B.C. Climate Solutions Council

To: Minister of Environment and Climate Change Strategy, Honourable George Heyman

cc: Minister of Energy, Mines and Low Carbon Innovation, Honourable Josie Osborne, Deputy Minister, Kevin Jardine; Deputy Minister Shannon Baskerville; Assistant Deputy Minister, Jeremy Hewitt

May 11, 2023

Dear Minister Heyman,

Re: Greenhouse Gas Reduction Standard

The Council was briefed on and examined the proposed new Greenhouse Gas Reduction Standard (GHGRS) prior to the province's announcement of a new climate aligned energy action framework on March 14 and 15, 2023. The Council looks forward to the further development of these vital actions. This letter addresses the information the Council has to date on the GHGRS.

We reiterate our advice provided in the Council's 2022 Annual Report augmented in this letter to reflect recent announcements. We highlight *in italics* comments and recommendations added to the advice in the Annual Report.

The Greenhouse Gas Reduction Standard (GHGRS**)** has been delayed to 2023 to allow for more consultation. *The Council awaits a briefing on the outcomes of these consultations.* Modelling by both the province and the Canadian Climate Institute anticipates that meeting B.C.'s 2030 emissions target cost-effectively and getting the province on a path to net zero in 2050 will entail a significant shift *in space heating* from gas to electricity *in the majority of* buildings.[1]
The Council's 2020 report emphasized "In addition to the 2030 target, reduction requirements should be set to align with the provincial government's 2040 and 2050 targets, including the overarching CleanBC objective of transitioning away from fossil fuels toward clean energy." However, the proposed GHGRS is at risk of implementation pitfalls. It relies in the first instance on gas utilities—whose core business is most directly threatened by that transition—to propose a compliance pathway.

The approach puts the onus on the B.C. Utilities Commission (BCUC) to evaluate the credibility of gas utilities' plans to meet their emissions obligations at a reasonable cost, presumably via renewable natural gas (RNG) and other low carbon gases (e.g., hydrogen). This is a very different role from the BCUC's historical mandate to regulate price and supply. Our concern is with delays in ramping up the capacity of the BCUC to acquire the personnel, experience, and expertise to take this on, and the absence of a clear mandate to the BCUC to align its decision-making with the province's legislated climate targets. Preparing to do so will entail a fundamental transformation of the Commission. *Alternatively, responsibility could be designated to a division within government as is done for other aspects of energy and GHG regulation. Our concern is that* overconfidence in gas utilities' own emissions projections will either result in failure to meet our emissions targets or stranded fossil-fuel infrastructure and equipment, with higher costs as a result for households and businesses.

We are also concerned that reliance on purchasing "notional RNG" (credits for RNG produced and/or used outside B.C.) will not have sufficiently robust accounting to guarantee a concomitant decrease in natural gas and GHG reduction in the other jurisdiction. Domestic production of RNG is also an important opportunity to create clean energy jobs and foster a circular economy, notably within the forest and agriculture sectors. Any reliance on international credits to meet these requirements would represent a significant shift in provincial policy without acknowledgement or public discussion. *Moreover, purchase of international notional RNG as envisioned in the proposal presented to the Council will not count*

[1] *We recognize that in large buildings with complex heating equipment and infrastructure as well as homes and buildings in the coldest climate zones in B.C. that electrification may be technologically difficult and expensive. In these instances, affordable combustible fuels not derived from fossil fuels (e.g., biomethane, green hydrogen) may be a temporary alternative to electricity.*

toward Canada's emissions target under the Paris Agreement.

We expect to see the GHGRS proposal *modified in light of the energy action framework to* expand and strengthen B.C.'s existing expertise in renewable electricity and provide more economic development opportunities across the province and support Reconciliation. BC Hydro, many First Nations, and renewable energy companies would benefit from a greater emphasis on producing more clean electricity in B.C, which includes a range of co-benefits. For example, small-scale hydro can produce co-benefits in the form of flood control. *We would like to see as part of the BC Hydro task force announced in March 2023 specification of a clear role for BC Hydro in advancing affordable electrification of space heating in the GHGRS.*

Our advice reiterates and builds upon the previous Council's advice on the predecessor policy proposal: the Clean Portfolio Standard.

Recommendations to the Province:

a) The current Greenhouse Gas Reduction Regulation should be updated immediately to enable utilities to procure up to 30% RNG; this should not be delayed until the GHGRS is finalized.

b) The government needs to establish clear targets for minimum RNG content requirements and specific measures to achieve these targets, so that the BCUC *or a designated government agency* can fulfill its current responsibility for determining a cost-effective means to achieve climate targets.

c) Renewable gas credits from other provinces (i.e., "notional RNG") to meet compliance obligations should be limited in time and amount and only if there is a rigorous carbon accounting system in place that clearly demonstrates a concomitant decrease in natural gas consumption in the exporting province.

d) *As stressed in the previous Council's letter of November 2020,* any other domestic offsets/credits toward GHGRS compliance must be real, additional, permanent, verifiable, quantifiable, enforceable, and provide co-benefits, and should be limited to ensure that the focus is on reducing emissions from transportation, buildings, and industry. Quebec's framework serves as a useful example.[2] *While all these criteria are crucial, in a rapidly changing climate the requirement for permanency may make a number of the options challenging.*

e) *Credits in B.C. for out-of-country notional RNG should not be accepted unless there is clarity that the credits will apply to Canada's reduction commitment under the Paris Agreement, and that there will not be double counting.*

f) *We reiterate the recommendation in 2022 carbon pricing letter that the province create a tool to help households and businesses make informed choices based on anticipated changes in prices of different forms of energy when they make major equipment purchases. Affordability will be top of mind for households and communities, especially those with more limited means to help cover capital costs.*

g) *We would like to reiterate council advice from 2021 on the Clean Portfolio Standard (CPS – predecessor to GHGRS): Work commissioned by the provincial government to support the development of the hydrogen strategy showed a wide range of carbon intensities for hydrogen derived from fossil fuels. Whether there is a role for hydrogen derived from fossil fuels within the CPS that is aligned with CleanBC targets will depend on maximum carbon intensity thresholds for hydrogen and the accounting methodologies used to estimate those carbon intensities.*

   The Council would welcome updated information from the government regarding the carbon intensity of hydrogen, which reflects the latest information regarding CCUS technology and rates of capture, the oil and gas emission caps, and methane emissions.

[2] Carbon Markets: Offset Credits. Québec Ministère de l' Environnement de la Lutte contre les changements cli matiques, de la Faune et des Parcs.

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