

CERCN

Canadian Environmental Regulation and Compliance News

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Government remains committed to Paris Agreement

On June 1, 2017 Canada's Environment and Climate Change Minister, the Honourable Catherine McKenna, released a statement in response to the June decision by the United States to withdraw from the Paris Agreement on Climate Change:

"With or without the United States, the momentum around the Paris Agreement and climate action is unstoppable," McKenna declared.

"While Canada is deeply disappointed that the United States has chosen to withdraw from the Paris Agreement, we remain steadfast in our commitment to work with our global partners to address climate change and promote clean growth...We are proud that last year, we announced the Pan-Canadian Framework on Clean Growth and Climate Change ... in September, Canada will co-host a Ministerial meeting with China and the European Union to move forward on the Paris Agreement...Canada will continue to take a leadership role to tackle climate change at home and abroad."

https://www.canada.ca/en/environment-climate-change/news/2017/06/government_of_canadarespondstotheusdecisiontowithdrawfromthepari.html

'Backstop' legislation will impose carbon pricing across Canada

On May 18, 2017, the federal government announced plans to introduce new legislation to implement a carbon pollution pricing system – the backstop – to be applied in jurisdictions that do not have carbon pricing systems that align with the benchmark.

The backstop will also supplement (or "top-up") systems that do not fully meet the benchmark.

The federal carbon pollution pricing backstop will be composed of two key elements:

- 1) a carbon levy applied to fossil fuels; and
- 2) an output-based pricing system for industrial facilities that emit above a certain threshold.

1) The carbon levy

Under the legislation, fossil fuels that will be subject to the levy include liquid fuels (e.g., gasoline, diesel fuel, and aviation fuel), gaseous fuels (e.g., natural gas) and solid fuels (e.g., coal and coke).

Carbon levy rates will initially be set for the period from 2018 to 2022.

Rates for each fuel subject to the levy will be set such that they are equivalent to \$10 per tonne of carbon dioxide equivalent units (CO₂e0 in 2018 and increase by \$10 per tonne annually to \$50 per tonne in 2022.

The carbon cost will reflect the GHG emission footprint of each fuel type - for example, a \$10 per tonne carbon price is approximately 2.3 cents per litre of gasoline, 2.7 cents per litre of diesel, and 1.5 cents per litre of propane.

In general, the levy will apply to fuels that are used in a backstop jurisdiction, irrespective of whether the fuels were produced in, or brought into, the backstop jurisdiction.

In most cases, the levy will be applied early in the supply chain of each fuel used in a backstop jurisdiction, and will be payable by the producer or distributor.

Fuel producers and certain distributors will be able to acquire and hold fuel without the levy being payable until the fuel is subsequently used by the

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