

the forecast

Building a greener tomorrow: An update on federal
and provincial climate change reporting regulations

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Climate change has evolved from a compliance issue to one of strategic importance as organizations confront financial, operational, regulatory and reputational risks. Forward-thinking executives prepare their companies by gaining a full understanding of the value at stake and developing strategies aligned with core business objectives. However, although the number of organizations reporting greenhouse gas (GHG) emissions and adopting reduction initiatives is increasing significantly, many organizations have yet to take action, putting stakeholders at risk. Higher costs for energy and regulatory compliance, loss of investor confidence and consumer loyalty pose significant threats.

Leading organizations on climate change drive energy efficiency and continuous improvement in their business processes. As they move forward with activities, untapped potential is discovered both within and outside the organization, including leveraging resources to gain leading market positions, high marks from investors and healthy growth in profits and global standing.

Regulatory pressures are also increasing in North America, as a patchwork of systems is emerging across the United States and Canada, both at the federal and provincial/state levels.

The Canadian federal government recently updated the Facility GHG Reporting Regulations (applicable to 2009 GHG information to be reported in 2010) to lower the reporting threshold for organizations from 100,000 tonnes CO₂e to 50,000 tonnes CO₂e, and split two reporting categories used in previous years' reporting (i.e. Venting and Flaring, and Waste water) into separate categories.

On a provincial level, British Columbia, Ontario, Manitoba and Quebec have all joined the Western Climate Initiative (WCI), a collaboration of independent jurisdictions working together to identify, evaluate and implement policies to tackle climate change at a regional level. As such, the WCI jurisdictions in both Canada and the United States are recommending a broad cap-and-trade program, an important component of their comprehensive regional effort to reduce GHG emissions by 15% below 2005 levels by 2020.

We outline below the current reporting requirements within Alberta, British Columbia, Ontario and Quebec, and how we can help your organization develop a robust reporting strategy and work towards implementing strategies to reduce GHG emissions.

Alberta

Alberta climate change regulations under the Climate Change and Emissions Act came into effect in 2007 requiring all facilities in Alberta emitting over 100,000 tonnes of carbon dioxide equivalent (CO₂e) per year to reduce their emissions intensity by 12% below their 2003-2005 baseline emissions intensity. Large final emitters are also required to have their annual GHG emission inventory verified by a third party auditor. Alberta is the first jurisdiction in North America to create a multi-sector regulatory-based demand for carbon reductions.

Since the Alberta regulation has been in effect, many organizations have had the opportunity to learn and determine where improvements can be made in their GHG reporting processes. These improvements include the implementation of data management systems, facilitating the complete and accurate capture and reporting of information for GHG emissions. To date, these new systems have been

shown to significantly reduce the reliance on spreadsheet-based systems, improve the reliance of GHG information and allow for sufficient and appropriate evidence to enable efficient and inexpensive verification.

However, the changes to the federal regulations will likely require some facilities that have not had to report in the past to respond as part of the lower threshold.

British Columbia

In late 2009, the Government of British Columbia announced that the Reporting Regulation under the British Columbia Greenhouse Gas Reduction (Cap-and-Trade) Act would come into effect on January 1, 2010. This new regulation requires all facilities in British Columbia that emit over 10,000 tonnes CO₂e of GHGs annually to publically report their emissions, and for those facilities emitting over 25,000 tonnes CO₂e of GHGs in a calendar year to have their report verified by an independent third party. There are also requirements to report emissions of over 20,000 tonnes CO₂e of GHGs for the years 2006 to 2009 inclusive. This regulation follows on the heels of a broad-based revenue-neutral carbon tax on the purchase of fossil fuels, and will help establish the WCI regulations within BC to implement a market-based, multi-sector cap-and-trade system to reduce GHGs.

The Ministry of Environment estimates that there are approximately 180 to 200 organizations that will be required to report under these regulations and approximately 80 to 100 organizations that will require verification, from a variety of industry sectors. Financial level data controls and data audit trails will be needed at the facility level to ensure that a robust data gathering and reporting process is in place to help meet these new regulatory requirements.



Ontario

In Ontario, the legislature passed the Environmental Protection Amendment Act (Greenhouse Gas Emissions Trading), the foundation for a cap-and-trade mechanism that allows Ontario to link with any other North American cap-and-trade systems. Under the Act, the Ontario Government subsequently released its final mandatory GHG reporting regulation (O.Reg 452/09) in December 2009—the first step towards the implementation of the proposed cap-and-trade program and to help ensure GHG reductions.

The Ontario Ministry of Environment reports that 200 to 300 facilities in Ontario will likely be affected by O.Reg 452/09. The targeted sectors range from cement manufacturing to electricity generation and cogeneration to pulp and paper manufacturing. Under the regulation, facilities emitting 25,000 tonnes of CO₂e or more per year are required to report their GHG emissions data annually, starting with 2010 emissions. In addition to this reporting requirement, facilities are required to obtain third party verification of their reported annual GHG emissions in accordance with ISO 14064 and 14065 standards beginning with their 2011 reported GHG emissions.

At this stage, Ontario facilities will need to assess the impacts that the regulations will have on their reporting requirements and business operations and begin to develop a reporting strategy.

Quebec

In May 2009, Quebec unveiled their latest target to reduce GHG emissions by 6% below 1990 levels by 2012, and 20% below 1990 levels by the year 2020 (Bill 42). To meet their targets, the Quebec government is specifically looking to reduce its GHG emissions in the area of transportation, which currently accounts for 40% of the province's emissions. To do so, Quebec recently introduced a GHG emission standard for light-duty vehicles, equivalent to the California standards. Industry ranks second among the province's largest emitters, and the government is currently identifying its targeted sectors.

Since 2007, every operator of a Quebec enterprise, facility or establishment that emits GHGs at a level equal to or greater than 100,000 tonnes of CO₂e must report emissions. Beginning in 2011, given Quebec's partner status with the WCI, it is expected that organizations emitting 10,000 tonnes of CO₂e will be required to report these emissions. It is further expected that this partnership will result in the Quebec government introducing a GHG cap-and-trade system requiring facilities emitting 25,000 tonnes of CO₂e or more per year to report their GHG emissions data annually, starting with 2012 emissions. In addition to this reporting requirement, it is expected that facilities will be required to obtain third party verification of their reported annual GHG emissions beginning with their 2012 GHG emissions.

Conclusion

Many facilities may not be aware of their federal and/or provincial GHG emissions reporting obligations as the threshold for reporting has recently changed. The only way to be sure is to calculate your current GHG emissions. By starting now to establish the policies, procedures and programs required to effectively measure and report on GHG emissions within your operations, you will be able to assess whether your organization is in compliance with any reporting requirements and ready to meet independent third party verification requirements.

Preparing for these reporting regulations will also enable your business to maximize opportunities and minimize risks. Measuring and reporting on your GHG emissions will allow you to more thoroughly understand the energy consumed in all aspects of your operations. This will provide you with the opportunity to not only understand where energy is being consumed, but to review your current practices and operations to become more efficient and reduce energy costs overall.

We have covered recent federal and provincial climate change regulations in this issue of the forecast. Securities regulators are also requiring increased disclosure about climate change risks. Both the Securities Exchange Commission (SEC) and the Ontario Securities Commission (OSC) have announced interpretations and further guidance on climate change disclosures. These recent releases have ramifications for both publicly traded companies and privately owned companies. We will have more about these requirements and their effect on you in a later publication.

How PwC can help

PricewaterhouseCoopers' national Climate Change team specializes in helping organizations calculate and verify their GHG emissions inventories. We use an established, internationally recognized verification methodology to provide a consistent approach to any verification. Drawing upon our vast experience over the last decade, we can assist you and your organization in understanding your reporting requirements, preparing for third party verification and identifying efficient and effective ways in which to manage and/or offset your GHG emissions.

We specialize in climate change services that include assessment of GHG data management systems, pre-verification, and documentation of GHG inventories and processes. Of particular relevance to the new reporting regulations across Canada is our ability to assist clients with collating relevant GHG information for their facilities and in conducting GHG verifications. With over 10 years of experience, we are one of the most experienced independent GHG verifiers in Canada.

- We have extensive experience in third party assurance of GHG data and data management systems. Our approach is consistent with ISO 14064-3 Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions, ISO 14065 Requirements for GHG validation and verification bodies and with financial assurance processes, such as the Canadian Institute for Chartered Accountants (CICA) Standard for Assurance – section 5025 and the International Standard on Assurance Engagements (ISAE) 3000.
- Our previous work with Natural Resources Canada and other private sector GHG emitters in North America has provided us with in-depth knowledge of the specific issues related to identifying, quantifying, monitoring and auditing GHG emissions, both within Canada and throughout the world, and will allow us to bring this experience to bear on an audit of GHG emissions.
- We have extensive experience in helping our clients establish GHG data management systems and controls to meet emerging international best practices. We have advised our clients not only on the design and implementation of data gathering and reporting systems, but we go further and test the adequacy of their controls over the data.
- PwC has internal firm policies requiring independence that must be agreed to in writing annually by every member of our staff. These policies address any real or perceived questions about conflict of interest and independence, and make it clear that we are independent of our assurance clients and that we do not perform management functions for clients.

We conduct our GHG audits with a team that is comprised of chartered accountants, professional engineers, professional auditors and other scientists. Our working style is collaborative, and our brand and reputation will provide additional credibility to the audit and assist you in responding to any external inquiries. We believe that GHG auditing is a collaborative effort because we have the same goal of providing complete and accurate information.

Who to call

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