

Management of Greenhouse Gas Act

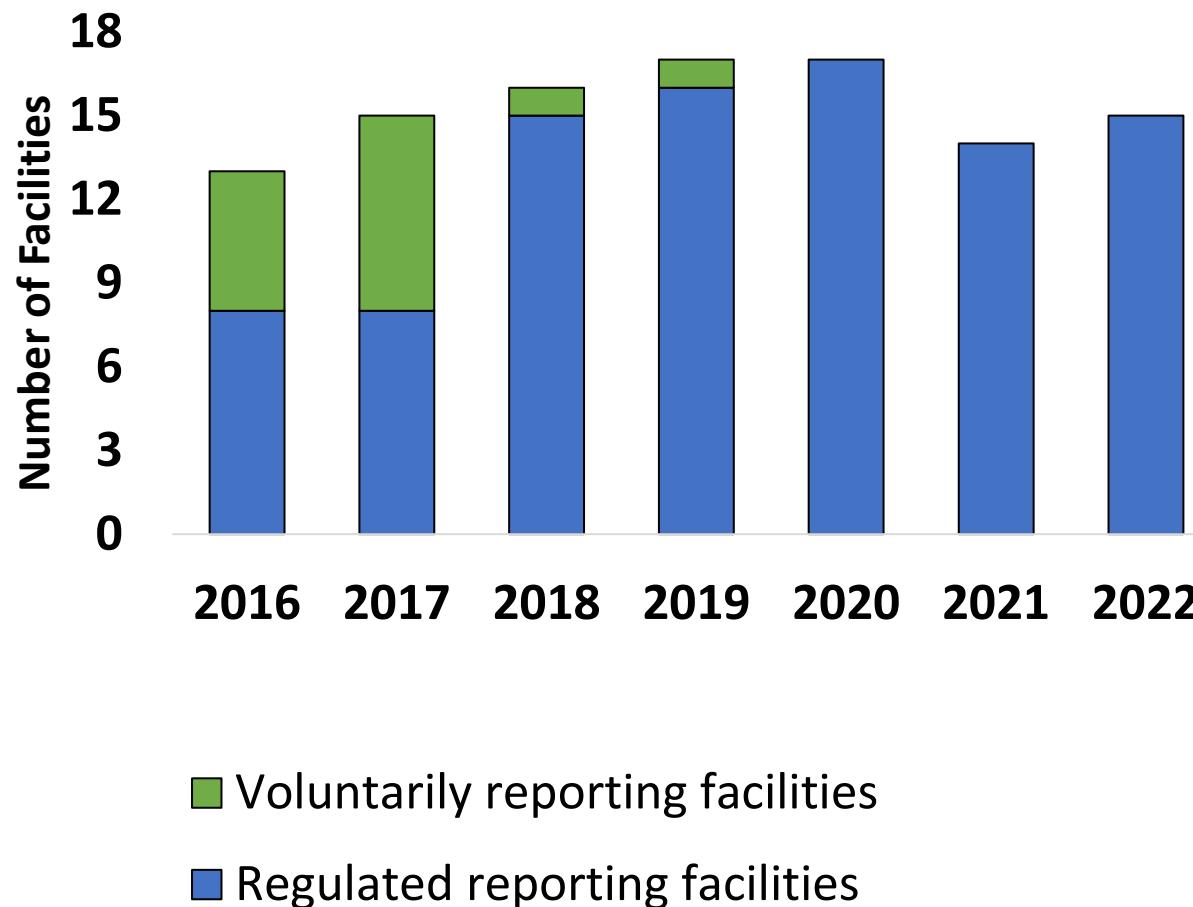
Legislative Review 2016-2022



Introduction

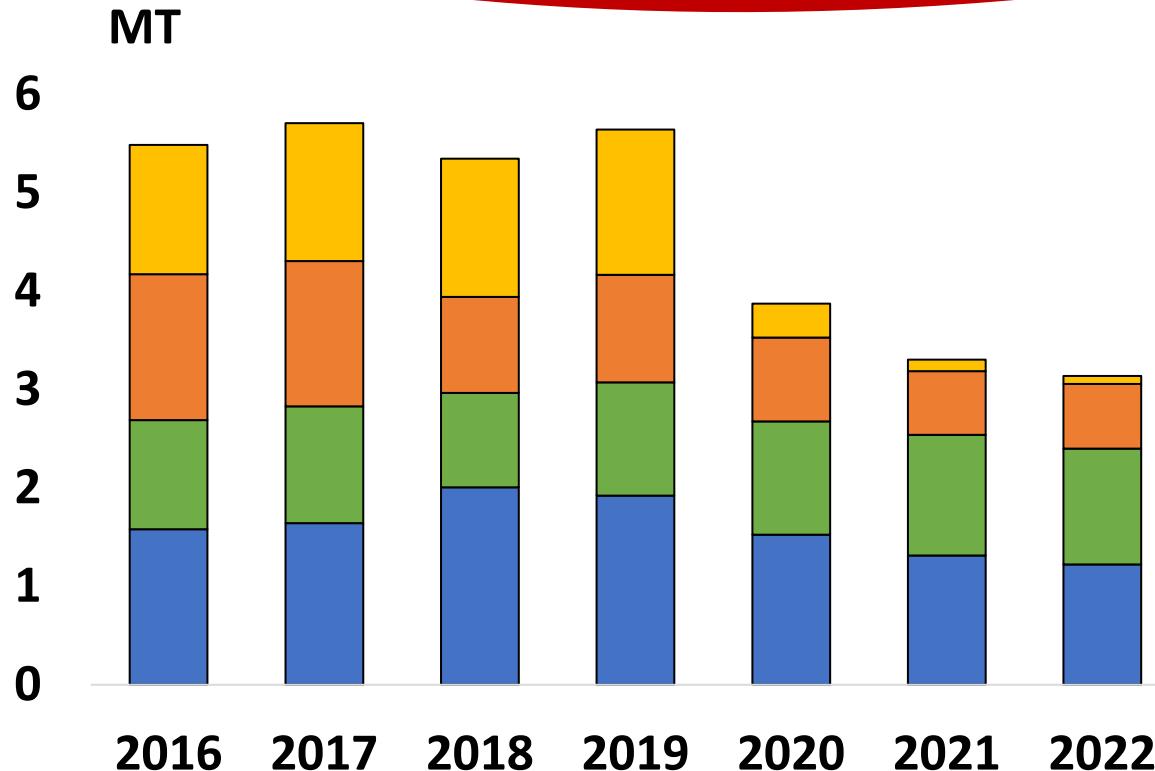
- The **Management of Greenhouse Gas Act** includes a requirement for a legislative review every five years to consider the areas which may be improved.
- The first review covers period that all facilities were regulated (2018-2022), as well as data collection in 2016 and 2017.
- Reporting year 2022 is a logical end date
 - Amendments alter coverage starting in 2023
 - New global warming potentials starting 2023
- Components of review
 - General discussion of the Act, policy rationale, and background
 - Coverage and outcomes
 - Identifies areas for future regulatory consideration

Coverage



- The **Act** fully came into force in reporting year 2018.
- Offshore facilities and Holyrood Generating Station included.
- These facilities voluntarily reported emissions in 2016 and 2017.

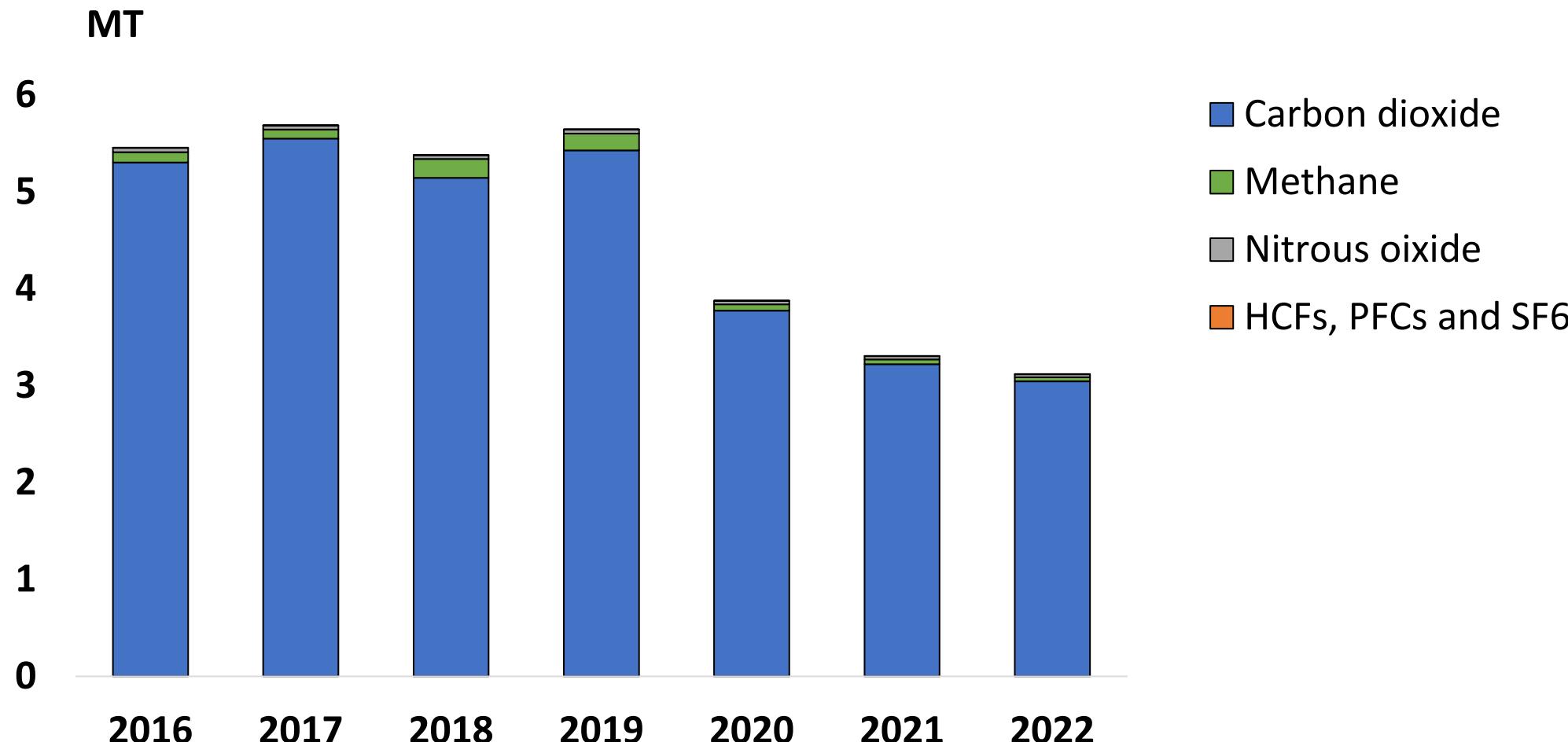
Reported Emissions by Sector



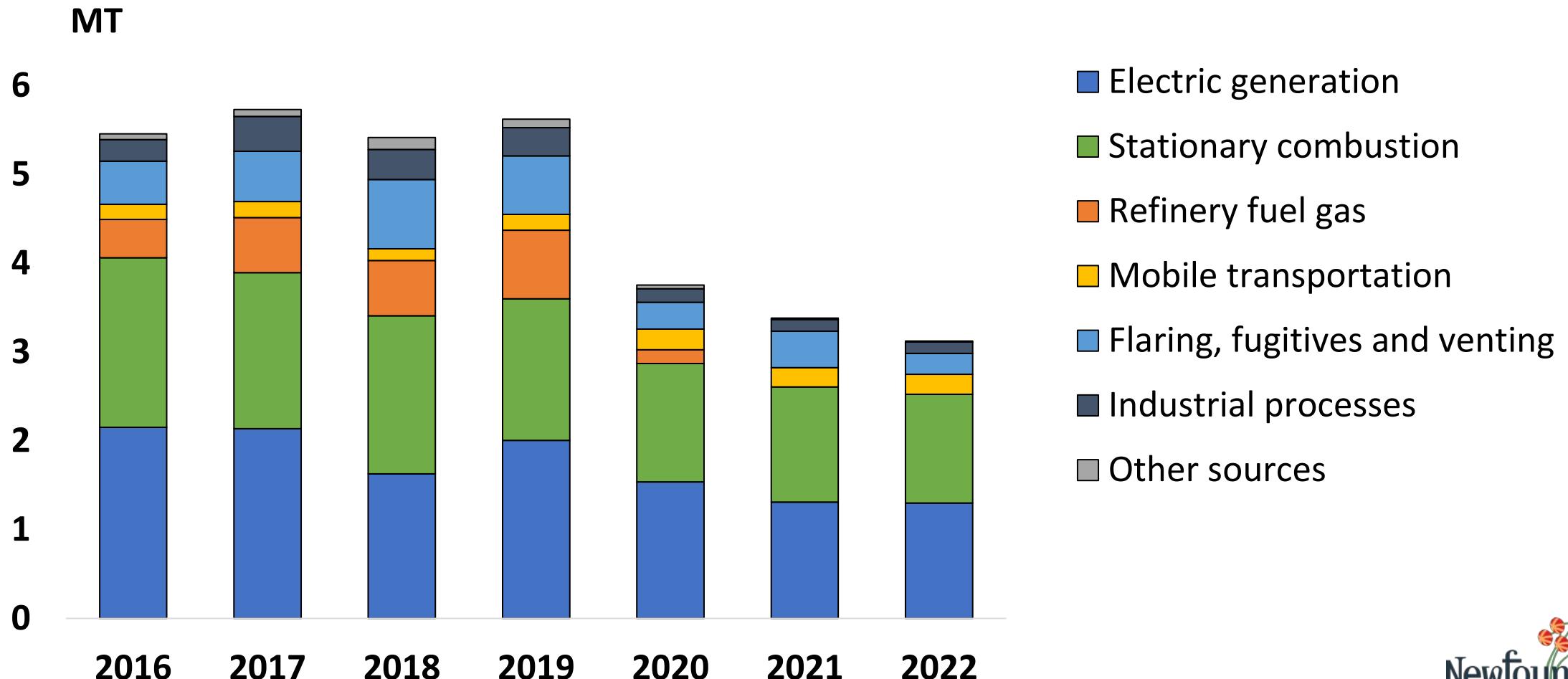
- Offshore facilities – 34%
- Mining facilities – 24%
- Electricity – 22%
- Manufacturing – 19%

█ Offshore petroleum █ Mining
█ Electricity █ Manufacturing

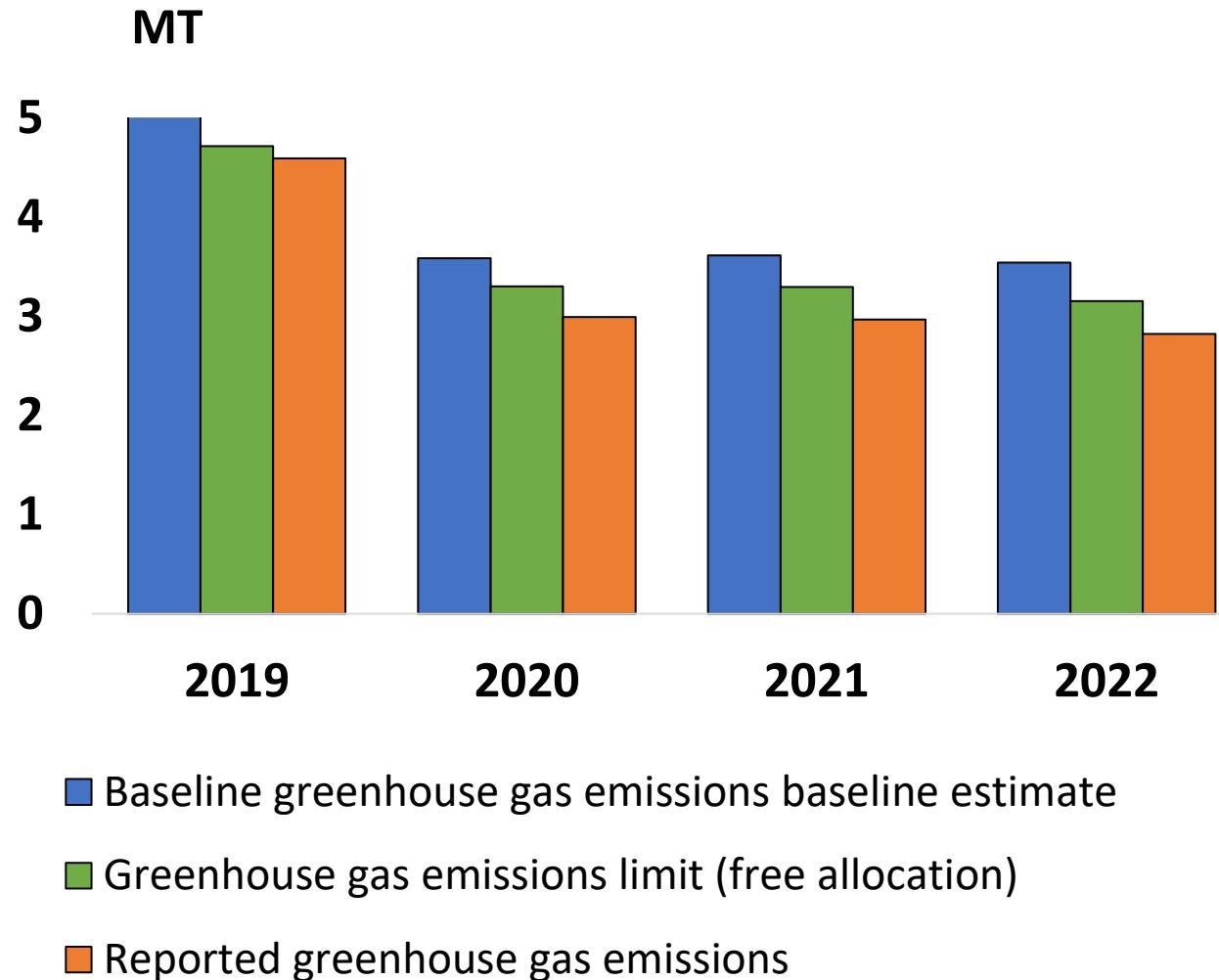
Reported Emissions by Gas



Reported Emissions by Source

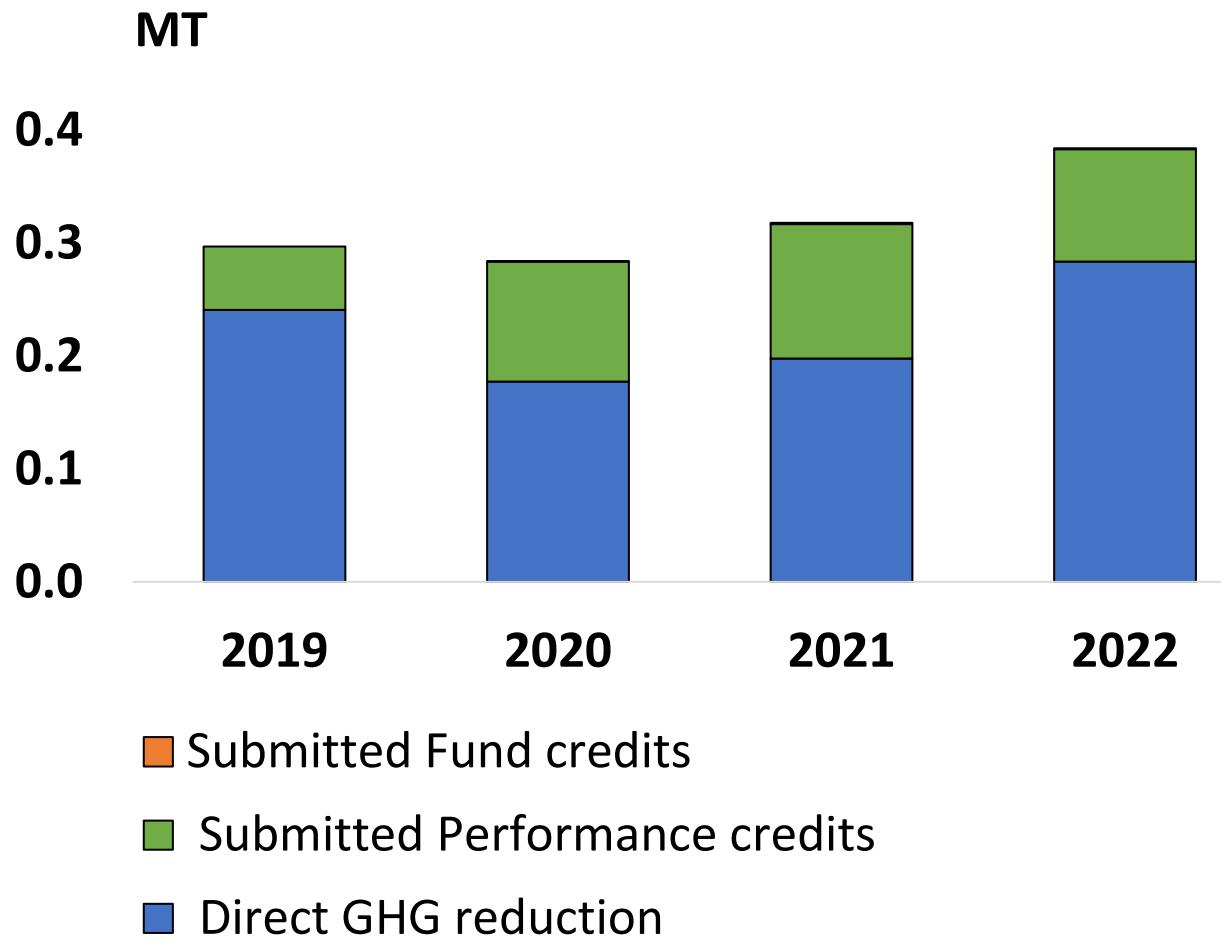


Greenhouse Gas Outcomes (Performance)



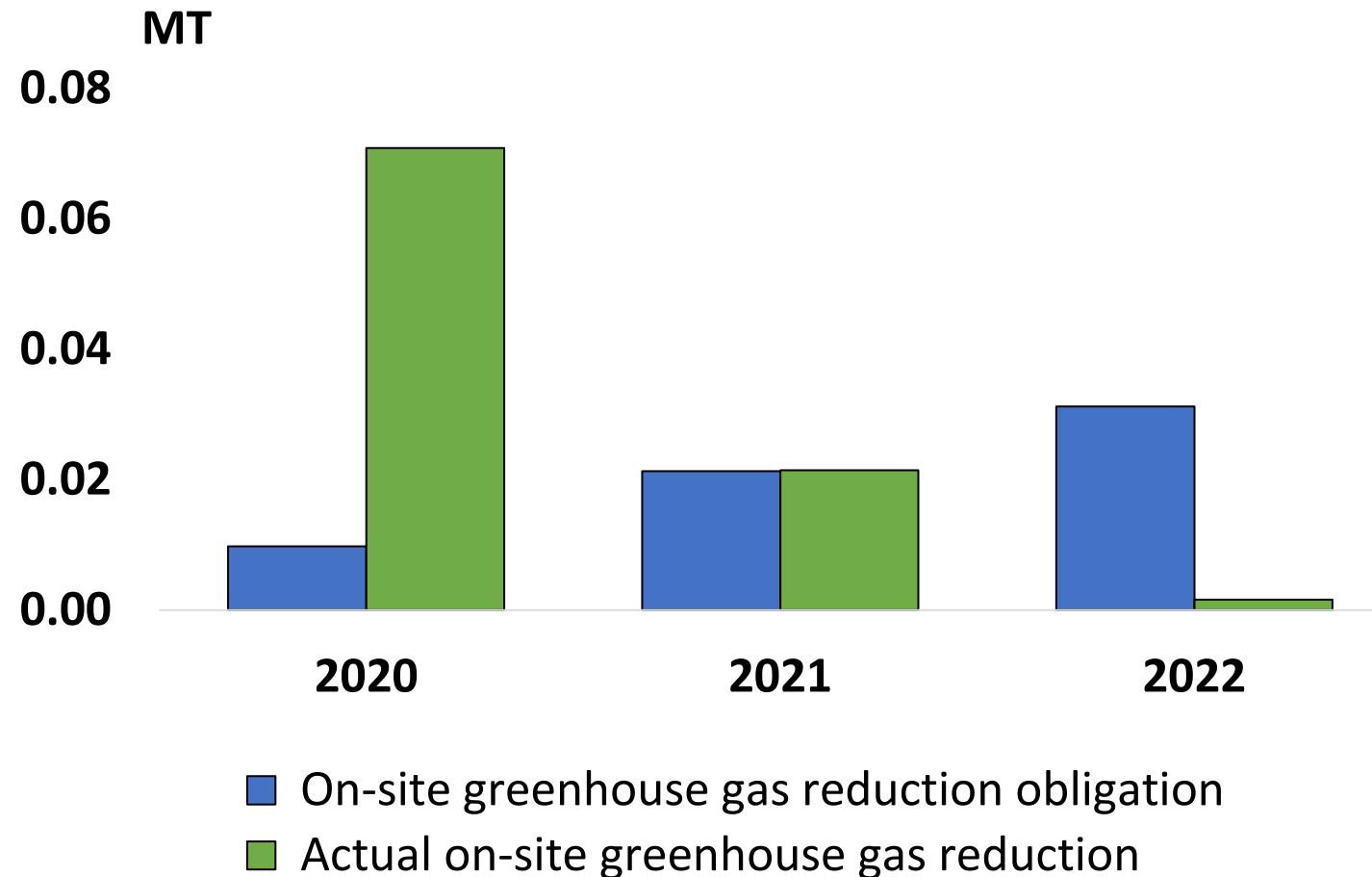
- **Blue column** - business as usual estimate by year
- **Green column** - free allocation; the GHG reduction target is the difference between the blue and green column
- **Orange column** - actual performance
- In each year on a system-wide basis, the target was achieved.
- Not all companies achieved their own target in each year.

Actual Greenhouse Gas Reductions



- Facilities that did not meet their compliance obligation could access a credit market.
- Submission of credits accounted for 30% of compliance requirement.

Direct (on-site) Reduction Requirements

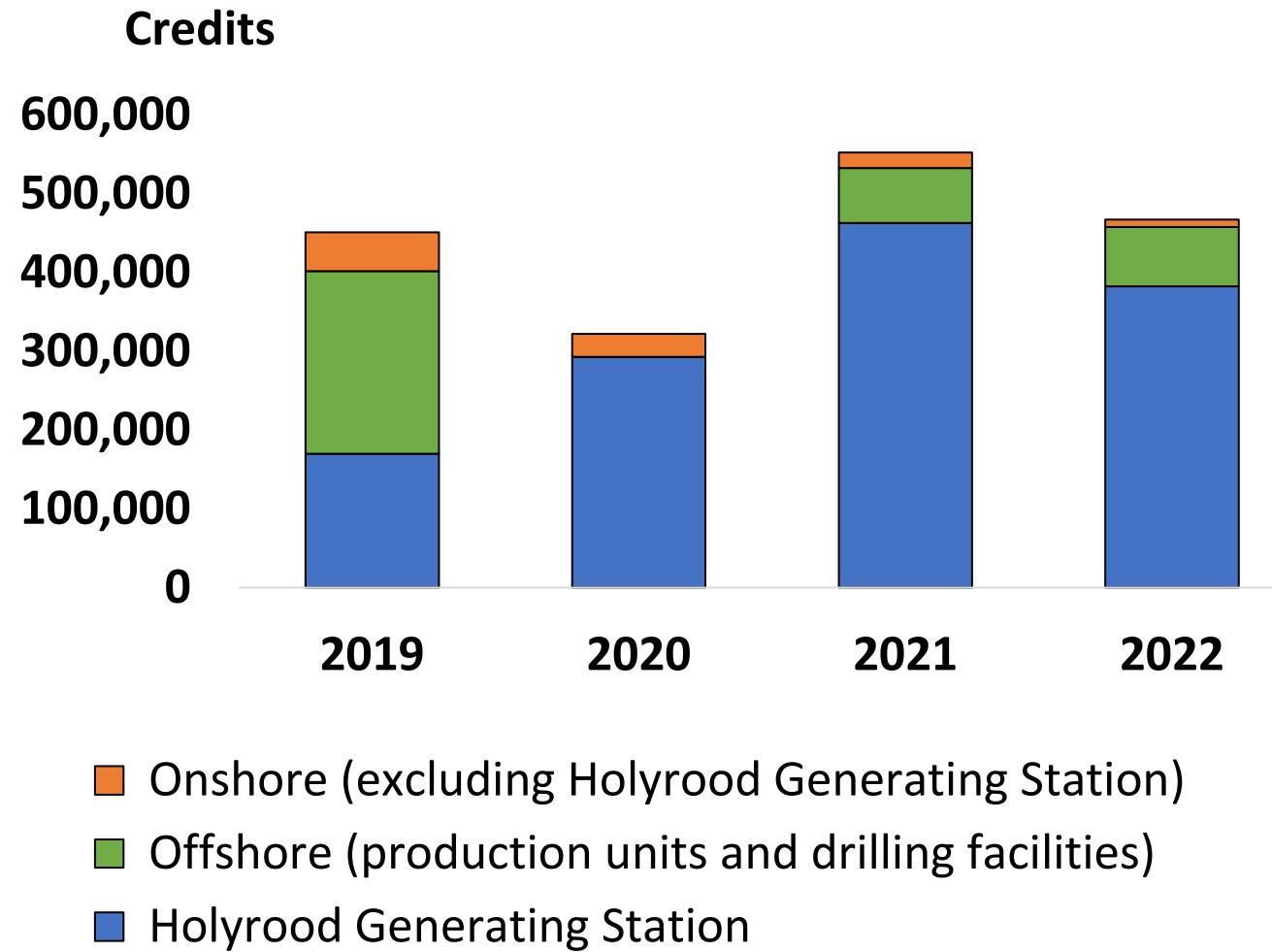


Section 9 of the **Regulations** requires a minimum on-site reduction by onshore facilities, starting with reporting year 2020.

Offshore facilities subject to separate annual flaring reduction requirements imposed by the Canada-Newfoundland and Labrador Offshore Petroleum Board.

The on-site reduction requirement was achieved on a system-wide basis in 2020 and 2021, but not in 2022.

Performance Credits Awarded



- 1.79 million performance credits awarded to date.
- 73% of credits were awarded to NL Hydro.
- 0.38 million credits submitted for compliance – most were originally awarded to NL Hydro.
- 1.41 million credits remain active at end of reporting year 2022.

Performance Credits Retired

Credits

125,000

100,000

75,000

50,000

25,000

0

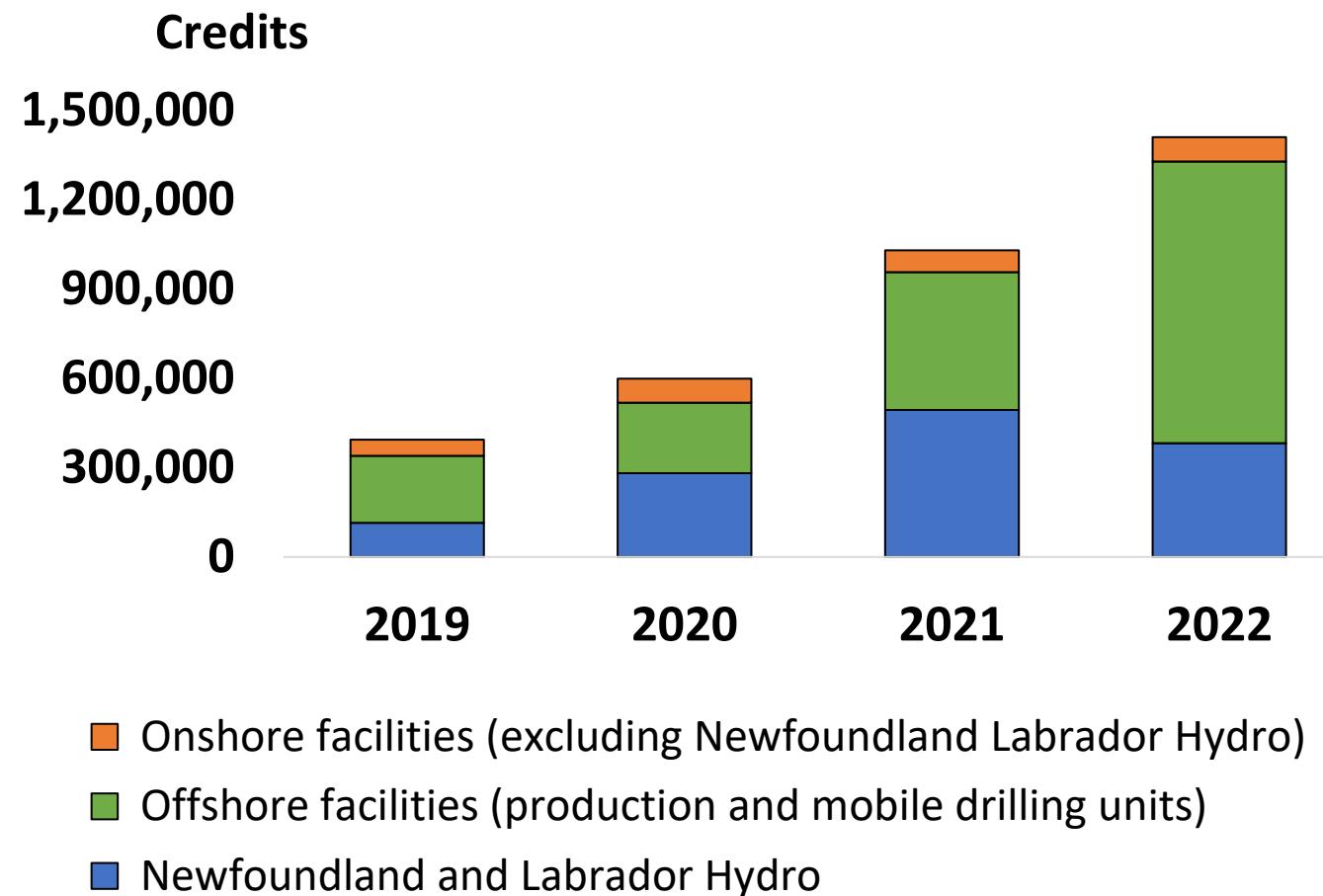
2019

2020

2021

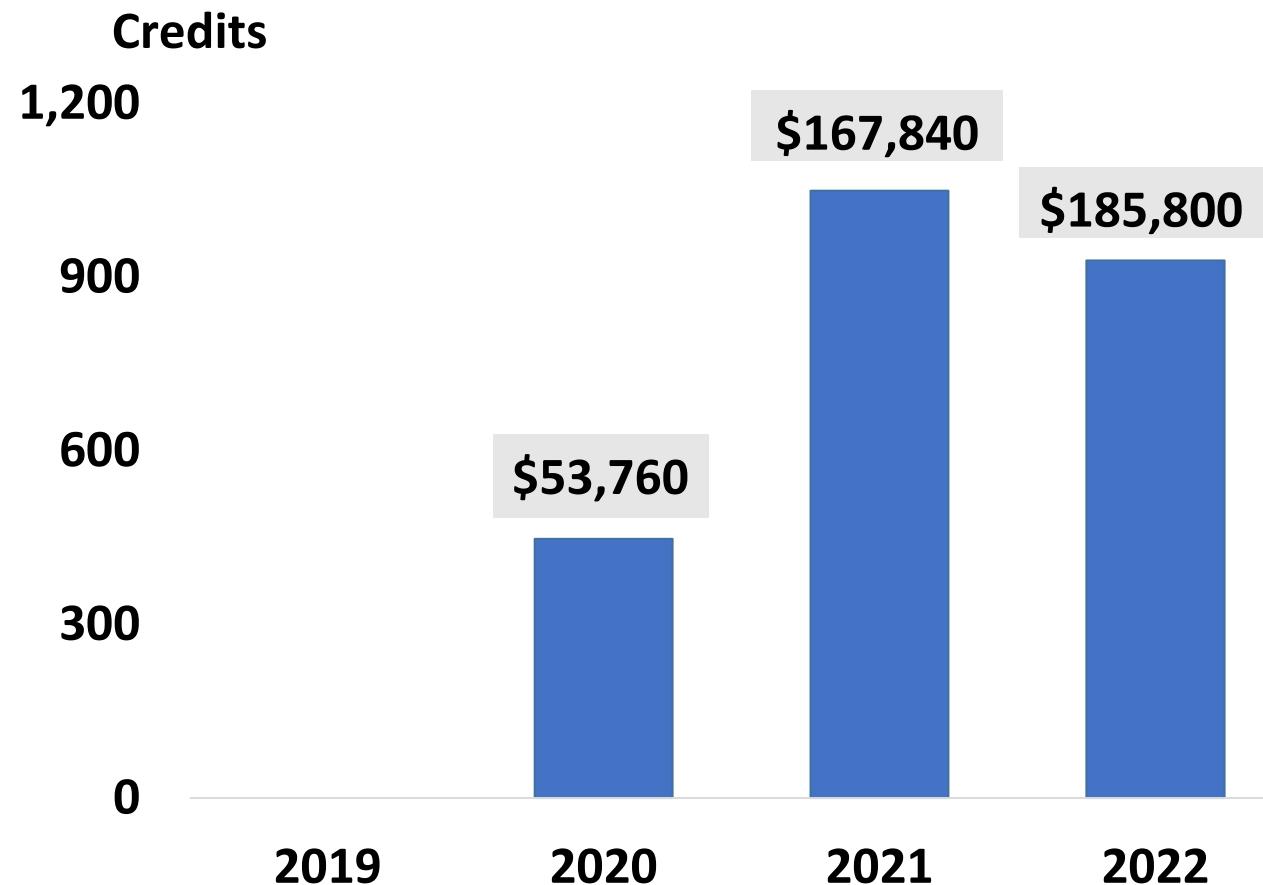
2022

Performance Credits Available For Use



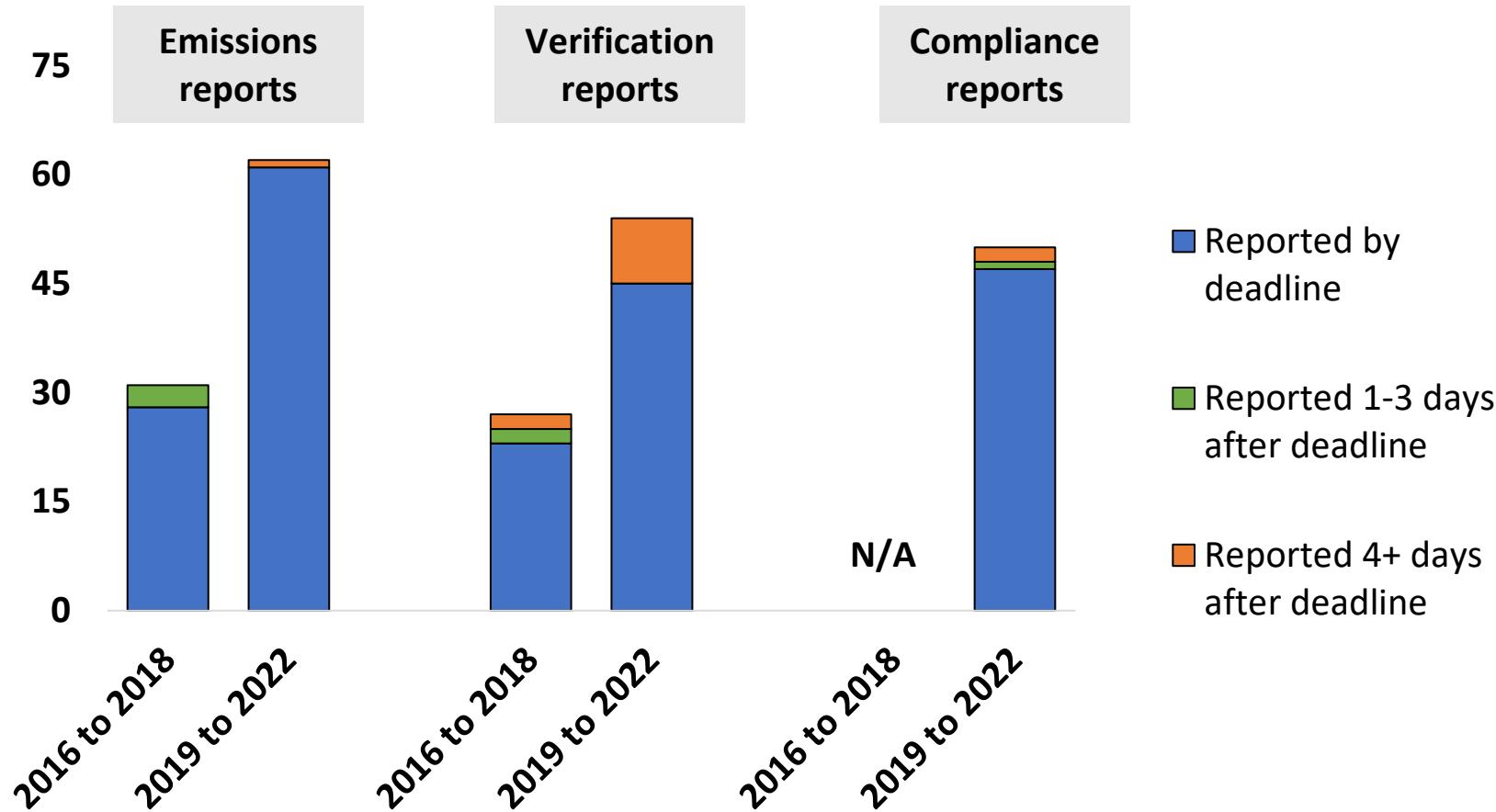
- 1.41 million performance credits available at the end of 2022.
- 67% of credits are held by offshore facilities.
- 27% held by NL Hydro
- Remaining potential market capitalization of \$70.5 million at end of 2022.

Fund Credits Purchases



- 2,426 Fund credits purchased
- Cumulative revenue sales of \$407,400
- Funds will be used for GHG reduction projects
- Required Advisory Council established to recommend expenditures under the Fund.

Compliance with Reporting Deadlines



- 1-3 day deadline accounts for incidental delays, weekends and statutory holidays (i.e., Labour Day).
- No administrative penalties were issued. Operators worked with the department in cases where late filings occurred.

Areas of Amendment

- Between 2017 and 2023, one amendment to the **Act** and a range of regulatory amendments were approved.
- These amendments allowed for:
 - Expansion to regulatory coverage (e.g.: addition of petrochemicals facility; industrial process emissions);
 - Finalization of regulatory provisions (e.g.: compliance reporting requirements; Fund Advisory Council regulations; temporary shutdowns of offshore production facilities);
 - Adherence to Federal Benchmark (e.g.: floor price for sale of credits held by NL Hydro; increased price on carbon; reduction targets to 2030; verification requirements); and
 - Incorporation of gender-neutral language.

Areas for Future Consideration

- Potential new areas of regulation amendments:
 - To ensure comparability with new federal regulations (i.e.; oil and gas cap, clean electricity standard), carbon capture, utilization and storage, and carbon offsets;
 - To introduce competitiveness cost containment measures;
 - To correct incorrectly worded sections related to carbon offsets;
 - To reduce the regulatory coverage threshold to below 15,000 tonnes;
 - To expand the best available control technology provision to require new projects to identify how net zero GHG emissions could be achieved by 2050; and
 - To introduce similar provisions for verification requirements that match federal provisions.