



Exhibition Place

ACTION REQUIRED

Item No. 6

October 7, 2013

To: The Board of Governors of Exhibition Place

From: Dianne Young
Chief Executive Officer

Subject: **Carbon Credit Policy – Exhibition Place**

Summary:

As an agency of the City of Toronto, the Board is required to follow directions of City Council; hence this report recommends that the Board approve a Carbon Credit Policy for Exhibition Place.

Recommendations:

It is recommended that the Board approve a new Carbon Credit Policy for Exhibition Place, as outlined in the attached Appendix “A”.

Financial Implications:

There are no financial implications arising from the recommendation in this report.

Decision History:

The Exhibition Place 2009 – 2012 Strategic Plan had an Organizational and Staffing Goal to *Review and revise our corporate systems* and as a Strategy to support this Goal *we will complete an annual review of By-Laws, Policies and Procedures of the Board of Governors*.

At its meeting of May 7, 2013, City Council approved a report from the Deputy City Manager, Chief Financial Officer, and the Chief Corporate Officer entitled “Carbon Credit Policy”, and directed that City agencies and corporations adopt said policy and apply it to their operations.

Issue Background:

A memorandum dated July 18, 2013 from the City’s Chief Corporate Officer was circulated to all City agencies advising of City Council’s recently updated Carbon Credit Policy and important steps required to be taken by City agencies to safeguard the ownership of and improve accountability for carbon credits.

Comments:

The City undertakes various activities from energy conservation in municipal facilities that results in fewer greenhouse gases (GHG) being released into the atmosphere. When a tonne of GHG’s reductions satisfy certain eligibility criteria, a “carbon credit” results that has potential monetary value and should be considered a financial asset and managed accordingly. With a

potential cap-and-trade regulation on the horizon and an emerging carbon marketplace, it is increasingly important for the City and its agencies to take new steps to better protect these carbon assets to avoid certain risks, such as:

- a) loosing achievements that can be applied to City Council's GHG reduction targets – i.e. 30% below 1990 levels by 2020, and 80% below 1990 levels by 2050;
- b) lost revenues from potential carbon credit sales;
- c) potential litigation with parties wanting to assert claims to the credits on the grounds that the City agency has not sufficiently secured its ownership interest; and
- d) future compliance obligations that may be imposed on the City/agencies under Provincial regulations.

As a result of the above direction from City Council, the attached Appendix "A" is a proposed Carbon Credit Policy for Exhibition Place. In addition to the policy, as requested by the City's Chief Corporate Officer, Exhibition Place will:

- 1) Appoint its General Manager, Operations Department (or his designate) to serve as a member of the City's Carbon Credit Working Group and as a liaison to the Environment and Energy Office for reporting purposes;
- 2) Assess on an ongoing basis Exhibition Place's existing and new operations and other activities that yield reductions in GHGs that may be eligible for carbon credits. Additionally, other environmental attributes, arising from projects and programs such as water efficiency, renewable energy generation and electricity reduction and natural gas displacement, need to be taken into account;
- 3) Include in all documents, including contracts, language that safeguards the ownership of all carbon credits and environmental attributes – see Appendix "B" which has been prepared by City Legal;
- 4) Work with the City Environment and Energy Office (EEO) which has been assigned to lead the marketing and negotiation of any potential sales to ensure a coordinated City-wide effort.

Following Board approval, this policy will be submitted to the appropriate City Officials advising that the direction of City Council has been complied with.

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Submitted by:

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Carbon Credit Policy – Exhibition Place

Purpose

The purpose of this policy is to implement a carbon credit policy in order to work with the City of Toronto to help safeguard public ownership of carbon credits and potentially realize a new revenue stream.

Definitions

Carbon Credits or carbon offset credits or offset credits or offsets refers to quantified and verified reductions of greenhouse gas emissions from a given facility, operation or project that is additional to any existing voluntary or regulatory requirement, where such greenhouse gas reductions have been verified by an independent third party verifier, and may be serialized and listed through a greenhouse gas registry. Usually, one carbon credit represents all rights and benefits associated with one tonne of greenhouse gas emissions reductions. Carbon credits generally can be banked, retired or transacted.

Banking a carbon credit generally refers to holding a carbon credit or other environmental attribute in the context of a regulated trading system for future compliance use, perhaps in anticipation of using it to comply with future regulatory requirements.

Retiring a carbon credit refers to permanently taking a carbon credit out of use and rendering it (and the underlying greenhouse gas reductions) or other environmental attributes of no further force and effect, thereby removing it from any and all voluntary or regulatory systems.

Transacting a carbon credit, or Transaction refers to encumbering, claiming, retiring for another party's benefit, or otherwise transferring legal and/or beneficial ownership of a carbon credit or other environmental attribute in consideration for value.

Environmental Attributes refers to a broad range of rights and benefits associated with greenhouse gas emissions reduction, renewable electricity and energy efficiency activities including, but not limited to the environmental rights and benefits that may take the form of carbon credits, renewable energy certificates, green tags, white tags, labelled/certified "green" power, negawatts, water conservation credits, and related attributes.

Greenhouse gas emissions (GHG emissions) refers to the dissemination in the air of gases – including carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons, perfluorocarbons, and nitrogen trifluoride and related gases or any other contaminant prescribed as a greenhouse gas by government regulation or international treaty - which contributes to the warming of the earth's atmosphere.

Cap-and Trade is a market-based system for managing greenhouse gas emissions in which the government imposes a cap, or limit, on the quantity of emissions emitted from defined facilities and creates the ability to trade emission permits or quota in order to foster compliance.

Policy Statement

1. The Board claims ownership of all environmental attributes, including carbon credits, as a general provision in its procurement processes. Staff will take all reasonable steps to safeguard the Board's ownership of environmental attributes in any contract, procurement document or other arrangement.

2. Staff will review projects and activities that result in the reduction of greenhouse gas emissions, the generation of renewable energy, the conservation of electricity, natural gas, or water, or any other environmental attributes, to determine whether such attributes are eligible for designation as carbon credits, renewable energy certificates, conservation credits, or other similar attributes and products, respectively.
3. Staff will keep current the Board's table of projects and activities for which carbon credits or other environmental attributes exist or potentially exist and that the Board owns or potentially owns, in whole or in part. This table will be sent to the City EEO and posted on the Board's website and periodically updated.
4. Following consultation with the City EEO, Exhibition Place may sell carbon credits or other environmental attributes in order to realize cash value or sell such attributes in exchange for a reasonable commercial benefit (e.g. higher royalty rate or lease rate, etc.) by considering sections 5 and 6 below. In the case of a procurement process, such determination should take place prior to the issuance of the procurement call. If a procurement call is in process and if following consultation with the City EEO, Exhibition Place staff determine that such attributes should not be retained, Exhibition Place will take proper steps to ensure the offering of such attributes is made to all bidders/proponents in a fair and transparent manner.
5. Exhibition Place may take steps to realize value from carbon credits or other environmental attributes only following consultation with the City EEO and only if:
 - a) the transaction would result in a net benefit to the Board; and
 - b) realizing value from transactions will not compromise the Board's ability to meet its greenhouse gas emissions reduction targets, renewable energy targets, and other environmental targets.
6. Exhibition Place in consultation with the City EEO may determine that in order to enter into certain funding arrangements or other agreements with the city, province or federal authorities, the Board may be required to cede its rights to carbon credits or other environmental attributes as a condition of entering into such an agreement (e.g. the Ontario Power Authority's Feed-in Tariff agreements).
7. Any realization of value from transactions shall be guided by the following:
 - a) contracts will only be entered into with organizations generating emissions from their operations in Ontario with the majority of emissions coming from sources within Exhibition Place;
 - b) carbon credits or other environmental attributes may be banked for future use; and
 - c) any organizations seeking to purchase Board carbon credits or other environmental attributes for the purpose of meeting cap-and-trade regulatory obligations will not be considered as eligible parties for any transaction.
8. Any sales agreements involving purchasers of Board-owned carbon credits or environmental attributes must include provisions to prevent a buyer from reselling offset credits to a third-party and provisions to ensure the retirement of carbon offsets by the purchaser.
9. Proceeds of sale will be allocated to the Board's Operating Budget which will then be transferred to a City of Toronto Reserve Fund for allocation towards financing corporate initiatives which reduce Toronto's emission of climate change gases.

Sample Contract Language for Carbon Credits**1. Ownership of Credits**

(Contractor) acknowledges that Exhibition Place may claim or seek to claim Carbon Credits or Environmental Attributes from any Greenhouse Gas (GHG) Emissions Reductions that directly or indirectly result from or are attributable to any equipment or materials provided or activities undertaken under or as a result of the (*project/program*). Consequently, (Contractor) agrees to transfer any ownership rights, title, or interest in such Carbon Credits or Environmental Attributes to Exhibition Place, or hold in trust for Exhibition Place transfer in the future, any right, title, or interest in such Carbon Credits or Environmental Attributes. (Contractor) further agrees not to register or seek to register or verify any Carbon Credits or Environmental Attributes from any greenhouse gas emissions reductions attributable to the (*project/program*), either now or in the future unless such registration, verification or claim is done or made on behalf of Exhibition Place. Exhibition Place may request, and shall reimburse (Contractor), for its reasonable expenses incurred in respect of transferring any ownership rights, title or interest in Carbon Credits or Environmental Attributes to Exhibition Place or registering, verifying or claiming such Carbon Credits or Environmental Attributes on behalf of Exhibition Place, within thirty (30) days of receipt of an invoice from (Contractor) setting out in reasonable detail the expenses incurred and proving any supporting documentation.

2. Definitions – In this Agreement

“**Carbon Credit**” or “Carbon Offset Credits” or “Offsets” means the verified and serialized quantification of GHG Emissions Reductions to which an economic value can be attached, including but not limited to a dollar value per unit of emission and has the same meaning as carbon credit, offset or emission reduction unit.

“**CO₂e**” means a unit of measurement that indicates the global warming potential of each of the Greenhouse Gases, usually expressed in tonnes.

“**GHG Emissions Reduction**” means any reduction in GHG Emissions, whether resulting from an actual reduction in the amount of greenhouse gases emitted by an emitter or from the elimination of a potential source of emissions, measured in CO₂e.

“**Greenhouse Gases**” (“GHG”) means gases that, when they are constituents of the atmosphere, absorb outgoing terrestrial radiation of certain wavelengths and subsequently radiate other wavelengths of radiation in all directions, including back to the earth’s surface. These gases include but are not limited to carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorcarbons emitted as byproduct, perfluorocarbons, and nitrogen trifluoride.

“**GHG Emissions**” means all known and existing methods of dissemination of Greenhouse Gases, as well as future methods, whether or not now contemplated.

“**Environmental Attributes**” means the rights and benefits derived from greenhouse gas emissions reduction, renewable energy generation, displacement of natural gas, electricity conservation. Such rights and benefits may take the form of carbon credits, renewable energy certificates, green tags, white bags, labeled/certified ‘green’ power, megawatts, water conservation credits, and related attributes.