

Bill 19: *Technology Innovation and Emissions Reduction Implementation Act*

Date: October 29, 2019

Background

The Honourable Jason Nixon, Minister of Environment and Parks and House Leader, introduced Bill 19, the [*Technology Innovation and Emissions Reductions Implementation Act, 2019*](#), on October 29, 2019. Bill 19 will create the Technology, Innovation and Emission Reduction (“TIER”) Fund, which is intended to be in operation on January 1, 2020.

During the 2019 provincial election, the United Conservative Party (“UCP”) campaigned on eliminating Alberta’s provincial consumer carbon tax, which was achieved through Bill 1 *An Act to Repeal the Carbon Tax*, which was passed and received royal assent on May 31, 2019. The TIER system will replace the provincial carbon tax to encourage large industrial emitters to reduce emissions and become more efficient.

Summary

On January 1, 2020, the Government of Canada will implement a federal fuel charge on fossil fuels used in Alberta under the *Greenhouse Gas Pollution Pricing Act* (“GGPPA”). The new TIER Regulation is also to be implemented on January 1, 2020, replacing the current Carbon Competitiveness Incentive Regulation (“CCIR”). Provisions within the GGPPA allow facilities to be exempt from the fuel charge if they are regulated under a provincial policy that meets the federal criteria. The TIER system is intended to do so, under the premise that large emitters will have to reduce or offset their emissions, trade emissions credits, or pay into the TIER Fund at \$30 per tonne of carbon dioxide. This differs slightly from the \$20 per tonne commitment made in the UCP’s platform. The Government of Alberta is currently working with the Government of Canada to facilitate the exemption process once a federal decision is made on the TIER system.

The regulation will apply to facilities that emit 100,000 tonnes or more per year of carbon dioxide in 2016, or any subsequent years. These facilities will need to reduce their emissions by 10 per cent in 2020, and by an additional 1 percent every year following.

Conventional Oil and Gas

- Conventional oil and gas facilities below the 100,000 tonnes threshold may opt-in to be regulated by TIER if they compete against facilities regulated by TIER, or if they emit 10,000 tonnes of carbon dioxide or more per year and are in a sector with high emissions intensity and trade exposure

- An owner of two or more facilities may apply to have them regulated under TIER as an aggregate facility. This will streamline the reporting and compliance process and simplify administrative requirements of TIER

Compliance Cost Containment Program

- Facility owners may be eligible for economic relief under the Compliance Cost Containment Program if their TIER compliance costs exceed 3 percent of sales or 10 percent of profits.

Reporting

- All facilities will be required to submit an annual compliance report by June 30th of the following year
- Forecasting documents will also be required of facilities that have had emissions of 1 million tonnes of carbon dioxide or more per year.

Analysis

In initiating the TIER Fund, the UCP is following through on a high-profile campaign promise. An element of this campaign promise was for the government to conduct consultations with industry leaders on how best to structure and implement the TIER system, which occurred from July to September 2019.

Within the recent provincial budget, TIER is estimated to bring \$1.9 billion in revenue over the next four years. Of this, \$672 million will be put towards deficit reduction, \$80 million will be to support the Canadian Energy Centre (formally known as the Energy War Room), and \$1.2 billion will fund emissions reduction and innovation.

The language used by the government when discussing the goals of the TIER program highlights being “good-as-best-gas” in terms of emissions standards in comparison to other jurisdictions. High-performing facilities will be rewarded through government assistance in cost-reduction or in emissions credits. Emissions credits will also be rewarded to facilities that beat their TEIR emissions-reduction target for their future use or to be sold to other facilities.

The TIER program is designed to meet federal carbon emissions criteria so that a federal carbon tax is not imposed on Alberta. However, there is some uncertainty about the federal government’s involvement in provincial carbon emissions due to factors such as court challenges and proposed provincial solutions like TIER. The federal Liberal government also campaigned on Canada having net-zero emissions by 2050, which will entail new carbon reducing measures. How all the different measures and programs will interact is still to be determined and may continue to be impacted by decisions made outside of the UCP’s control.