or any subsequent year. This excludes carbon dioxide (CO_2) emissions associated with biomass.

Facility Opt-In

A facility with fewer than 100,000 tonnes of CO_2e GHG emissions per year may be eligible to opt-in to the CCIR if it competes against a facility regulated under the CCIR or has greater than 50,000 tonnes of annual emissions and high emissions intensity and trade exposure.

Benchmarking Methodology

Product-based benchmarks reflect the recommendations of the Climate Change Advisory Panel where possible. For example, the panel recommended stringency based on "good-as-best gas" for electricity, and "top-quartile performance or better" for oil sands in-situ and mining. In all other cases, benchmarks are set at 80 per cent of production-weighted average emissions intensity. Where a whole sector demonstrates risk of carbon leakage, benchmark stringency is lessened to 90 per cent or 100 per cent of production-weighted average until the economic risk is mitigated. If the above methodology results in a sector benchmark that is more stringent than the emissions intensity of the best performing facility, the benchmark will be set to the emissions intensity of that facility – called a "best-in-class benchmark." Some exceptions exist.

Product Versus Facility-Specific Benchmarks

A product benchmark applies to all regulated facilities producing the given product, whereas a facility-specific benchmark applies only to one facility. In general, where there is more than one regulated facility producing a specific product, a product benchmark is established. Where there is only one regulated facility producing a specific product, a facility-specific benchmark is assigned. Facility-specific benchmarks cannot be extended to other existing facilities or new entrants. Under unique circumstances (such as data limitations), interim facility-specific benchmarks are assigned.

Interim Approaches

For the upgrading, natural gas processing, and multi-product chemical sectors, interim facility-specific benchmarks are assigned at 80 per cent of facility average emissions intensity. The Alberta Climate Change Office continues to work with industry to collect the required data, and develop product benchmarks as soon as possible.

Emissions Coverage

The CCIR covers the same gases as the Specified Gas Emitters Regulation (now expired), with the addition of nine gases to align with the United Nations Framework Convention on Climate Change (UNFCCC)[i].

Industrial Process (IP) Emissions: IP emissions are those emissions primarily fixed by chemistry. They will be included in the pricing system and allocated at 100 per cent of facility average for a facility-specific benchmark, or 100 per cent of sector average for an established benchmark. No tightening rate will be applied to IP emissions.

Indirect Emissions: Indirect emissions are emissions associated with electricity, heat, and hydrogen imported by a facility. Indirect emissions are not included in the emissions threshold, but are included in the output-based allocation.

[i] These gases are not in significant use in Alberta.

The CCIR benchmarks include emissions from all intermediate inputs used for production. Exports receive free emissions allowances, subject to product based benchmarks. Emissions associated with imports reduce a facility's free allocation.

Biomass Emissions: Methane and nitrous oxide (N_2O) emissions from either biomass combustion or decomposition are included in CCIR pricing. Biomass carbon dioxide is excluded from CCIR pricing and emissions threshold, but will remain part of reporting requirements for GHG inventory purposes.

Formation Carbon Dioxide Emissions: Formation CO_2 is included, and will count toward a facility's emissions.

Compliance Phase-In Period

The CCIR compliance obligations will phase-in at 50 per cent, 75 per cent and 100 per cent of compliance obligations in 2018 through to 2020, respectively. This is a transition allowance based on historical emissions. The phase-in will also apply to credits generated under the CCIR.

Compliance Flexibility

The CCIR retains flexibility for compliance, including on-site reductions and generation of emissions performance credits, use of credits or offsets, and payment to the Climate Change and Emissions Management Fund. The credit limit usage will be broken down as follows:

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

Additionally, an expiry period is being introduced to help ensure credits are moving through the system:

- Credits from 2014 and earlier expire in 2020
- Credits from 2015 expire in 2021
- Credits from 2016 expire in 2021
- New credits from 2017 and forward have an eight-year expiry

Co-generation

Under the CCIR, facilities with co-generation will receive benchmarks for any heat and/or power exported from the facility. These facilities will benefit from the reduced emissions intensity associated with the combined production of heat and power.

Tightening Rate

Allocations of free emissions will decrease at one per cent annually beginning in 2020 (no tightening rate for 2018 or 2019). The tightening rate will not apply to IP emissions.

Review Period

A full policy review of the CCIR will take place every five years, with the first full review scheduled to be completed by the end of 2022. An interim assessment of the benchmarks will be completed by the end of 2020. New product benchmarks may be established during a review period only.

Emissions Quantification and Reporting

Facilities will follow quantification and reporting standards. Those facilities emitting more than 1,000,000 tonnes of CO_2e per year will be required to submit reports and compliance quarterly, as well as submit annual forecasting reports, while all other facilities will continue to report annually.

Government Assistance to Support Emissions Reductions

Approximately $1.4 billion is available over the next seven years to support industry in the implementation of innovation projects that reduce emissions. Funding will support oil sands innovation, innovation across sectors (including Emissions Reduction Alberta and the Climate Change Innovation and Technology Framework), industrial energy efficiency, bioenergy and green loan guarantees.

Interaction with the Pan Canadian Framework on Clean Growth and Climate Change

Earlier this year, the Government of Canada released the Technical Paper on the Carbon Pricing Backstop that outlined a federal plan to implement an output-based pricing system by 2019 for provinces that do not meet the minimum requirements. The Alberta Climate Change Office continues to work to ensure there are no issues with CCIR equivalency with the federal system. Details of the federal backstop have not been finalized and engagement with the federal government is ongoing. The federal backstop will not apply to Alberta.