



# Cap and Trade – How it works

## About

The Government of Ontario is planning to implement a regulatory cap and trade system effective **January 1, 2017** through **Bill 172: Climate Change Mitigation and Low-Carbon Economy Act 2016**. The system will attempt to mitigate both home and market pollutants by placing a cap on produced greenhouse gas pollution and allowing for the trade of any excess to occur. The cap and trade system will rely on the reduction of harmful pollutants such as Carbon Dioxide (CO<sub>2</sub>) and various others to eventually achieve carbon neutrality.

**GHG's** – Greenhouse gas pollution or emissions, commonly referred to as GHG's are primarily produced when fossil fuels are burned. Fossil fuels are emitted by vehicles, by heating a building or home, and by industry. Once they are released into the environment, they remain there for incredibly long periods of time and are in part responsible for the disruption of natural climate patterns.

### “Cap”

The term “**cap**” means that a maximum limit has been placed on how much greenhouse gas pollution can be released into the atmosphere by businesses, homes, industries, and institutions.

Overtime the cap is lowered, encouraging everyone to continue reducing their emissions and further attempting carbon neutrality.

### “Trade”

The term “**trade**” refers to businesses, industries, or institutions ability to buy or sell carbon credits or allowances, which is depicted in the graphic below.

Carbon credits are connected to the tonne of greenhouse gas pollution that is either emitted or not emitted into the atmosphere. If the cap is not reached a credit is rewarded and trade can occur.

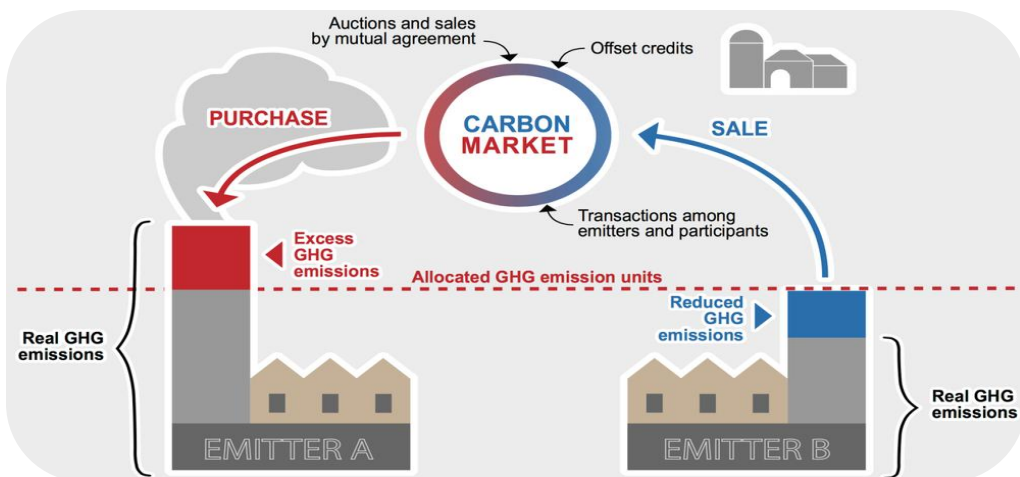


Image sourced by the Government of Quebec

## Difference between Cap & Trade and Carbon Tax

A **cap and trade system** allows the Government of Ontario to put a price on carbon (determined by the market) through capping the amount of greenhouse gas pollution being emitted into the environment. This system will help to reduce the overall amount of harmful pollutants being released into the air, water, and land.

Unlike a cap and trade system, a **carbon tax** does not offer a cap or limit on the amount of harmful pollutants being emitted into the environment. The tax is a set price, applied to each tonne of emissions, and applied to all fuels (e.g. paying for gasoline at the pump to refuel a vehicle).

## How will it affect 'you' the consumer?

- In 2017 gasoline prices will increase by approximately 4.3 cents a litre
- In 2017 natural gas prices are estimated to increase by approximately \$5 per month for each household
- Green project development from cap and trade proceeds for mitigation
- Better protection of the air, water and land
- Encouraged sustainable growth

## Benefits

- Increased development of new clean technologies and influx in employment
- Stronger foothold on sustainable market
- Push for innovative ideas and products
- Cleaner environment for all
- Opportunity for partnerships with other likeminded Governments with similar systems (e.g. Quebec & California)
- Reduced temperature abnormalities that have severe impacts on growing seasons and animal migration patterns, etc.

## Draft Bill 172: Climate Change Mitigation and Low-Carbon Economy Act of Ontario

The Act will outline the Government of Ontario's emission reduction targets (from 1990 levels):

- 15% reduction by 2020
- 37% reduction by 2030
- 80% reduction by 2050

Three categories of registered participants will be present in the cap and trade system: Mandatory, Voluntary, and Market. The Bill will allow for the creation of emission allowances on behalf of the Minister of Environment and Climate Change. Rules and regulations will be established to determine the trade and sale of emissions, penalties will be outlined for those who do not follow the system. Furthermore, through the Bill's creation a Greenhouse Gas Reduction Account will capture emissions allowances proceeds and penalty funds.

The Act aims to reinvest the majority of its proceeds back into green projects that will help to further ensure the mitigation and reduction of harmful pollutants into the environment. However, the account will also include the costs for administration and enforcement. All projects must reduce harmful pollutants and help the general public and businesses to save energy. The Government hopes to make the Act as transparent as possible.

## Green Project Examples

- Public Transit Initiatives
- Electric Vehicle Incentives
- Social housing retrofits
- Carbon capture and storage technology
- Production or installation of renewable, low carbon, and net zero alternative energy

## For more information

Visit:  
[www.ontario.ca/page/cap-and-trade#section-3](http://www.ontario.ca/page/cap-and-trade#section-3)

Or  
[sustainablepeterborough.ca](http://sustainablepeterborough.ca)

Or  
<https://dr6j45jk9xcmk.cloudfront.net/documents/4928/climate-change-strategy-en.pdf>

## Environmental Bill of Rights (EBR)

- **Bill 172 out for 45 day public review and comment period** – open until **April 10, 2016** to submit comment online go to: [www.ebr.gov.on.ca](http://www.ebr.gov.on.ca)

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