

WCI carbon market to start with three members

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Two Canadian provinces will join California when the Western Climate Initiative (WCI) begins trading in 2012, officials said Tuesday. The Canadian provinces of British Columbia and Quebec are expected to begin trading carbon allowances and offsets in 2012, alongside California, when the WCI officially begins in 2012, WCI officials jurisdictions confirmed in a joint statement.

But a spokesman for BC issued a clarification later in the day that said while it has the legislative framework in place to be ready for 2012 implementation, the timing remains subject to provincial government decision. Ontario and Manitoba will join in after the programme starts, they added in an update published ahead of a WCI stakeholder meeting scheduled to take place in Los Angeles on Wednesday.

“Five WCI jurisdictions have made tremendous progress on key elements of a linked regional programme including emissions reporting, offset protocols, infrastructure requirements and the regional administrative organisation,” the officials said. The WCI was formed in 2007 when the governors of five western states signed an agreement to set a collective target to reduce their greenhouse gas emissions. The partnership has since expanded to 11 members, who agreed to a goal to reduce greenhouse gas emissions by 15 per cent below 2005 levels by 2020.

An economy-wide greenhouse gas emissions trading system is the centre of the WCI's plans to achieve the target, but only five members have said they will participate in trading.

Canadian politics in play

Ontario's readiness to participate in the WCI in 2012 has been in doubt for the past few months since provincial elections set for October have caused the ruling Liberal government to hold off on pushing ahead with the programme. Conservative Tim Hudak will challenge Ontario's pro-WCI Premier Dalton McGuinty in the October elections and has criticised the premier for his climate and energy policies. Ontario officials have said they will continue to hold stakeholder meetings on joining the WCI, although public support for cap and trade has been waning in recent months.

Meanwhile, British Columbia elected Christy Clark as the new Premier in early March.

Clark had indicated that she will continue her Liberal party's efforts to implement a provincial cap-and-trade system that will link to the WCI. But her new environment minister, Terry Lake, told Canada's Globe and Mail newspaper late Tuesday that Clark will need to re-evaluate the cap-and-trade proposal "to ensure it wouldn't undermine the province's competitiveness".

Point Carbon research analysts have estimated that a California-only emissions trading scheme would cover 165 million tonnes of CO₂ a year. Adding BC, Quebec and Ontario would increase the market size to 220 million tonnes over that same time period, the analysts said.

'Portfolio approach'

No timeline was given for when the other six partners – Arizona, New Mexico, Utah, Oregon, Washington, and Montana – might enter into the regional carbon market. But the officials said all 11 WCI partner jurisdictions continue to work together on a “portfolio approach” to climate action. “This portfolio approach will include a range of strategies and policies to grow the low-carbon, clean energy economy in North America,” the officials said.

The officials said they have been working with the federal governments in the US and Canada to develop a “single window” greenhouse gas reporting system to minimise duplication and reduce the reporting burden for industry. “The WCI design accommodates partners joining any time after the programme starts,” the officials said.

Details underway

The officials said the system will include an offsets system to “ensure cost-effective compliance options through a broad range of emission reduction strategies”. They said they would release recommendations for approving offset projects on Wednesday, and said they are also evaluating an initial set of offset protocols.

The officials are also working to establish a tracking system for offsets and allowances that will be consistent with each jurisdiction’s transparency objectives. They are also setting up an auction platform they said will promote price discovery.

“Joint work is underway on setting a reserve price and purchase limit, addressing currency exchange issues, settling tied bids, and evaluating options for consignment of allowances and for a non-competitive component of the auction,” the officials said.

The officials also said they are considering the creation of a regional administrative organisation to coordinate implementation and insure the integrity of the trading programme, similar the north east’s Regional Greenhouse Gas Initiative’s (RGGI) RGGI Inc.

The officials promised to provide more details on all areas of the programme’s development in the coming months.

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