

Pilot Emission Removals, Reductions and Learnings (PERRL) Initiative

*BC Greenhouse Gas Forum
GREENHOUSE GAS
EMISSION TRADING WORKSHOP
(June 20, 2001)*

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Outline

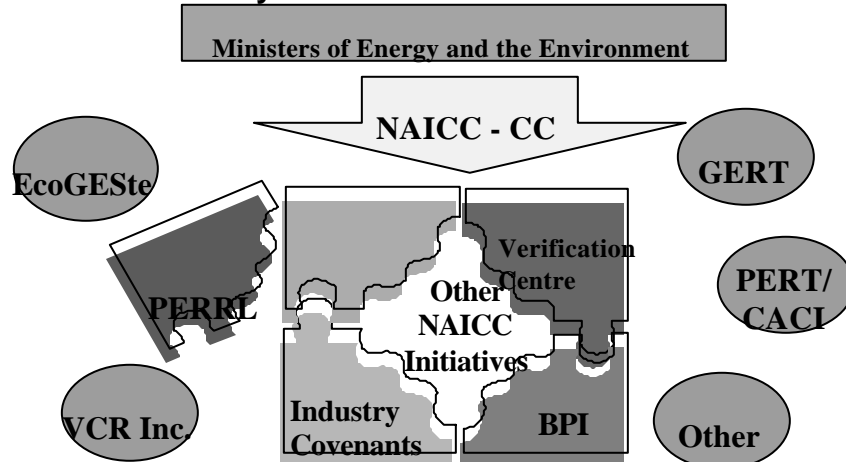
- ≡ Context & Introduction
 - ≡ Implementation
 - ≡ Eligibility & Other Requirements
 - ≡ Strategic Areas
 - ≡ Purchase Mechanisms
(Reverse Auction / Request for Proposals)
 - ≡ Design Issues
 - ≡ Next Steps
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Context

Ministers agreed to direct officials to develop a detailed program design for cost-shared pilots that would buy emission reductions in strategic areas, involving both a national approach as well as bilateral agreements with individual jurisdictions. Interested governments can seek budgetary approval for implementation in the 2001-02 fiscal year.

(JMM Record of Decisions, October 2000)

⌘ element of national climate change strategy being considered by NAICC-CC



Introduction to PERRL

⌘ Pilot

- governments purchase emission removals/reductions (no credits)

⌘ Objectives

- encourage action to remove/reduce GHGs
- develop expertise & understanding of projects
- inform analysis & development of future policy responses

⌘ Scope

- national -- opportunities for purchases in each province / territory
 - removals/reductions in strategic areas
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⌘ Timeline

- new projects; purchase of 'sustainable' tonnes to 2007; target initial purchases for 2001-02 fiscal year

⌘ Principles

- support broad range of projects in strategic areas
 - ensure individual projects do not absorb disproportionately large part of fund
 - encourage participation of smaller jurisdictions & inclusion of small projects
 - ensure requirements / processes are clear & simple
 - minimize transaction costs
 - complement other climate change initiatives
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Implementation of PERRL

⌘ Federal-Provincial/Territorial Partnership

federal government

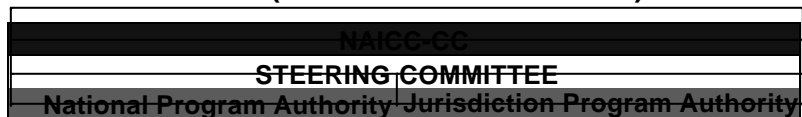
- will participate with partners
- assist small provinces/projects

provinces/territories

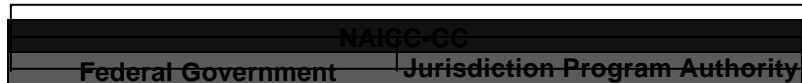
- no decision yet on partnership/participation
 - some have indicated limited resources available
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⌘ Proposed Management Structure

National Pilot (National Flexible Model)



Bilateral/Multilateral Pilot



PERRL Models

	National Pilot (NFM)	Bilateral/Multilateral Pilot
Eligibility, Processes →	standard	standard
Access →	national	identified jurisdictions only
Program Authority (PA) →	National PA -- coordination & PA for small provinces; reports to Steering Committee Prov/Terr PA -- selected by jurisdiction	PA selected by jurisdiction; works with federal PA
Reverse Auction / Request for Proposals →	Steering Committee decision	choice of jurisdiction
Purchase Fund →	'tied' funds & 'open' funds (latter available for projects in any jurisdiction)	'tied' funds only

PERRL Eligibility & Selection

PROJECT ELIGIBILITY CRITERIA	EMISSION REDUCTION ELIGIBILITY CRITERIA	SELECTION FACTORS	DESCRIPTION OF NEEDS
<i>Mandatory (Generic)</i>		<i>Defined for each 'pool'</i>	
<ul style="list-style-type: none"> elements that must be satisfied early in the review process 	<p>Reverse Auction</p> <ul style="list-style-type: none"> elements that must be satisfied before Purchase Agreement executed <p>RFP</p> <ul style="list-style-type: none"> elements that must be met before selection factors applied 	<p>Reverse Auction</p> <ul style="list-style-type: none"> price only; other factors/criteria met before eligible to bid <p>RFP</p> <ul style="list-style-type: none"> selection factors, including price, are weighted 	<ul style="list-style-type: none"> puts limits around the use of a funding pool addresses unique requirements or interpretation of mandatory criteria

Description of Needs

- ⌘ **Elements that could be included in the definition of a PERRL 'Purchase Pool'**
 - type of GHG
 - total number of projects
 - tonnes of GHGs
 - price range
 - location of project
 - additional restrictions attached to use of 'tied funds'
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Project Eligibility Criteria

- ⌘ type of project
 - ⌘ location
 - ⌘ project implementation
 - ⌘ * incremental
 - ⌘ feasible
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Removal/Reductions Criteria

- ≡ real
 - ≡ * surplus (regulatory)
 - ≡ quantifiable/verifiable
 - ≡ achieved prior to 2008
 - ≡ unique
 - ≡ * owned by the proponent
 - ≡ guaranteed
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Selection Factors

- ≡ price
 - ≡ best fit with learning objective
 - ≡ co-benefits/costs
 - ≡ replicability, expandability
 - ≡ manage uncertainty
 - ≡ leverage of funding
 - ≡ quantification, monitoring & verification
plan
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Strategic Areas

- ⌘ NAICC - CC has accepted
 - landfill gas
 - renewables
 - biological sequestration
 - CO₂ capture and geologic storage

 - ⌘ Additions being considered
 - **alternative energy** -- includes renewable and non-renewable, but 'cleaner', energy sources
 - **energy efficiency** -- includes actions that reduce energy used per level of output
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Purchase Mechanism

- ⌘ **Options**
 - Reverse Auction
 - Request for Proposals

 - ⌘ **Issues**
 - staged proposals & review
 - transparency / confidentiality
 - selection factors (pre-bid or weighted)
 - guarantee selected projects will proceed to Purchase Agreement
 - potential for gaming (RA)
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Process - Reverse Auction

Steps	
1	ESTABLISH POOLS FOR PURCHASE OF EMISSION REDUCTIONS
2	NOTIFICATION OF REVERSE AUCTION
3	PREPARATION OF PROJECT PROPOSAL
4	SUBMISSION OF APPLICATION TO BID
5*	REVIEW OF ELIGIBILITY TO BID <ul style="list-style-type: none"> satisfies 'Description of Needs' meets 'Project Eligibility Criteria' (Stage 1 review) expected to meet 'Emission Reductions Eligibility Criteria'
6*	AUCTION <ul style="list-style-type: none"> Proponents with projects that meet the step 5 requirements are invited to bid (price - tonnes) selection based on price (offer to purchase contingent on successfully completing Stage 2 review) bid packages of projects with successful bids are made public
7*	PURCHASE AGREEMENT <ul style="list-style-type: none"> complete Stage 2 review/validation execute Purchase Agreement
8	CONCLUDE EXCHANGE & EVALUATION (as set out in Purchase Agreement) <ul style="list-style-type: none"> portion of contract price paid up-front balance of funds paid upon delivery of tonnes project-level evaluation
Notes	Projects that do not meet the requirements or deadlines may not go forward at steps 5, 6 or 7

Process - Request for Proposals

Steps	
1	ESTABLISH POOLS FOR PURCHASE OF EMISSION REDUCTIONS
2	REQUEST FOR PROPOSALS
3	PREPARATION OF PROJECT PROPOSAL
4	SUBMISSION OF PROPOSAL
5*	STAGE 1 REVIEW OF PROPOSAL <ul style="list-style-type: none"> satisfies Description of Needs meets 'Project Eligibility Criteria' expected to meet 'Emission Reductions Eligibility Criteria'
6*	STAGE 2 REVIEW & SELECTION <ul style="list-style-type: none"> Proponents with projects that satisfy the Stage 1 review are invited to submit a more detailed proposal selection from projects that meet the stage 2 validation requirements are based on an assessment of the weighted factors proposals for selected projects is made public
7*	PURCHASE AGREEMENT <ul style="list-style-type: none"> execute Purchase Agreement
8	CONCLUDE EXCHANGE & EVALUATION (as set out in Purchase Agreement) <ul style="list-style-type: none"> portion of contract price paid up-front balance of funds paid upon delivery of tonnes project-level evaluation
Notes	Projects that do not meet the requirements or deadlines may not go forward at steps 5, or 6

Outstanding Design Issues

⌘ **incremental** - operationalize?

- would not have happened without PERRL funds
- new
- strategic area for PERRL

⌘ **avoided emissions** - include?

- averting emissions that would otherwise take place (e.g. adopting a technology that emits less GHG than the industry norm for new construction)

PERRL 'Vouchers'

⌘ **Objective**

- design feature that could increase the flexibility for Proponents operating in an uncertain policy environment

⌘ **Status**

- design features being considered by the PERRL Working Group
- looking to identify -- pros/cons; interest

PERRL 'Vouchers' - example

- ⌘ governments pay 25% of contract value when Purchase Agreement executed

- ⌘ purchased tonnes are represented by 'vouchers' (fixed price/verified tonne)

- ⌘ 'committed tonnes' (25% of the purchased tonnes) must be submitted to governments - ensures project is undertaken; exchange for initial payment

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- ⌘ 'uncommitted tonnes' can be
 - submitted to governments for guaranteed price
 - voluntarily retired - and reductions used for baseline calculation
 - used to satisfy obligations under another program (where rules permit)
 - sold to another buyer (one willing to pay more than the 'guaranteed' price)

Notes

- 'Vouchers' are used to facilitate exchange but it is the verified tonnes (represented by the 'vouchers') that have the value.
 - Though the 'vouchers' can be sold, only the Proponent can submit them to governments (along with the verified tonnes) for payment.
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Next Steps

≡ PERRL Working Group

- *Report on PERRL Consultations* -- June 27
- *PERRL Design Package* -- June 27

≡ NAICC-CC

- decision on next steps for PERRL -- July 4

≡ Provinces - Territories

- decision on participation in PERRL
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