



Low Carbon Fuel Credits

Committee of the Whole
April 8, 2021



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Purpose

To seek 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.

This presentation will provide an overview of the Province's Low Carbon Fuel Standard and the Low Carbon Fuel Credits Market:

1. What are Low Carbon Fuel Credits?
2. Why sell them?
3. Who buys them?



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British Columbia's Low Carbon Fuel Standard

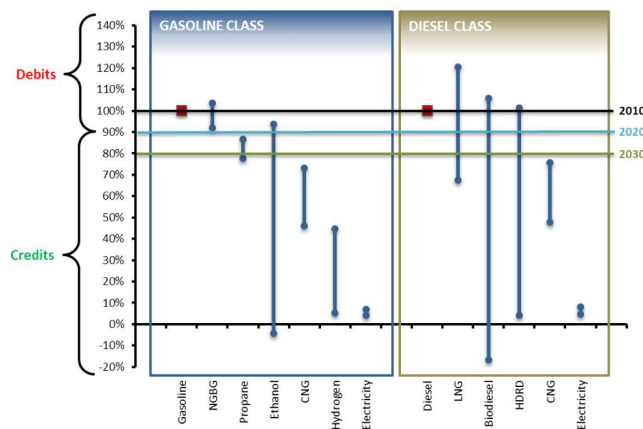
- BC-LCFS is a “market based mechanism” to reduce GHGs. The “market” in this context is compliance, not a specific market for a specific fuel.
- Fuel suppliers receive debits for fuels with a higher carbon intensity than the current limit.
- Fuel suppliers accrue credits for fuels with a lower carbon intensity than the current limit.
- Credits can be traded between fuel suppliers.
- Since 2010, BC's low carbon fuel standard has avoided over 10 million tonnes of GHG emissions making it one of the Province's most successful emission reduction initiatives.



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BC-LCFS Debits and Credits



BC-LCFS Carbon Intensity Limits – Ministry of Energy, Mines and Petroleum Resources



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Low Carbon Fuel Credits

The City qualifies as a low carbon fuel supplier under BC's Low Carbon Fuel Standard.

The City generates low carbon fuel credits:

- previously, through its operation of a Compressed Natural Gas (CNG) fueling station for City fleet;
- and beginning this year, through its operation of public EV charging infrastructure.

The City has accumulated approximately 400 low carbon fuel credits to date.



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Low Carbon Fuel Credits

Low carbon fuel credits are different than carbon offsets.

Low carbon fuel credits: A mechanism for fuel suppliers in BC to meet the compliance requirements of BC's Low Carbon Fuel Standard.

Carbon offsets: A mechanism for companies and others to balance out the carbon they are emitting by investing in projects that either remove carbon from the atmosphere or avoid emitting it in the first place.



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Selling Low Carbon Fuel Credits

- As the City is not a supplier of high carbon intensity fuels, the City doesn't need to use the low carbon fuel credits for compliance purposes.
- The City can choose to sell its low carbon fuel credits and invest into climate action initiatives.
- Credits are purchased by high carbon intensity fuel suppliers who are required to purchase credits for compliance.
- This 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.



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Reinvesting in Climate Action

- 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.
- 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.



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Recommendations

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.



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Recommendations

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.



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