

Feedback on potential changes under consideration for the final Clean Electricity Regulations

Throughout its 54-year history, the Conservation Council of New Brunswick (CCNB) has strived to increase awareness of environmental issues and advocate for solutions by conducting research, educating the public, and implementing interventions. We at the CCNB are committed to promoting socially, environmentally, and economically responsible solutions.

As part of our climate solutions program, we aim to identify strategies to achieve net-zero emissions in the electricity and energy sectors, hence our participation in the Clean Electricity Regulations (CER) process.

We commend the effort put into the updated CER release and appreciate the closure of certain loopholes. Nevertheless, we have remaining concerns about the possibility of weakening the regulatory standards.

It is important to step back and look at Canada's overall targets and goals to ensure that new policies remain consistent with past and prospective commitments. Like many other countries, the Government of Canada has committed to a net-zero [economy by 2050](#). Despite numerous efforts, according to the [Independent Auditor's Report on Canadian Net-Zero Emissions Accountability Act—2030 Emissions Reduction Plan](#), the federal government is not on track to meet the 2030 target to reduce greenhouse gas (GHG) emissions by at least 40 per cent below the 2005 level by 2030. With Canada failing to meet its climate commitments, it is concerning to see the federal government considering weakening the CER rather than strengthening it.

Change to an emissions limit approach, but keeping a strong standard

The proposed change to the regulation involves transitioning from a uniform emissions intensity standard for all units to individualized annual emissions limits based on each unit's capacity. The emissions limit approach is practical, allows for the pooling of

emissions for parties owning multiple units, and removes the need for peaker provisions. However, the performance standard in the new approach must stay stringent.

The initial draft of the CER established an emission intensity of 30 tonnes of CO₂ per GWh of electricity produced (t/GWh). However, in the [CER public update](#), it was noted that this standard might not be feasible for most units equipped with carbon capture and storage (CCS).

For many years, the industry has claimed [CCS as a viable technology](#) to mitigate emissions from Canada's oil and gas production. As the country struggles with reducing its carbon footprint, industry representatives have consistently promoted CCS as the primary solution for curbing emissions in this sector. However, when faced with calls from regulatory bodies like the Canada Energy Regulator to commit to implementing CCS technologies, industry players are now backpedaling, citing the [technology's lack of readiness](#).

Presently, seven CCS projects are operational in Canada, primarily within the oil and gas sector, capturing a [mere 0.5 per cent of the nation's emissions](#). Moreover, the implementation of CCS in oil and gas production fails to address emissions stemming from downstream uses of these fossil fuels, offering only a partial solution to the overarching emissions dilemma. Notably, captured carbon is predominantly used for enhanced oil recovery, facilitating further extraction rather than serving as a genuine means of emission reduction.

Despite industry pressure to invest in CCS as a pivotal emission reduction strategy, it remains a contentious issue, fraught with uncertainty and skepticism. Many argue that allocating significant resources to [CCS represents a risky venture for taxpayers](#), especially considering the considerable opportunity cost it entails by diverting attention and funding away from more immediate, cost-effective solutions. As the debate surrounding CCS continues to intensify, policymakers face the daunting task of navigating conflicting interests while striving to chart a sustainable path toward decarbonization in Canada's oil and gas industry.

Therefore, it is critical to keep a strong performance standard between 30-40 t/GWh. The CER alone is not enough to ensure Canada reaches a net-zero electricity grid by 2035, and further weakening of this performance standard would undermine the CER and Canada's climate goals.

Strong policies and clear goals can act as catalysts for technological breakthroughs. When governments set ambitious targets for reducing emissions or achieving

sustainability, it creates a framework that encourages innovation. Companies and researchers are motivated to develop new technologies and solutions to meet these goals. Additionally, robust policies provide certainty and incentives for investment in research and development. As a result, we often see advancements in clean energy, efficiency, and other areas that might not have occurred without the impetus provided by ambitious policy objectives.

Concerns about offsets need to be addressed

The [CER update](#) offsets mechanisms state offsets were added to enable a unit to operate over its annual emissions limit by a *limited amount*, provided it remits eligible GHG offsets for the excess emissions.

There's a balance to consider between using offsets and having strong performance regulations. To keep these regulations strong, industries that aim to meet emission limits through methods like carbon capture should pay for any extra carbon they release into the air. However, this should only apply to facilities that genuinely try to lower their emissions. Facilities that have not made any improvements or tried to reduce their carbon output shouldn't have the option to buy offsets. The "*limited amount*" on offsets, set by the CER, should be strict enough to tell the difference between companies trying to meet the standard and those that are not. For example, if the performance standard is 40 t/GWh, the limit for payable offsets should be up to 60 t/GWh. There should also be clear consequences for industries that exceed this set limit.

It is of utmost importance that any offset mechanism seamlessly integrates with existing carbon pricing frameworks. Creating a new credit market distinct from established mechanisms risks undermining the efficacy of carbon pricing efforts. The offset system must align with past practices to ensure coherence and effectiveness in driving emission reductions. Failure to do so could result in a fragmented approach to carbon mitigation, rendering the offsets meaningless in the broader context of climate action. Therefore, harmonizing the offset system with past carbon pricing mechanisms is essential to maintain continuity and maximize the impact of emission reduction strategies.

Twenty-year end of prescribed life is generous

During the regulatory development process, stakeholders have raised considerations regarding the significance of the "end of prescribed life" (EoPL) provision in allowing recently commissioned gas units to recover construction investments. However, recent analysis suggests that natural gas units constructed in this century typically achieve a payback period of [8.5 to 15 years](#). This relatively short time frame indicates that

eliminating the EoPL provision and mandating all units to comply with emissions performance standards by 2035 poses no significant risk of cost burdens being transferred to consumers.

Extending the EoPL beyond 20 years lacks compelling justification, particularly considering investments made without adequate regard for the global momentum toward decarbonization. The [International Energy Agency](#)'s call for a net-zero grid by 2035 in Organisation for Economic Co-operation and Development countries, coupled with evidence supporting the financial viability of natural gas power investments within the existing 20-year EoPL timeframe, reinforces this viewpoint.

Removing this provision not only curtails residual emissions on the grid by 2035 but also enables additional emissions reductions in the interim period until 2044, the final year when grandfathered units could emit freely under current regulations. Such actions align with the objectives outlined by organizations like the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), contributing to more substantial progress toward global climate goals.

The EoPL should either be removed from the regulations or kept at 20 years. Increasing the EoPL beyond 20 years would only undermine Canada's climate commitments. For instance, increasing the EoPL to 30 years would mean fossil fuel plants could operate outside of the CER framework up until 2055, which is unreasonable considering Canada is aiming to not only have a net-zero grid by 2035 but a net-zero economy by 2050.

Biomass for electricity generation should be regulated under the CER

The current regulatory framework of the CER has overlooked a crucial aspect concerning the treatment of biomass within the electricity generation sector. The regulations, as they stand, exempt emissions from biomass from being counted towards a unit's annual electricity generation emissions. This exclusion is grounded in the United Nations Framework Convention on Climate Change reporting guidelines, categorizing biomass emissions separately in Canada's National Inventory Report, thus diverting them from the unit's emissions calculation. However, this oversight can impact the accuracy of emissions accounting and management strategies in the sector. Therefore, there is a need for further consideration to ensure a comprehensive and effective approach to achieving clean and sustainable electricity generation, taking into account the role of biomass.

Regulating wood biomass for electricity generation presents a complex challenge, spanning multiple legal domains and influenced by various domestic and international laws. Despite considering wood biomass as a "clean" or "renewable" energy source due

to its association with the natural carbon cycle, burning it for electricity production can produce significantly higher emissions compared to other renewable energy sources like wind, solar, and hydropower. Moreover, it raises concerns about deforestation, forest degradation, and biodiversity loss on national and international scales. To address these issues, [it is recommended](#) that the CER broaden its scope to include biomass-only generation facilities and impose emissions performance standards without presuming wood biomass as non-emitting or low-emitting fuel. Additionally, detailed reporting obligations should be imposed to ensure accurate and transparent information flows between the electricity and forestry sectors, facilitating more precise emissions accounting.

Additional guidelines to cogeneration are appropriate

The new approach to cogeneration in the CER update distinguishes between emissions originating from on-site electricity generation and those associated with electricity supplied to the grid. For existing units, there's consideration about differentiating emissions treatment for grid-exported electricity from "behind the fence" generation, albeit for a limited duration. Additionally, the proposal suggests treating new cogeneration units similarly to other new units. These changes are deemed appropriate as they provide a nuanced approach to emissions management, aligning to reduce emissions while considering the operational dynamics of cogeneration units.

Carbon pricing needs amendments to reach our climate goals

Adjustments in the treatment of the electricity sector within the Output-Based Pricing System (OBPS) are needed, as several factors warrant examination. Presently, the sector operates within the OBPS framework, which results in a reduced exposure to the carbon price. This dynamic creates a situation where generators face fewer financial repercussions for emitting greenhouse gases, potentially diminishing their incentive to invest in emissions reduction measures, particularly in cases involving unabated fossil gas.

Furthermore, the federal government's methodology, characterized by fuel-specific benchmarks and the exclusion of renewable generators, may inadvertently weaken the incentives for emissions reduction efforts. Such policies can influence decisions regarding electricity source selection and facility construction. In light of this, it becomes imperative to reform the carbon pricing system for the electricity sector to effectively complement the objectives outlined by the CER and align with broader climate goals. Among potential approaches, removing the electricity sector from the OBPS emerges as a pivotal step toward achieving a net-zero emissions target.

Closing the minimum size threshold loophole is appreciated

The CER update considers applying the CER to all new units within a facility that collectively have a capacity of 25 megawatts or more, as well as individual units with a capacity of 25 megawatts or higher. This measure aims to address an unintended incentive identified during consultations, where facilities might aggregate multiple small units to avoid individual emission limits. This change is beneficial as it ensures equitable emissions regulation across facilities while preventing loopholes that could undermine emission reduction efforts.

The Conservation Council of New Brunswick remains steadfast in our commitment to advancing environmentally responsible solutions. Our involvement in the Clean Electricity Regulations (CER) process reflects our dedication to identifying strategies for achieving net-zero emissions in the electricity and energy sectors. While we commend the effort put into the updated CER release and appreciate the closure of certain loopholes, concerns persist regarding the potential weakening of regulatory standards. It is essential to maintain a stringent performance standard and keep the EoPL at or below 20 years within the CER, particularly in light of Canada's commitments to achieving a net-zero economy by 2050. We urge policymakers to finalize the regulations by the fall of 2024 to ensure timely implementation and maximize their meaningful impact on emissions reduction efforts. It is only through concerted and decisive action that we can effectively address climate change and safeguard the future of our planet.