



Reform the Strategic Assessment on Climate Change to Permit the Purchase of Global Offsets and Fit with Industry-specific Standards

DESCRIPTION

While the Strategic Assessment on Climate Change (SACC) seeks to provide a set of tools to the Impact Assessment Act, it only adds additional barriers to any entity seeking to pass a project in Canada under its current iteration. The SACC would be better served if the document allowed Canadian-based projects to account for the offsets they create and purchase global offsets where other regions or countries have monetized them.

BACKGROUND

The strategic assessment of climate change will enable consistent, predictable, efficient, and transparent consideration of climate change throughout the impact assessment process. It describes the climate change-related information requirements throughout the federal impact assessment process and requires proponents of projects with a lifetime beyond 2050 to provide a credible plan to achieve net-zero emissions by 2050. It also explains how the Impact Assessment Agency of Canada (IAAC) or lifecycle regulators, with support from expert federal authorities, will review, comment on and complement this information. Environment and Climate Change Canada (ECCC) plans to review and update the strategic assessment of climate change every five years.

The SACC applies to designated projects under the Impact Assessment Act (IAA). The principles and objectives underlying the strategic assessment of climate change will be built into guidance for reviewing non-designated projects on federal lands and outside Canada under the IAA. Advice for projects regulated by the Canada Energy Regulator (CER) will similarly consider the principles and objectives of the strategic assessment of climate change. The strategic assessment of climate change may also apply to other federal lifecycle regulators' environmental reviews and be used in regional assessments.

Despite a slow two-year process, the 2020 SACC marks the end of a democratic process that began in July 2018 with the release of a discussion paper, followed by terms of reference for the SACC in March 2019, which led to the revised revision October 2020 version adopted today.

In contrast to the draft SACC, the final one includes further detail and several significant changes regarding offset credits in the IAA regime. An essential requirement in the SACC is that credits must be "obtained from a project registered in a Canadian regulatory offset program that aligns with best practices outlined in the Canadian Council of Ministers of the Environment Pan-Canadian Offsets Framework." A reasonably clear methodology for generating, using, and calculating offset credits should have been provided by this document clearly and transparently. As one would expect, the SACC explicitly requires the verification of offset credits "to a reasonable level of assurance." Furthermore, the SACC specifies that credits cannot be older than five years and must be issued on the basis that the GHG reductions and removals have already occurred. In addition to establishing parameters on where credits

come from, the SACC also explicitly mentions the connection between the Paris Agreement and the IAA regime.

Specifically, the guidance indicates that offset credits must be sourced from offset projects within Canada unless the offsets "fully comply with rules for Internationally Transferred Mitigation Outcomes (ITMOs) established under Article 6 of the Paris Agreement, and applicable decisions adopted by the Conference of the Parties" and any further criteria developed by Environment and Climate Change Canada. There is a critical need for a clear link between IAA rules and Paris Agreement rules, and this section fills some of that gap. In summary, it prevents double counting. Despite the need for further clarification of the Article 6 rules as the guidelines for IAA applications are finalized, this is a welcome clarification in the SACC.

Carbon offsets and Social Cost of Carbon (SCC) are widely acknowledged as imperfect, though there are varying degrees and threads of critique. In general, most criticisms are centred on the assertion that SCC is too uncertain to be used in government decision-making. More specifically, these critiques point to uncertainty in modelling parameters, lack of transparency in modelling practices, inadequate representation of climate damages, inadequate representation of catastrophic events, uneven capturing of inter-sector and inter-regional interactions, imperfect substitutability of environmental amenities (i.e. assumption that natural system losses can be compensated with non-climate goods), and expression of SCC as global value (as opposed to using just domestic values).

Under the draft SACC, only projects with potential impacts on sinks and net and upstream GHG emissions above the 500 kt threshold were required to explain how the project may impact global GHG emission reductions and Canada's efforts to reduce GHG emissions. This is another example of the SACC generally moving away from using the rigid 500 kt threshold that was prominent in the draft SACC.

One problematic dimension persists, the invitation for proponents to discuss how a project "may displace emissions internationally." On the one hand, this creates dissonance by scoping out analysis of downstream emissions while, on the other hand, providing a basis for a proponent to cherry-pick data about a project's downstream impacts. For a proponent to comment on the displacement of emissions internationally, they must engage in some degree of downstream emissions analysis for their own products' emissions and concerning the other jurisdiction's emissions. Further, given that this part of the SACC is framed as optional. The core requirement of the guidance here is neutrally phrased to require "a discussion on how the project could impact global GHG emissions." Given that articulation of the provision, one would hope that the IAAC will apply this part of the requirement equally to projects that do and do not have the potential to displace emissions internationally, notwithstanding the tilted nature of the framing in the SACC.

Of further concern is the current language around reviewing the document every five years. How projects will be impacted as the government approaches the designated five-year review and benchmarking changes may unintentionally lead to rigorous and radical change to projects already in the queue or submitted near the five-year review mark.

The Federal Government has taken a step in the right direction in drafting and adopting policies that seek to mitigate climate change, but they must also consider the benefits that Canadian-based projects may have on the global scale. We urge the government to look at high-quality standards and thus high-quality credits and ensure these projects do not lead to double-dipping on the purchase of offset credits (i.e.

fuel cells). By adequately registering, monitoring, and retiring these credits, these credits recipients are not double-dipped, bringing those offsets down under a false pretense.

RECOMMENDATIONS

That the Government of Canada:

1. Reform the Strategic Assessment on Climate Change to allow for the purchase of international offsets and account for net-zero offsets derived from the project to be applied to the total emissions from the said project provided they meet current Canadian requirements.
2. Clearly define how projects will be impacted as the government approaches the designated five-year review and benchmark what changes may be applied to avoid a more rigorous and radical change to projects already in the queue or submitted near the five-year review mark.
3. Work with provinces and territories to ensure GHG emissions are based on industry circumstances, scientifically supported, and published in the short term.
4. Improve transparency and access to GHG emission data to help identify gaps and research funding priorities while ensuring actions on the ground are informed with the best available information.

COMMENTS

ENDORSEMENTS

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Co-sponsored by:

Other Co-sponsors:

ⁱ Articles refereced:

<https://www.canada.ca/en/services/environment/conservation/assessments/strategic-assessments/climate-change.html>

<https://ablawg.ca/2020/08/10/final-strategic-assessment-on-climate-change-zero-net-effect/>