



Canada's Green Plan and its Implications for Trading

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Carbon Expo 2007

Origins of our perspectives

Highlights of Experience

- Founded in 1969; listed since September 2006 (NASDAQ: ICFI)
- Provided climate policy advice to > 60 governments
- Providing climate strategy advice to > 55 companies in the FT Global 500
- Over 230 professionals with climate-related expertise out of 1,800 worldwide staff



Service Offerings

- Developing climate strategies aligned with key corporate drivers based on our *Value-at-Stake* methodology
- Carbon market pricing analysis using our *InCaP* model
- GHG emission inventories
- Bringing CDM and JI projects through the Kyoto cycle
- Undertaking due diligence of CDM and JI projects using our *K-Prism* model
- Providing market analysis to low-carbon technology companies
- Modeling emissions scenarios
- Assisting governments establish their climate change policy framework and institutions

The Canadian Political Context

- January of 2006 the Conservatives win the election and form a weak minority government (135 out of 308 seats)
- They come into office with 5 priorities, climate change isn't one of them
- October 2006 they introduce the Clean Air Act
- The Parliamentary Committee rewrites the Bill to insert the Kyoto commitments
- April 26th the government presents its Green Plan which will be a series of regulations based on the Canadian Environmental Protection Act 1999.

The Elements of the Green Plan

- The baseline year will be 2006
- The short term targets will be based on emissions intensity with an 18% improvement by 2010 and improving by 2% per year to 26% by 2015
- The target for 2020 will be an absolute reduction of 150MT
- There are a range of compliance options available to industrial emitters
- Includes standards for criteria air contaminants, transportation, consumer and commercial products and indoor air quality

Covered Sectors

- The capped sectors include;
 - Electricity production produced by combustion
 - Oil and gas including upstream downstream oil sands and pipelines
 - Forest products
 - Smelting and refining
 - Iron and steel
 - Potash cement and lime
 - Chemical production including fertilizers
- All six Kyoto gases are included in the Plan

Compliance Options

- There are six options available to covered emitters for compliance;
 - Internal abatement
 - Inter firm trading on a baseline credit basis
 - Purchase of CERs
 - Domestic offsets
 - Technology Fund
 - Credit for Early Action

Technology Fund

- To achieve long term significant reductions in ghg emissions Canada needs to commit to some major infrastructure projects including;
 - Carbon capture and storage
 - Clean coal
 - East west transmission
- In 2010 capped emitters can meet 70% of their obligation through the tech fund at \$15/T
- By 2015 they can meet 40% of their obligation through the fund at about \$21.20/T
- If fully subscribed the tech fund would collect about \$4billion by 2015

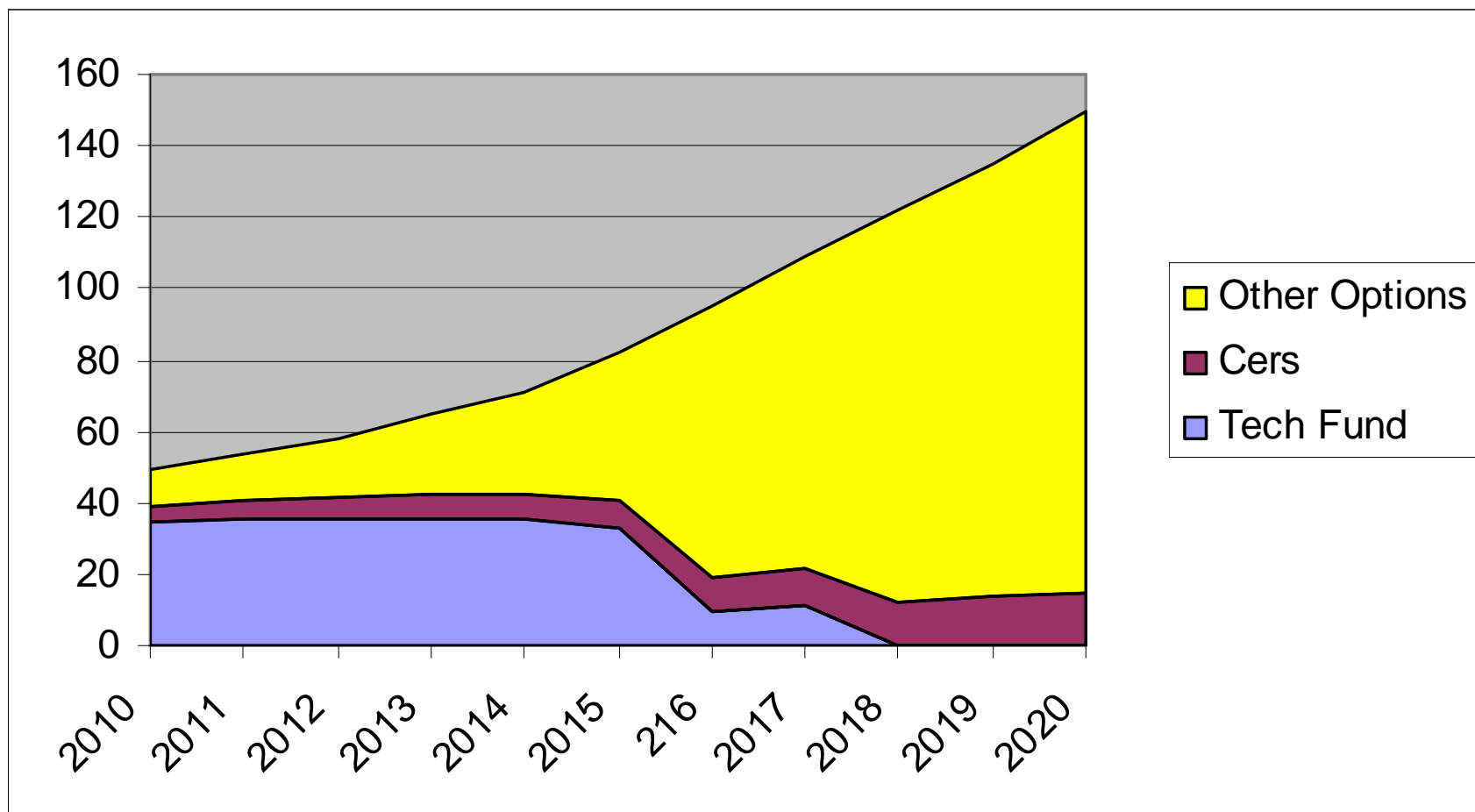
Emissions Trading

- Capped emitters can use CERs to meet 10% of their compliance obligation on an annual basis
- Capped emitters that over comply through internal abatement will be able to apply for credits subject to third party verification
- There will be a domestic offsets system to which capped emitters will have unlimited access
- Options will be explored to integrate with international emissions trading with the initial emphasis on the United States and possibly Mexico

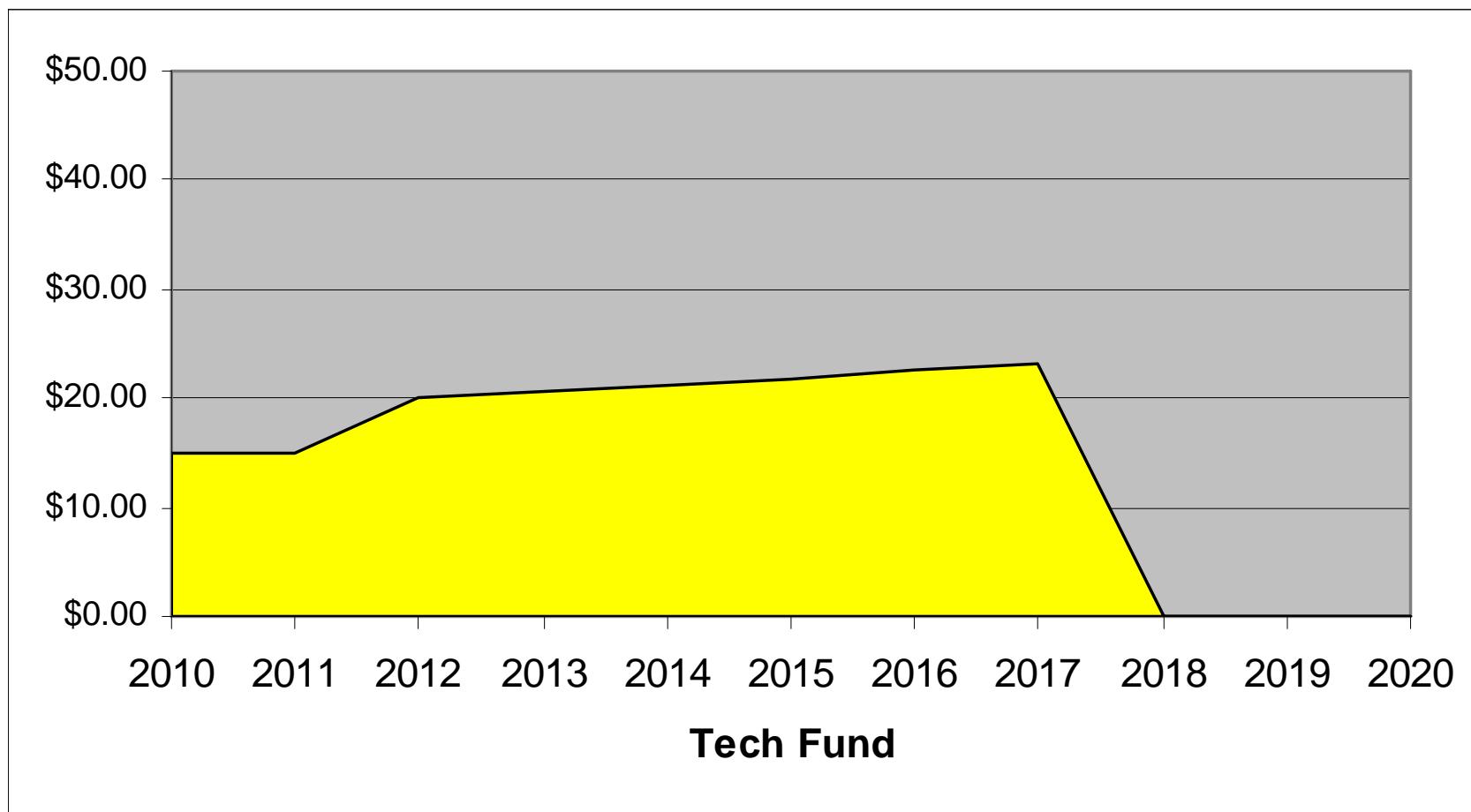
Criteria Air Contaminants

Targets Entry into Force as soon as possible between 2012 - 2015	Air Pollutant	Base Year	Sector-based fixed caps and national fixed caps
	Nitrogen Oxides (NO _x)	2006	40% reduction - 600 Kt cap
	Sulphur Oxides (SO ₂)	2006	55% reduction - 840 Kt cap
	Volatile Organic Compounds (VOCs)	2006	45% reduction - 360 Kt cap
	Particulate Matter (PM)	2006	20% reduction - 160 Kt cap

Trading Volumes



Trading Prices



Final thoughts

- The failure to develop an action plan between 1997 and 2007 has made Kyoto compliance unsustainably expensive
- The current government has a stated commitment to engage in the Kyoto and post-Kyoto process but there is no clear indication what that means
- The Green Plan is an attempt to be environmentally aggressive but at the same time to minimize the economic impact
- Time will tell



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