



December 9, 2009

Meeting Report: Carbon offset system

Background:

- Alberta Environment (AENV) and Climate Change Central (C3) hold regular review and update meetings on the carbon compliance and carbon offset systems.
- On October 30, I attended a stakeholder review session in Edmonton that specifically dealt with the protocol development and review process. Protocols set out the process for creating carbon credits. Approved protocols of interest to agriculture include: afforestation, beef feeding, beef lifecycle, biofuel, biogas, biomass, energy efficiency, pork and tillage management.
- On December 8, I attended an offset workshop in Calgary that provided an annual update of the offset program.

Key Messages:

- C3 operates the carbon offset registry for AENV. As other jurisdictions in Canada and elsewhere develop carbon offset systems they could link to Alberta's enabling inter-jurisdictional trading.
- However, C3 is undergoing a strategic review and there are rumours and concerns that it might get out of the carbon offset management business. For now it is business as usual.
- Alberta has mandatory reporting regulations for facilities with over 100,000 tonnes of emissions per year. This requirement will change in 2011 to cover facilities with over 50,000 tonnes, which means that an additional 40-50 companies will have to report their emissions and take steps to mitigate them like buying offset credits. This probably means more demand for offset credits from farmers.
- Alberta is working with Saskatchewan, BC and Ontario as well as the feds to align their potential offset systems.
- There is some uncertainty around the biofuels protocol for offset credits. The renewable fuels standard continues to evolve and if governments mandate the use of biofuels, they can't be used for offsets. Once something is required by law it is out of the realm of offsets. If zero tillage were required by law, for example, there would be no zero till offset credits.

- In 2007, Alberta companies bought offset credits for 1 million tonnes of carbon.
- In 2008, companies bought credits for 2.7 million tonnes of carbon at 31% of compliance obligations.
- The tillage protocol accounts for about 21% of offsets purchased.
- According to Karen Haugen-Kozyra, the low till protocol produces negligible carbon so isn't too useful. The zero till protocol yields 0.08 tonnes of carbon per acre – not much but it is cumulative to 2002 so it can add up. At around \$10 per tonne of carbon for offsets that's around \$4 per acre for five years of credits.
- In the 2007-08 compliance cycle, the large emitters had an obligation to reduce their emissions by 12 million tonnes – they achieved a 10 million tonne reduction.
- Companies paid \$43 million into the Climate Change Emissions Fund (rather than buy offset credits or take steps to reduce their GHG emissions).
- For every \$15 paid into the Emissions Fund, a credit of 1 tonne reduction of CO₂ is obtained. This is the effective price of carbon in Alberta.
- I spoke with Tom Goddard at Alberta Agriculture who said the \$15 price is half of what it should be in relation to international standards; the Alberta government is being encouraged to raise the price. (the market price for offset credits is around \$10 as noted above to account in part for the business risks in buying credits).
- A higher price for carbon would encourage facilities to buy more offsets stimulating a more robust carbon offset market.
- AENV is working on increasing the quality of project verification to make sure that carbon reductions are actually occurring.
- There is no regulation of verifiers or aggregators in Alberta so it is buyer beware for farmers and others selling credits and for companies buying credits.
- Ownership of carbon credits must be set out in lease agreements where farmers lease land.