



Canada: Offset System for Greenhouse Gases-

Further steps toward a Carbon Market

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Summary

On June 13, 2009, two draft guides detailing Canada's Offset System for Greenhouse Gases were released to the public. These draft guides propose rules for the creation of bankable and tradable offset credits for every ton of greenhouse gas permanently reduced or removed and to verify the eligible greenhouse gas reductions. Business opportunities exist in the implementation, consultation and financial aspects of projects related to this new initiative and in the broader scope of Canada's greenhouse gas issues.

Carbon Offset System Details

The Offset System is a voluntary program established by the Minister of the Environment under section 322 of the *Canadian Environmental Protection Act, 1999*, to permanently remove greenhouse gases from the environment. This draft is intended to address areas that will not be covered by Federal Regulation, currently being developed. To qualify for carbon credits, projects must comply with the rules established by the 1999 legislation. Eligibility criteria read:

(a) *greenhouse reductions must occur in Canada*

(b) *reductions must be made in carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Greenhouse gas reductions must be quantifiable, demonstrate sustainable incremental reductions, verifiable and unique.*

According to the Ministry of the Environment:

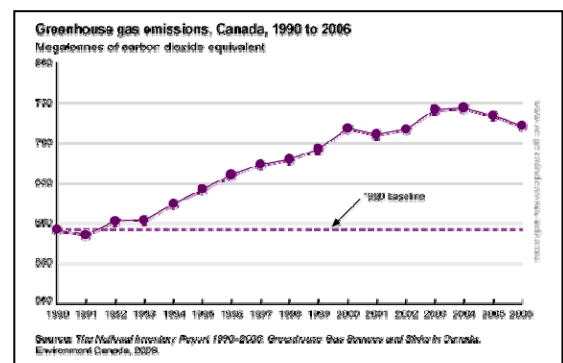
Once an offset credit has been issued - that is, assigned a unique serial number and deposited into the account of a Project Proponent - it may be traded, banked and used for compliance purposes with any regulations that accept it.

Running parallel to global trends, the Federal Government is vying, through Canada's Offset System for Greenhouse Gases, to create incentives to reduce greenhouse gas emissions. The Canadian Government aims to decrease 2006 greenhouse gas emission levels by 20% by 2020 and by 60-70% by 2050, according to a recent speech given by Minister of the Environment, Jim Prentice. Some of this reduction will be achieved by imposing regulation, while some will be achieved through carbon credit incentives.

The first draft guide of the Offset System proposed the rules to quantify the reductions and was published last year. The final release of the Carbon Offset Guides is expected to be published in the fall of 2009.

Market Insight

Canada's Offset System for Greenhouse Gases provides bankable and tradable credits for every ton of greenhouse gas permanently reduced or removed. According to Statistics Canada, between 1990 and 2005, Canada's total greenhouse gas (GHG) emissions rose 25% to 747Mt, a large portion coming from the processing of natural resources, particularly oil and gas. The private sector spent C\$955 billion on greenhouse gas reduction technologies in 2004. Many of the individual provinces have already established a regulatory framework for Carbon emissions; the Ministry of Environment's release of these drafts highlight a push to integrate established provincial systems into a more cohesive federal regulatory structure.



Best Prospects

The Ministry of Environment points to several business opportunities embedded in the development of a Carbon Offset System. Directly related are projects such as methane capture and destruction from landfill gas, forestry projects including reforestation, agricultural soil management and a series of biological sink projects and other carbon reducing opportunities across the economy.

Carbon capture and storage technologies may represent good business opportunities enabled by the development of a Carbon Offset System.

Other opportunities exist for technical experts, brokers, and other services associated with carbon exchange.

Resources & Contacts

- A synopsis of the proposed drafts can be found in the [Carbon Offset Program news release](#).
- More details on this program can be found on [Canada's Offset Program website](#).
- New developments within the Ministry of Environment can be found on [Environment Canada's website](#).

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