Committee of the Whole Report
For the Meeting of April 8, 2021

To:	Committee of the Whole	**Date:**	March 26, 2021
From:	Philip Bellefontaine, Director of Engineering and Public Works		
Subject:	Sale of Low Carbon Fuel Credits		

RECOMMENDATION

That Council:

1. Approve the City, as a Part 3 fuel supplier under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act,* to enter into contracts that enable the sale of the City's low carbon fuel credits, on terms and in a form satisfactory to the Director of Engineering and Public Works and the City Solicitor;
2. Direct staff to bring forward an amendment to the Delegation of Signing Authority Bylaw to authorize the Director of Engineering and Public Works and the Chief Financial Officer to approve the specific quantity and sale amounts received from a competitive bidding process or based on prevailing market prices values and sign contracts to effect such sales;
3. Direct revenue from such sales to electrification of City fleet and/or public EV charging infrastructure to continue to support and accelerate climate action; or to be transferred to the Climate Action Reserve for such use in future years.

EXECUTIVE SUMMARY

In the Province of BC, suppliers of high carbon intensity fuels are required to reduce the intensity of their fuels by several means, including through the purchase of low carbon fuel carbon credits which are typically generated by suppliers of low carbon intensity fuels. This is a market-based mechanism which incentivizes suppliers of high carbon intensity fuels to reduce their fuel's intensity and provides a financial investment to support the growth of low carbon intensity fuels.

The City, through its operation of a Compressed Natural Gas (CNG) fueling station, is regulated as a supplier of fuel under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act.* As part of these regulations, the City has accumulated approximately 400 low carbon fuel credits. When the City began collection of fees for public EV charging on January 4th, 2021, it began generating additional low carbon fuel credits from its public EV infrastructure. Both CNG and electricity qualify as low carbon intensity fuels under the Act.

Selling the City's credits would generate new revenue that could be put to work immediately to further climate action through fleet electrification initiatives and/or public EV charging initiatives.

PURPOSE

This report seeks Council authorization for the City to enter into contracts to sell the carbon credits it has accumulated as a supplier of low carbon fuels. Further, it recommends directing the funds from the sale of these credits towards climate action initiatives such as electrification of the City's fleet and expansion of the City's public EV charging network.

BACKGROUND

A compressed natural gas (CNG) fueling station is operated at the Public Works Yard. The station is used to fuel City fleet vehicles. In doing so, the City is recognized as a Part 3 fuel supplier under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act.*

In fulfilling its obligations under the Act, the City generates a quantity of low carbon fuel credits. These credits are a tradable commodity under the BC Low Carbon Fuel Standard, which enable suppliers of high carbon intensity fuels to meet provincially mandated standards. This is not to be confused with carbon offsets which can be purchased to offset an organization's carbon emissions and help to achieve net zero commitments.

The low carbon fuel credit market creates a financial incentive to reward low-carbon fuels in proportion to the amount of real, measurable emissions reductions they yield when substituted for conventional fuels. The market generates revenue for low carbon transportation fuel suppliers and supports investment in clean fuels and vehicles. It operates by assigning a carbon intensity to fuels (e.g. petroleum-based gasoline and diesel) and rewards fuel suppliers with credits when supplying a fuel with a carbon intensity below the prescribed intensity limit, and incurs debits to suppliers when the fuel has a carbon intensity above the limit. The credit market is in line with the City's Climate Leadership Plan as it supports the transition to low carbon fuels.

Credit market reports are published monthly and quarterly by the Ministry of Energy, Mines and Low Carbon Innovation. In 2020, approximately 100,000 credits were traded on BC's low carbon fuel carbon credit market at an average value of $250 per credit. In 2019, over 250,000 credits were traded at an average value of $270 per credit. In the last quarter of 2020, the average credit value was $320. Appendix A illustrates market activity for the previous several years in terms of carbon credit values and volume of credit transfers.

ISSUES & ANALYSIS

The City has accumulated approximately 400 carbon credits to date through their fleet CNG fueling station. Additionally, the City will be generating new credits beginning in 2021 from its public EV infrastructure. Both CNG and electricity qualify as low carbon intensity fuels under the Act.

Selling the City's credits would generate new revenue that could be used immediately to further climate action through fleet electrification initiatives or public EV charging initiatives.

Contracts for this type of transaction would typically include the sample terms identified in Appendix B.

OPTIONS & IMPACTS

Option 1 – Authorizes the City to enter into contracts that enable the sale of the City's low carbon fuel credits and direct funds from such sales towards Climate Action initiatives such as electrification of City fleet vehicles and expansion of public EV charging infrastructure. (Recommended)

Staff recommend this option because it will generate a modest revenue that can be put to work in 2021 and in future years to continue to support and accelerate climate action initiatives.

As the City's existing credits were earned through a green fleet initiative (using compressed natural gas as fuel for City fleet), it is recommended that the revenue from the sale of these existing credits be directed initially to the electrification of the City fleet. Purchasing electric vehicles to replace existing fleet vehicles is one of the most significant ways the City can reduce its corporate emissions. In the future, the majority of the City's low carbon fuel credits will be earned from the City's EV charging infrastructure. It is recommended that the revenue from the sale of future credits be directed to expanding the City's public EV charging network further. Supporting the community's transition to zero emissions vehicles is one of the high impact initiatives identified to accelerate climate action following Council's declaration of a climate emergency in 2019 (confirm).

Option 2 – Directs staff not to enter into contracts to sell low carbon fuel credits at this time.

Under this option the City would continue to accumulate carbon credits but would not participate in the Province's market to support investment in low carbon fuels at this time.

Accessibility Impact Statement

There are no accessibility impacts associated with the sale of these credits.

2019 – 2022 Strategic Plan

Aligns with Strategic Objective Six: Climate Leadership and Environmental Stewardship

Impacts to Financial Plan

All revenues from the sale of credits would be added to the 2021 Financial Plan for fleet electrification or EV charging infrastructure or transferred to the Climate Action Reserve for such use in future years, if approved.

Impacts to staff resources include support from the Legal and Finance departments are required to negotiate and complete contracts for the sale of the City's credits and for the City to receive funds. Ongoing tracking and reporting of carbon credits will be required by the Engineering and Public Works Department; however, this is a regulatory requirement, which would occur regardless of the contract being in place.

Official Community Plan Consistency Statement

Supports Chapter 12, Climate Change, Goal 12(C) "Transportation options reduce fossil fuel dependence, help conserve energy and produce low greenhouse gas emissions and other air contaminants."

CONCLUSIONS

The City has accumulated a valuable quantity of low carbon fuel credits and will continue to do so in the future. The low carbon fuel credit market created under the Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act generates revenue for low carbon transportation fuel suppliers and supports investment in clean fuels and vehicles while incurring debits to suppliers of fuels with a high carbon intensity. The carbon credit market supports both the Province's CleanBC Plan and the City's Climate Leadership Plan. Enabling the City to enter into contracts to sell these credits will bring additional investment to support fleet electrification and, in the longer term, provide an additional source of revenue for investment in EV infrastructure.

Respectfully submitted,

Laura Berndt	Philip Bellefontaine
Manager of Energy and Climate Action	Director of Engineering and Public Works

Report accepted and recommended by the City Manager.

List of Attachments
Appendix A: Credit Transfer Activity
Appendix B: Summary of Typical Contract Terms