

# **North American Carbon Pricing: Challenges to Coordination**

**Regional Perspectives on the Implementation of  
Carbon Pricing Instruments**

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# Outline

- Carbon pricing in Canada
- Carbon pricing in Mexico
- Carbon pricing in the United States
- Existing coordination
- Potential domestic coordination
- Potential international coordination
- Conclusions

# Carbon Pricing in Canada

Carbon pricing in place, being implemented or being revised in Alberta, B.C., Ontario, Quebec

Agreement to jointly develop a pan-Canadian framework to address GHG emissions in October

B.C. tax phased-in during 2008-12 to C\$30/tCO<sub>2</sub> then frozen for 5 years. Intensity targets with trading, offsets or C\$25 technology charge for new LNG and power plants. Task force recommended C\$10 per year increase from 2018, but no political decision yet.

# Carbon Pricing in Canada

Alberta is implementing a carbon levy on fossil fuels at C\$20/tCO<sub>2</sub> in 2017 and C\$30 in 2018.

Intensity targets for large emitters with trading, offsets, or C\$30 technology charge as of 2017.

Quebec has implemented cap-and-trade system linked with California. Compliance periods 2013-15, 2016-18 and 2018-20. Declining cap and rising floor price.

Ontario will implement cap-and-trade beginning 2017, plans to link with Quebec-California.

# Carbon Pricing in Mexico

Tax of MXN 39.30 (US\$3.50)/tCO<sub>2</sub> on fossil fuels except natural gas, capped at 3% of fuel price.

CERs from Mexican CDM projects are a compliance option. Operational?

Sources with annual emissions > 25 ktCO<sub>2</sub>e must report, emissions trading possible from 2018

# Carbon Pricing in the U.S.

RGGI cap-and-trade system for electricity emissions in 9 NE states. Declining cap and rising floor price to 2020.

California cap-and-trade system with declining cap and rising floor price to 2020. Legal challenges and post-2020 status uncertain.

EPA Clean Power Plan for electricity emissions would allow cap-and-trade compliance option. Implementation on hold pending legal challenges.

Trading being considered in Washington, Oregon

# Existing Coordination

California-Quebec link only existing coordination

Planned extension to Ontario, possibly Manitoba

Designs and taxes similar in Alberta and BC but no coordination (e.g., shared offset credits)

No coordination in the US; California price about 3x RGGI price. Washington proposal to allow use of RGGI (and other) units, provoked discussion on how to prevent this.

# Potential Domestic Coordination

Canada likely to agree to single/multiple tax and/or trading systems in October to cover most emissions. Extent of coordination unclear.

Likely coordination between Mexican carbon tax, offsets and possible trading system unknown.

Implementation of Clean Power Plan in the US likely would lead to expansion of RGGI and/or new systems covering (groups of) states.

In all countries coordination unlikely until 2020

# Potential International Coordination

Three Amigos likely to support coordination to address climate change; specifics on carbon pricing coordination unlikely

Direct international coordination of taxes very difficult. Only a few possible partners in NA

Direct international links of trading systems possible (California-Quebec) but may conflict with international NDC accounting

Links via Article 6 easier for trading but possible for taxes. Access for state systems in US?

# Summary

Carbon pricing policies in flux in all NA countries

Direct international coordination exists but may not last for domestic reasons and compatibility with NDC accounting post 2020

Work on design of Article 6 mechanisms for international coordination just starting. Might be the best channel for international coordination

Political desire to cooperate on climate change may focus on other policies such as standards

Thank you!

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