



CAP-AND-TRADE Highlights

- Ontario to introduce a cap-and-trade program effective January 1, 2017
- Under the program, the Ontario government is expected to generate proceeds in excess of \$1.8 billion through the sale of carbon allowances
- The program is expected to increase Ontario fuel prices
- The Ontario program will link up with existing cap-and-trade programs in Quebec and California under the Western Climate Initiative

How it works?

- Ontario is expected to set a aggregate cap on emissions
- The cap equates to the total number of carbon allowances that will be sold though an auction or issued free-of-charge by the province, with one allowance being equal to one tonne of emissions
- Emitters will be required to obtain sufficient allowances to cover their emissions in a given compliance period
- The first compliance period is scheduled to run until December 31, 2020
- Following the end of a given compliance period, each emitter must submit a number of allowances equal to their total emissions
- If a company does not emit as much as their cap, they are able to sell their excess allowances, but cannot return unused allowances back to the government
- Companies may also invest in offset measures which count towards a certain percentage of their allowance requirements

Expected Ontario Costs¹

	2017	2030
Expected Cost per Tonne of Carbon	\$18	\$95
Impact on Gasoline Prices per litre	+4.3 cents	+22.69 cents per litre
Impact on Natural Gas Prices per m ³	+ 3.3 cents per m ³	+ 17.4 cents per m ³
~Annual Cost for Consumers	\$120	\$630
~Annual Cost for Small Manufacturers	\$136,000	\$720,000

¹ These are initial cost estimates only and contain certain assumptions based on publically available information

Use of Proceeds

- The proceeds generated from the sale of allowances will fund various initiatives that balance emissions reduction and economic growth
- Investments are expected to be focused towards improving efficiencies within the infrastructure and transportation sectors

Allocation of Allowances

- Many large emitters will receive free allowance allocation until 2020
- Free allocation will be provided to competitively sensitive industries such as cement, lime and steel
- Small and medium sized emitters will be required to purchase allowances
- Allowances will be issued through government run auctions in which a regulated floor price is set
- The costs of purchasing allowances is expected to be passed down onto consumers initially, typically in the form of higher energy prices

Who is Captured?

- Mandatory participation for emitters of at least 25,000 tonnes of CO₂e annually
- Voluntary opt-in for emitters of between 10,000 and 25,000 tonnes CO₂e annually