

# City of Toronto Carbon Credit Policy

## POLICY

1. The terms set out below have the following meanings:

*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, hydrofluorcarbons, 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.

2. City divisions, agencies and corporations claim ownership of all environmental attributes, including carbon credits, as a general provision in its procurement processes. City staff will take all reasonable steps to safeguard the City's ownership of environmental attributes in any contract, procurement document or other arrangement.

3. 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.

4. Staff will keep current the City's table of projects and activities for which carbon credits or other environmental attributes exist or potentially exist and that the City owns or potentially owns, in whole or in part. This table will be posted on the City's website and periodically updated.

5. Staff 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 6 and 7 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 City staff determine that such attributes should not be retained, City staff will take proper steps to ensure the offering of such attributes is made to all bidders/proponents in a fair and transparent manner.

6. Staff may take steps to realize value from carbon credits or other environmental attributes only if:

- i. the transaction would result in a net benefit to the City; and
- ii. realizing value from transactions will not compromise the City's ability to meet its greenhouse gas emissions reduction targets, renewable energy targets, and other environmental targets.

7. Staff may determine that in order to enter into certain funding arrangements or other agreements with the province or federal authorities, the City 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).

8. Any realization of value from transactions shall be guided by the following:

- i. contracts will only be entered into with organizations generating emissions from their operations in Ontario with the majority of emissions coming from sources within the City of Toronto;
- ii. carbon credits or other environmental attributes may be banked for future use; and
- iii. any organizations seeking to purchase City 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.

9. Any sales agreements involving purchasers of City-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.

10. Proceeds of sale from City divisions and service agencies will be allocated to a reserve fund for allocation towards financing corporate initiatives which reduce Toronto's emission of climate change gases.