

## ATTACHMENT 2

### **What is cap and trade?** [www.ontario.ca/page/cap-and-trade](http://www.ontario.ca/page/cap-and-trade)

Cap and trade is an Ontario government program to help fight climate change by reducing the greenhouse gas (GHG) emissions allowed across Ontario.

Proceeds generated from the sale of GHG allowances, estimated at \$1.9 Billion per year will be invested in environmental initiatives that reduce GHG emissions. As a result, fossil fuel prices will increase starting in January 2017.

Natural gas and gasoline/diesel distributors will be required by the government to buy GHG allowances to cover the total GHG emissions for the fossil fuels consumed by all residential and most business customers. The cost of these purchases will be passed back to customers.

Large GHG emitters, greater than 25,000 t CO<sub>2</sub>e a year will have to buy their own emission allowances directly. Emitters between 10,000 t CO<sub>2</sub>e and 25,000 t CO<sub>2</sub>e a year can voluntarily opt-in as cap and trade participants and buy their own emission allowances directly.

Based on the current carbon price forecast for 2017, the price of gasoline is estimated to increase 4.3 cents per litre and natural gas is estimated to increase 3.3 cents per m<sup>3</sup> in 2017. These increases will change as the market cost of emission allowances change.

### **Cap and Trader Proceeds Investment**

**The government will use money generated from the sale of GHG allowances, estimated at \$1.9 Billion per year, to pay for environmental initiatives that reduce GHGs.**

The Climate Change Mitigation and Low-carbon Economy Act enshrines into law that all proceeds from Ontario's cap and trade program would be deposited into a new Greenhouse Gas Reduction Account <https://www.ontario.ca/laws/statute/16c07#BK89> . In turn, every dollar from this account would be required to be invested in a transparent way back into green projects that reduce greenhouse gas pollution and help homeowners and businesses save energy such as public transit, clean-tech innovation for industry, electric vehicle incentives, and social housing retrofits.

### **Down-payments from Cap and Trade revenues**

Ontario's \$325-million Green Investment Fund, a down-payment on the province's cap and trade program, is already strengthening the economy, creating jobs and driving innovation while fighting climate change — a strong signal of what Ontarians can expect from proceeds of the province's cap and trade program.

## **Climate Change Mitigation and Low-Carbon Economy Act, 2016**

**(Received Royal Assent on May 16, 2016)**

Establishes mandatory Cap and Trade program with a Greenhouse Gas Reduction Account that the Province can use to fund certain initiatives listed in Schedule 1 to the Act.

On the Schedule are the following initiatives applicable to this district energy effort:

1. Initiatives relating to the reduction of greenhouse gas from **energy sources** [including:]

i. The production or installation of renewable, low-carbon, carbon-free and net zero alternative energy.

ii. The research, development or deployment of technologies that eliminate or reduce the need to use fuels that emit greenhouse gasses.

iii. Distributed renewable energy generation and energy management technologies to support load-shifting, energy storage, net metering and other measures to eliminate the need for grid-based electricity during natural gas peaking.

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2. Initiatives relating to the reduction of greenhouse gas **from land use and buildings** including the following:

i. Geothermal solutions, insulation, and other technologies that will reduce greenhouse gas emissions from buildings and neighbourhoods.

ii. Support for increasing consumer demand for near-net-zero and net zero buildings, structures and communities.

iii. Infrastructure to support adoption and use of zero emission and plug-in hybrid vehicles, and low-carbon alternative fuels.

iv. The design, construction and retrofitting of buildings and structures to reduce greenhouse gas emitting energy sources related to space and water cooling and heating.

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4. Initiatives relating to the reduction of greenhouse gas **from industry** including the following:

i. Technologies that reduce greenhouse gas emissions.

ii. Switching from higher greenhouse gas emitting sources of energy, carbon capture, sequestration and storage and changes to processes, including changes to the inputs to those processes that reduce greenhouse gas emissions.