

# Saskatchewan Output-Based Performance Standards Program 2023 Discussion Paper

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## Table of Contents

Glossary of Terms.....	3
Introduction and Background .....	5
1. Common Scope of Emissions Coverage .....	7
1.1 Flaring and On-site Transportation Emissions in the Upstream Oil and Gas Sector .....	7
1.2 Industrial Process Emissions .....	7
2. Treatment of Natural Gas Pipelines and Electricity Generation in the Provincial OBPS Program .....	8
2.1 Natural Gas Pipelines in the Provincial OBPS Program.....	8
2.2 Electricity Generation in the Provincial OBPS Program .....	8
2.2.1 Electricity Generating Facilities.....	8
2.2.2 Electricity Generation at Integrated Facilities .....	9
2.2.3 Gas-to-Power Electricity Generation .....	9
3. Carbon Pricing.....	10
3.1 Minimum Carbon Pricing Schedule.....	10
3.2 Maintaining the Minimum Carbon Pricing Signal – OBPS Program Stringency.....	10
3.2.1 Offset Credits .....	10
3.2.2 Performance Credits .....	11
3.2.3 Recognizing Carbon Capture, Utilization and Storage .....	11
3.2.4 Performance Standard Stringencies .....	12
4. Saskatchewan Technology Fund .....	13
5. Reporting Requirements.....	13
5.1 Public Reporting.....	13
5.2 Emission Factors .....	13
Next Steps .....	14
Appendix A: Proposed Performance Standard Stringencies.....	15
Appendix B: Proposed Electricity Performance Standards .....	16

## Glossary of Terms

**Baseline** typically refers to the baseline emissions level or baseline production level for a product at a regulated facility, determined by averaging over the applicable baseline years the regulated emissions or annual quantity of product produced at the regulated facility.

**Carbon capture, utilization and storage (CCUS)** is the process of capturing carbon dioxide that would otherwise be emitted to the atmosphere and recycling it for further uses, such as enhanced oil recovery, or ensuring its permanent storage, such as through sequestration in deep saline aquifers.

**Carbon leakage** refers to a situation in which an emitter relocates to a jurisdiction with less stringent greenhouse gas reduction requirements or loses market share to a competitor that is located in a jurisdiction with less stringent greenhouse gas reduction requirements. Both cases may lead to an increase in global greenhouse gas emissions.

**Compliance obligation** means the action that a regulated emitter is required to take if the emissions at a regulated facility exceed the permitted emissions prescribed for that regulated facility in a given compliance year.

**Compliance year** refers to a calendar year in which a facility is regulated within the Saskatchewan output-based performance standards program.

**Consumer fuels** means fuels, such as gasoline, diesel fuel, natural gas, etc., that are subject to carbon pricing under the federal carbon tax.

**Emissions return** means a return by a regulated emitter for a regulated facility that is submitted to the ministry for the purpose of demonstrating whether the total regulated emissions by the regulated facility are below, meet or exceed its permitted emissions in each compliance year and whether the regulated facility has earned performance credits or has incurred a compliance obligation.

**Federal carbon pricing benchmark** refers to the set of criteria published by the Government of Canada in August 2021 that a provincial or territorial carbon pricing program must meet in order to avoid imposition of the federal carbon pricing backstop in that jurisdiction.

**Feedstock CO<sub>2</sub> for urea** means carbon dioxide that may be produced and captured onsite at, or imported to, a regulated facility and consumed as feedstock in the production of urea.

**Flaring emissions** means the controlled release of emissions from industrial activities derived from the combustion of gas or liquid stream produced at a facility, the purpose of which is not to produce heat or work to be used at a facility.

**Industrial process emissions** means emissions from an industrial process that involves a chemical or physical reaction other than combustion, the purpose of which is not to produce heat or work to be used at a facility. This does not include venting from hydrogen production associated with fossil fuel production. Emissions from fuel combustion used to provide heat for an industrial process, whether they be internal or external to the industrial process equipment, are not considered industrial process emissions.

**Integrated facility** refers to a regulated facility that combines multiple assets to be considered one regulated facility. In regulated sectors other than the electricity generation sector, the on-site generation of electricity is considered an integrated part of a regulated facility.

**Leakage emissions** means the uncontrolled release or leak of emissions from fossil fuel production, processing, transmission and distribution; iron and steel coke batteries; or CO<sub>2</sub> capture, transport, injection and storage infrastructure for long-term geological storage.

**Offset credit** means a credit, representing one tonne of greenhouse gases, that may be awarded through an offset program for an eligible activity that reduces, removes, or sequesters greenhouse gas emissions.

**On-site transportation emissions** means the emissions from machinery used for the transport or movement of substances, materials, equipment or products that are used in the production process within the boundary of a regulated facility.

**Performance standard** means the amount of CO<sub>2</sub>e emissions a regulated facility is allowed to emit when producing a unit of product during a compliance year without incurring a compliance obligation.

**Performance standard allocation** means the percentages that are assigned to each regulated sector, other than the electricity generation sector, and that are used to determine the reduction requirement for the regulated emissions from a facility that are subject to reduction.

**Permitted emissions** means, for a compliance year of a regulated facility, the emissions the regulated facility is permitted to emit without incurring a compliance obligation for all products in commercial production at the regulated facility.

**Stationary fuel combustion emissions** means the releases from stationary fuel combustion sources at a facility in which fuel is burned for the purpose of producing heat or work to be used at the facility.

**Total regulated emissions** means the sum of all emissions from regulated source categories for a regulated facility in a calendar year or compliance year.

**Useful thermal energy** means energy in the form of steam, hot water, or other thermal form that is intended to be used for an industrial purpose.

**Venting emissions** means the controlled release of process emissions or emissions contained in waste gas released to the atmosphere.

## Introduction and Background

The Saskatchewan output-based performance standards (OBPS) program is an industrial emissions pricing system under *Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy*. The province's OBPS program is designed to maintain economic competitiveness and protect against carbon leakage by providing relief to industrial emitters from the federally imposed carbon tax. Under the program, regulated emitters will save more than \$2.3 billion compared to regulation under the federal industrial pricing system. Our program helps protect Saskatchewan industries and jobs in the province to avoid carbon leakage that ultimately results in higher overall global emissions.

In August 2021, Environment and Climate Change Canada (ECCC) released the new 2023-2030 federal carbon pricing benchmark for provincial and territorial industrial carbon pricing systems that will apply beginning January 1, 2023. Provinces and territories with industrial carbon pricing programs must meet the requirements of this new federal benchmark or have the federal backstop imposed. The new federal benchmark requires a provincial or territorial OBPS program to have coverage equivalent to the federal output-based pricing system. As a result, the current partial coverage of Saskatchewan's OBPS program, which omits the natural gas transmission pipeline and electricity generation sectors, will no longer be accepted. The new federal benchmark signals ECCC's intent to hold provincial and territorial carbon pricing systems to more stringent minimum national criteria to further reduce greenhouse gas (GHG) emissions and meet Canada's 2030 targets and beyond.

As part of the 2023-2030 federal benchmark assessment, the Government of Saskatchewan intends to end the federal backstop in Saskatchewan by asserting regulatory authority over the pricing of consumer fuels and the pricing of industrial emissions for all emissions-intensive trade-exposed sectors in the province, including electricity generation and natural gas transmission pipelines. This discussion paper focuses specifically on the pricing of industrial emissions under Saskatchewan's OBPS program.

The Ministry of Environment (the ministry) is reviewing the OBPS program legislated under *The Management and Reduction of Greenhouse Gases (Standards and Compliance) Regulations* (the Regulations) to ensure the program meets the requirements of the new 2023-2030 federal carbon pricing benchmark. Meeting these requirements will ensure provincial autonomy over the OBPS program and bring the federally imposed carbon tax under provincial control.

The updated federal carbon pricing benchmark guidance lays out specific requirements that provincial and territorial carbon pricing programs must satisfy. In particular, provincial and territorial programs must have a carbon price that, at a minimum, matches the minimum federal carbon pricing schedule. Further, provinces and territories must maintain the minimum carbon pricing signal in their programs, including ensuring compliance obligations incurred by regulated emitters in the program exceed the credits available in the jurisdiction's market to fulfil compliance.

This discussion paper highlights the requirements under the new federal benchmark that have implications for Saskatchewan and will necessitate changes to the provincial OBPS program. The paper considers a number of proposed approaches for updating Saskatchewan's OBPS program guided by five key principles that have and will continue to underpin Saskatchewan's approach to resilience:

- provincial autonomy over carbon pricing;
- minimizing regulatory burden through results-based regulation;

- recognizing sector-specific capacity for emissions intensity reductions;
- maintaining industry competitiveness; and
- continued economic growth and prosperity.

By April 1, 2022, the Government of Saskatchewan will submit the proposed updates to the province's OBPS program for evaluation against the federal benchmark. In anticipation that the federal government will approve Saskatchewan's OBPS program in the summer of 2022, the ministry will begin drafting the necessary regulatory amendments through the summer and fall of 2022. We expect engagement with the regulated community to continue during this period. The ministry plans to implement all regulatory changes and program updates by and effective as of January 1, 2023.

The ministry values your input in the review of Saskatchewan's OBPS program to ensure it continues to meet the government's objectives and guiding principles, while satisfying federal benchmark requirements.

Please provide any written feedback to [prairie.resilience@gov.sk.ca](mailto:prairie.resilience@gov.sk.ca) no later than **March 6, 2022**.

## 1. Common Scope of Emissions Coverage

The 2023-2030 federal benchmark requires provincial and territorial carbon pricing programs to cover an equivalent percentage of combustion and industrial process emissions as would be covered by the federal backstop in an effort to standardize the coverage of GHG emissions across carbon pricing programs in Canada. Combustion emissions include stationary fuel combustion, flaring and on-site transportation emissions.

### *1.1 Flaring and On-site Transportation Emissions in the Upstream Oil and Gas Sector*

Saskatchewan's OBPS program does not cover flaring or on-site transportation emissions in the upstream oil and gas sector. Leaving these emissions uncovered would result in Saskatchewan's OBPS program failing to meet the federal benchmark.

The pricing of flaring emissions, in particular, is expected to significantly increase the volume of emissions covered under the upstream oil and gas sector. The ministry recognizes that this could have a material impact on the compliance obligations faced by the oil and gas sector, and has taken this into account as it considers revised performance standard stringencies in the program.

To minimize administrative burden, the ministry is proposing flexibility for regulated emitters who do not want to re-establish the baseline for their regulated facilities to incorporate flaring emissions. These emissions will be included in a regulated facility's total regulated emissions regardless of a re-established baseline.

**Proposed approach: To avoid the imposition of the federal backstop, Saskatchewan's OBPS program will cover flaring and on-site transportation emissions from the upstream oil and gas sector. These emissions will be included in a regulated facility's total regulated emissions reported each year, beginning in 2023. On-site transportation emissions will be included in a regulated facility's baseline and regulated emitters in this sector will have the flexibility to include or not include flaring emissions in the baseline for their regulated facility.**

### *1.2 Industrial Process Emissions*

As part of its permitted emissions, a regulated facility in the provincial OBPS program currently receives an allocation equal to the amount of industrial process emissions released from the facility in the current compliance year. This approach for industrial process emissions does not provide a price signal to create incentives for the reduction of emissions, which is required to satisfy the federal benchmark.

**Proposed approach: In recognition that industrial process emissions are difficult to reduce, the facility's permitted emissions will include an allocation applied to the average baseline industrial process emissions intensity for the facility. CO<sub>2</sub> produced at a regulated facility that is captured and used as feedstock for the production of urea will not be considered an industrial process emission and will not be covered under the OBPS program.**

## 2. Treatment of Natural Gas Pipelines and Electricity Generation in the Provincial OBPS Program

The new federal benchmark requires provincial and territorial carbon pricing programs to fully replace the federal carbon tax or the federal output-based pricing system. Where a partial carbon pricing program does not fully replace the federal carbon tax or federal output-based pricing system, the corresponding part of the federal backstop system will be applied in the jurisdiction.

Saskatchewan's OBPS program does not currently cover the natural gas transmission pipeline or electricity generation sectors, therefore a partial federal backstop is applied in the province to cover these two sectors. This is no longer acceptable.

**Proposed approach: To avoid the imposition of the federal backstop, the ministry will include two new sectors in the provincial OBPS program: natural gas transmission pipelines and electricity generation.**

### *2.1 Natural Gas Pipelines in the Provincial OBPS Program*

The natural gas transmission pipeline sector will be added to the OBPS program and given a sector-specific performance standard allocation. For greater certainty, natural gas distribution pipelines in Saskatchewan will not be covered by the provincial OBPS program. The portion of each transmission pipeline located in Saskatchewan, including all compressor stations and other integrated buildings, equipment and machinery, will be treated as a single integrated facility.

The proposed regulated source categories will include stationary fuel combustion, flaring, on-site transportation, venting and leakage emissions.

### *2.2 Electricity Generation in the Provincial OBPS Program*

The ministry proposes to provide distinct treatment for three categories of electricity generation within the OBPS program as described below.

#### *2.2.1 Electricity Generating Facilities*

Electricity generating facilities are regulated facilities with the primary purpose of producing electricity for eventual sale. Any electricity generating facility with at least 10,000 tonnes of emissions per year would be required to participate in the OBPS program. These facilities would be subject to performance standards established based on the type of fuel combusted to generate electricity at the facility, either solid, liquid or gaseous fuel. Electricity generating facilities that also produce useful thermal energy will be held to a standard of 0.058 tonnes CO<sub>2</sub>e/GJ.

New electricity generating facilities using gaseous fuel that begin operation on or after January 1, 2023, that are registered in the OBPS program would be subject to a tightening performance standard that reaches 0 tonnes CO<sub>2</sub>e/GWh of electricity produced from gaseous fuel by 2030. Similarly, if an existing facility expands its generation capacity from gaseous fuel by at least 50 MW on or after January 1, 2023, the electricity generated from that expanded capacity would be subject to the tightening performance standard for gaseous fuel. If a new or expanded facility also generates electricity from solid or liquid fuels, the appropriate performance standard for those fuels would still apply. The performance

standards for these electricity generating facilities from 2023 to 2030 are referenced in Appendix B – Table 3.

Designing provincial regulations for pricing emissions from electricity generation necessitates tradeoffs, especially between the short-term costs of industrial production and longer-term rates for electricity. The approach outlined above prioritizes the transfer of control of electricity emissions pricing to the provincial government, as well as industrial competitiveness and economic growth for all sectors.

**Proposed approach: The ministry will apply performance standards by fuel type to electricity generating facilities. All new electricity generating facilities using gaseous fuel, as well as existing electricity generating facilities expanding their electricity generation capacity from gaseous fuel by at least 50 MW, will have a tightening performance standard for the electricity generated from that gaseous fuel. To ensure fair and consistent treatment of all electricity generating facilities, the ministry will incorporate prescribed quantification methodologies in a revised standard that regulated emitters must follow when quantifying production and emissions.**

### *2.2.2 Electricity Generation at Integrated Facilities*

Regulated facilities that generate electricity on-site, but whose primary product is not electricity, would have the emissions associated with electricity generation incorporated into the emissions of the product or products produced at the regulated facility. The emissions associated with generating useful thermal energy produced through cogeneration would also be incorporated into the emissions of the product or products produced at the regulated facility. As a result, the emissions from electricity and useful thermal energy from cogeneration would be subject to the same performance standard allocation that applies to the regulated facility.

If regulated facilities were subject to the same standards proposed for electricity generating facilities, a significant number of credits would be introduced into the OBPS program. The addition of these credits would put further pressure on increasing performance standards for all participants in the program. In addition, treating regulated facilities in the same manner as electricity generating facilities would lead to significant compliance costs for new or expanded electricity generation from gaseous fuel.

**Proposed approach: The ministry will incorporate emissions associated with electricity generation and, as applicable, useful thermal energy from cogeneration at an integrated facility into the emissions of the product or products produced at the regulated facility.**

**This proposed approach minimizes excess credits in the program and prevents tightening the performance standard for electricity generation that decreases to 0 tonnes CO<sub>2</sub>e/GWh by 2030 being applied to industrial facilities that may begin to generate electricity or expand existing electricity generation capacity using gaseous fuel.**

### *2.2.3 Gas-to-Power Electricity Generation*

Gas-to-power electricity is generated from the combustion of associated gas from an oil well. The ministry would maintain the same treatment of gas-to-power electricity generation within the OBPS program. The emissions associated with this type of electricity generation would be integrated into and reported alongside the other regulated emissions from a regulated facility within the oil and gas sector. The emissions from gas-to-power electricity generation are provided a 95 per cent allocation.

**Proposed approach: The ministry will maintain the same treatment of gas-to-power electricity generation within the OBPS program to incentivize gas conservation and advance the province’s Methane Action Plan goals.**

### 3. Carbon Pricing

#### 3.1 Minimum Carbon Pricing Schedule

The new federal benchmark requires provincial and territorial carbon pricing programs to follow a schedule that, at a minimum, matches the federal carbon pricing schedule, which will increase by \$15 per year from \$65 per tonne CO<sub>2</sub>e in 2023 to \$170 per tonne CO<sub>2</sub>e in 2030.

**Proposed approach: To avoid the imposition of the federal backstop, in its regulatory framework the ministry will establish a Saskatchewan Technology Fund rate of payment schedule that matches the minimum federal carbon pricing schedule as shown in Table 1.**

Table 1: OBPS program compliance rates to the Saskatchewan Technology Fund

Year	2023	2024	2025	2026	2027	2028	2029	2030
\$/t CO <sub>2</sub> e	\$65	\$80	\$95	\$110	\$125	\$140	\$155	\$170

#### 3.2 Maintaining the Minimum Carbon Pricing Signal – OBPS Program Stringency

The new federal benchmark requires provincial and territorial carbon pricing programs to maintain the minimum federal carbon pricing signal. This federal benchmark requirement has significant implications on various aspects of Saskatchewan’s OBPS program.

To maintain the minimum federal carbon price in a provincial OBPS program, it will be necessary for the compliance obligations owed by regulated emitters to exceed the number of credits available to fulfil those compliance obligations. This ensures that the minimum prescribed carbon price is maintained and that available credits sell at prices at or near the carbon price. An expected excess of credits in an OBPS program could result in the marginal carbon price falling below the minimum federal carbon price, leading to the OBPS program failing the new federal benchmark.

If an excess of credits is expected in an OBPS program for the 2023 to 2030 period, there are two options available to balance the supply of credits with demand: reduce the supply of credits available in the provincial market or increase the stringencies for regulated emitters to increase compliance owed and the quantity of credits demanded. Increasing performance standard stringencies can also affect the supply of credits, as fewer performance credits would be earned.

##### 3.2.1 Offset Credits

An option to meet the 2023-2030 federal benchmark is to remove offset credits as a compliance option within the provincial OBPS program. Keeping offset credits as a compliance option would result in higher stringencies for performance standards. The Government of Saskatchewan remains committed to

supporting offset project developers by identifying opportunities for recognition and the generation of value for voluntary actions taken to reduce greenhouse gas emissions in the province. This also includes opportunities for Saskatchewan offset project developers to participate in additional credit markets in Canada and internationally.

**Proposed approach: To manage the supply of credits while protecting the competitiveness of regulated emitters, the ministry will remove offset credits as a compliance option within the OBPS program. The ministry will work with offset project developers to identify growing international carbon market opportunities.**

### *3.2.2 Performance Credits*

Saskatchewan's OBPS program currently awards performance credits to regulated facilities that have reduced emissions by at least 10, 15, or 20 per cent (depending on the sector) below their permitted emissions in a given year. Under the updated federal benchmark, the portion of the emission reductions below a facility's permitted emissions that are not eligible to generate performance credits do not have a carbon pricing signal.

Starting January 1, 2023, a regulated facility must be awarded one performance credit for each tonne of emissions that it reduces below its permitted emissions in the compliance year.

**Proposed approach: To avoid the imposition of the federal backstop, starting January 1, 2023, one performance credit will be awarded for each tonne of emissions reduced below the permitted emissions of a regulated facility in a compliance year. The ministry has begun awarding performance credits under the 10-15-20 performance credit system for the 2019 compliance year and will continue to award performance credits under the current system for the 2020, 2021 and 2022 compliance years.**

### *3.2.3 Recognizing Carbon Capture, Utilization and Storage*

Regulated emitters may invest in new technology at regulated facilities to reduce their emissions. In particular, investments in carbon capture, utilization and storage (CCUS) technology represent an opportunity for significant reductions in provincial emissions from various sectors. While these efforts deserve to be recognized in the OBPS program, recognition must protect the overall competitiveness of Saskatchewan's regulated emitters.

**Proposed approach: To incentivize CCUS as a means of significantly reducing emissions in the province, the ministry will award regulated emitters that capture and permanently sequester carbon dioxide (CO<sub>2</sub>) with CCUS credits. Regulated emitters could use CCUS credits they are awarded to fulfil a compliance obligation incurred at a regulated facility they own or operate in the current or in a future compliance year. To manage supply, CCUS credits cannot be purchased by another regulated emitter to fulfil compliance at one of their regulated facilities.**

This approach will help reduce the extent to which CCUS credits will increase the supply of credits available in the provincial credit market. If the OBPS program allowed CCUS credits to be freely traded and sold, the credit supply would increase by \$1 billion by 2030 and would require an additional four per cent incremental increase to all performance standard allocations above what is already proposed in this paper.

A regulated emitter will have to undertake additional monitoring and reporting requirements to ensure captured CO<sub>2</sub> is permanently sequestered to claim CCUS credits. The ministry is currently assessing what information needs to be reported and expects the required information would be submitted alongside a regulated facility's annual emissions return. The ministry recognizes that multiple regulated facilities could contribute captured CO<sub>2</sub> to a CCUS activity and expects to provide flexibility in reporting that will account for multiple parties to ensure each participant can claim CCUS credits for their contribution of captured CO<sub>2</sub>. For those facilities that are also eligible to generate credits under the federal government's Clean Fuel Standard, the ministry would allow those regulated emitters to generate CCUS credits in the provincial OBPS program.

### *3.2.4 Performance Standard Stringencies*

The federal government has modelled its own projections for how stringent Saskatchewan's performance standards should be in order to maintain the minimum carbon pricing signal. Their analysis assumes performance credits in Saskatchewan's OBPS program are awarded on a one-for-one basis, but that no other changes are made to the program. Unlike provincial analysis, their models do not use the most recent and accurate province-specific data. Federal government models project that most sectors in Saskatchewan's OBPS program should reduce their emissions intensity 36 per cent by 2030 to maintain the carbon pricing signal.

Many of the proposed approaches in this discussion paper, including treatment of electricity generation at integrated facilities, removal of offset credits as a regulated compliance option, and limiting the use of CCUS credits, help manage the supply of credits available in the OBPS program. This, in turn, provides flexibility in minimizing the extent to which performance standard stringencies will have to increase. Even with these adjustments, as a result of the new federal benchmark, there would still be an excess supply of credits in the program if the performance standards were untouched. Failing to address this imbalance would result in the provincial OBPS program failing to meet the federal benchmark and imposition of the federal backstop in Saskatchewan.

**Proposed approach: To ensure there is sufficient demand for credits available in the provincial market until 2030, the federal benchmark requires the ministry to increase the stringency of performance standard allocations for regulated sectors in the OBPS program. See Appendix A – Table 2 for the proposed performance standard allocations that would take effect January 1, 2023.**

Like the current performance standard allocations under the provincial OBPS program, the increased stringency proposed for performance standard allocations will be gradually applied, resulting in a more stringent performance standard in each subsequent compliance year. This will result in emissions intensity reduction requirements of 20 per cent for the upstream oil and gas, natural gas transmission pipeline, and refining and upgrading sectors, and 15 per cent for all other regulated sectors by 2030.

The proposed increases to performance standard allocations shown in Appendix A take into account the other proposed approaches in this discussion paper. Any changes to the OBPS program updates proposed in the paper that would increase the supply of credits in the OBPS program would lead to further increases in performance standard allocations. All aspects of the OBPS program must work together to maintain a balance between the supply and demand of credits.

## 4. Saskatchewan Technology Fund

Under the new federal carbon pricing benchmark, the Saskatchewan Technology Fund will not return proceeds directly to regulated emitters that pay into the Fund to fulfil their compliance obligation. Under the federal benchmark, compliance payments must be pooled to avoid diluting or negating the federal carbon price signal.

Options for the administration and disbursement of monies from the Saskatchewan Technology Fund are currently being considered by the Saskatchewan Technology Fund Advisory Committee. This committee, composed of representatives from Saskatchewan's regulated emitters under the provincial OBPS program, will prepare recommendations for consideration by the Minister of Environment.

The ministry expects to share further Saskatchewan Technology Fund details with regulated emitters in the near future, but welcomes comments or additional suggestions on the potential structure of the Fund through this discussion paper.

**Proposed approach: The Saskatchewan Technology Fund will be designed to maintain the carbon pricing signal to satisfy federal benchmark requirements.**

## 5. Reporting Requirements

### *5.1 Public Reporting*

The new federal benchmark will require provincial and territorial governments to publish program-level information on key program features and outcomes, including:

- Greenhouse gas emissions covered by the carbon pricing program;
- The number of credits issued, broken out by type;
- The total compliance obligations owed under the carbon pricing program;
- Compliance fulfillment, broken out by type (e.g., credit type, fund payments, etc.); and
- Credit status and carbon market activities.

This new federal requirement aims to increase reporting transparency and allow for comparability of carbon pricing programs across Canada. Program-level reporting will not include company-level information and will not compromise the privacy of confidential information submitted to the ministry by regulated emitters.

**Proposed approach: The ministry will publish reports on the provincial OBPS program that provide details on the required program features and outcomes at a program level.**

### *5.2 Emission Factors*

The federal greenhouse gas reporting program (GHGRP) and Saskatchewan's *The Management and Reduction of Greenhouse Gases (Reporting and General) Regulations* require regulated emitters to use emission factors that ECCC may periodically update.

Saskatchewan's OBPS program currently requires consistent use of emission factors to quantify baseline emissions and the regulated emissions in each compliance year for a regulated facility. Consistent use of

emission factors ensures a fair and consistent comparison of a facility's emissions over time. Aligning the use of emission factors used by ECCC and GHGRP would require an annual recalculation of baseline emissions, burdening regulated emitters and the ministry.

For the OBPS program, a regulated emitter could use a Saskatchewan-specific emission factor that accounts for reductions in emissions intensity by including appropriate justification in the facility's reports to the ministry. For example, an increased blending of biofuels in the province would reflect real improvements to emissions intensity of a standard fuel. Regulated emitters should be aware that site-specific emission factors may not be accepted when reporting to ECCC.

Updated ECCC emission factors could also be used by a regulated emitter if the updated emission factors are not materially different than the ones used to calculate the baseline for the regulated facility. As with the use of Saskatchewan-specific emission factors, justification for the use of updated ECCC emissions factors would be required to be reported to the ministry.

**Proposed approach: To provide flexibility, regulated emitters will be permitted to submit evidence that supports the use of alternative emission factors when reporting to the Saskatchewan OBPS program.**

## Next Steps

Written feedback received through this discussion paper and the upcoming engagement webinar will be accounted for when developing the final recommended changes to Saskatchewan's OBPS program. These changes will be submitted to the federal government by April 1, 2022.

In anticipation that Saskatchewan's proposal to update the OBPS program satisfies the new federal carbon pricing benchmark, the ministry will begin drafting the necessary regulatory amendments and changes to the accompanying standard documents through the summer and fall of 2022. The ministry will continue to engage with the regulated community to seek comments on proposed amendments and the draft regulations and standards.

The Saskatchewan Technology Fund Advisory Committee will also need to submit their recommendations to the Minister of Environment in the coming months to help regulated emitters fulfil their compliance obligations before the end of 2022.

The ministry plans to have all regulatory updates and necessary changes to the accompanying standards implemented by and effective as of, January 1, 2023.

## Appendix A: Proposed Performance Standard Stringencies

Table 2: Proposed Performance Standard Allocations for Regulated Sectors, Beginning in 2023

Sector	Reduction Period											
	1	2	3	4	5	6	7	8	9	10	11	12
Mining	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Iron and steel mills	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Fertilizer manufacturing	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Ethanol manufacturing	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Grain and oilseed processing	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Char production	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Activated carbon production	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Refining and upgrading of petroleum	0.9833	0.9667	0.9500	0.9333	0.9167	0.9000	0.8833	0.8667	0.8500	0.8333	0.8167	0.8000
Upstream oil and gas	0.9833	0.9667	0.9500	0.9333	0.9167	0.9000	0.8833	0.8667	0.8500	0.8333	0.8167	0.8000
Chemical manufacturing	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Wood product manufacturing	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Mineral product manufacturing	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Agricultural and industrial equipment manufacturing	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Food and beverage processing	0.9875	0.9750	0.9625	0.9500	0.9375	0.9250	0.9125	0.9000	0.8875	0.8750	0.8625	0.8500
Natural gas transmission pipelines	0.9833	0.9667	0.9500	0.9333	0.9167	0.9000	0.8833	0.8667	0.8500	0.8333	0.8167	0.8000

## Appendix B: Proposed Electricity Performance Standards

Table 3: Proposed Performance Standards for Electricity Generating Facilities, 2023 – 2030  
(tonnes CO<sub>2</sub>e/GWh electricity produced)

Fuel Type	2023	2024	2025	2026	2027	2028	2029	2030
Solid fuel	566	538	510	482	454	426	398	370
Liquid fuel	550	550	550	550	550	550	550	550
Existing gaseous fuel	370	370	370	370	370	370	370	370
New or expanded gaseous fuel	288	247	206	164	123	82	41	0