

Draft Regulation

Environment Quality Act
(chapter Q-2)

Regulation

— Application of the Act
— Amendment

Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (chapter R-18.1) and section 124 of the Environment Quality Act (chapter Q-2), that the Regulation to amend the Regulation respecting the application of the Environment Quality Act, appearing below, may be made by the Government on the expiry of 60 days following this publication.

The draft Regulation amends the Regulation respecting the application of the Environment Quality Act (chapter Q-2, r. 3) to provide that the first paragraph of section 22 of the Environment Quality Act is to apply to the use of materials other than fossil fuels, wood or waste wood in certain combustion systems.

Further information may be obtained by contacting Michel Guay, Direction des politiques de la qualité de l'atmosphère, Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs; telephone: 418 521-3813, extension 4072; email: michel.guay@mddefp.gouv.qc.ca; fax: 418 646-0001.

Any person wishing to comment on the draft Regulation is requested to submit written comments within the 60-day period to France Delisle, Director, Direction des politiques de la qualité de l'atmosphère, Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs, édifice Marie-Guyart, 675, boulevard René-Lévesque Est, 5^e étage, boîte 30, Québec (Québec) G1R 5V7; email: france.delisle@mddefp.gouv.qc.ca; fax: 418 646-0001.

YVES-FRANÇOIS BLANCHET,
*Minister of Sustainable Development,
Environment, Wildlife and Parks*

Regulation to amend the Regulation respecting the application of the Environment Quality Act

Environment Quality Act
(chapter Q-2, s. 31)

1. The Regulation respecting the application of the Environment Quality Act (chapter Q-2, r. 3) is amended by replacing paragraph 4 of section 2 by the following:

“(4) the installation or use of a combustion system having a capacity of less than 3,000 kW (10,238,535 BTU/hour), except a combustion system using materials other than fossil fuels, wood or waste wood within the meaning of section 55 of the Clean Air Regulation (chapter Q-2, r. 4.1);”.

2. This Regulation comes into force on the fifteenth day following the date of its publication in the *Gazette officielle du Québec*.

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Draft Regulation

Environment Quality Act
(chapter Q-2)

Cap-and-trade system for greenhouse gas emission allowances

— Amendments

Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (chapter R-18.1) and section 124 of the Environment Quality Act (chapter Q-2), that the Regulation to amend the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances, appearing below, may be made by the Government on the expiry of 60 days from this publication.

The draft Regulation introduces various amendments, in particular to specify the fuel distributors targeted by the cap-and-trade system for greenhouse gas emission allowances, the information that must be provided when registering for the system, the types of possible transactions, and the types of guarantees that may be provided for an auction or sale by mutual agreement. It also adds new sectors of activity and reference units eligible for the free allocation of emission units.

Further information may be obtained by contacting Diane Gagnon, coordinator, carbon market team, Bureau des changements climatiques, Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs; telephone: 418 521-3868, extension 4605; email: diane.gagnon@mddefp.gouv.qc.ca; fax: 418 646-4920.

Any person wishing to comment on the draft Regulation is requested to submit written comments within the 60-day period to Jean-Yves Benoit, senior economist and carbon market director, Bureau des changements climatiques, Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs, édifice Marie-Guyart, 675, boulevard René-Lévesque Est, 6^e étage, boîte 31, Québec (Québec) G1R 5V7; email: jean-yves.benoit@mddefp.gouv.qc.ca

YVES-FRANÇOIS BLANCHET,
*Minister of Sustainable Development,
Environment, Wildlife and Parks*

Regulation to amend the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances

Environment Quality Act

(chapter Q-2, s. 31, 1st par., subpars. *b, c, d, e.1, h* and *h.1*, ss. 46.1, 46.5, 46.6, 46.8 to 46.16, 115.27 and 115.34)

1. The Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (chapter Q-2, r. 46.1) is amended in section 2 by replacing subparagraph 2 of the second paragraph by the following:

“(2) distributes fuel within the meaning of protocol QC.30 of Schedule A.2 of the Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere if the greenhouse gas emissions attributable to the combustion or use of the fuel distributed, calculated in accordance with that protocol, are equal to or exceed 25,000 metric tonnes CO₂ equivalent.”.

2. Section 7 is amended by replacing “the identification number assigned under the National Pollutant Release Inventory of the Government of Canada” in subparagraph 3 of the first paragraph by “establishment number assigned by the Ministère du Développement durable, de l’Environnement, de la Faune et des Parcs and used under the Inventaire québécois des émissions atmosphériques”.

3. Section 8.1 is amended by replacing de “registered as a” by “registered as an emitter pursuant to this Regulation or as an emitter or”.

4. Section 19 is amended

(1) by adding “or, where applicable, following the permanent closure of the establishment” at the end of the first paragraph;

(2) by adding the following paragraph at the end:

“Notwithstanding subparagraphs 1 and 2 of the second paragraph, an emitter that ceases its activities permanently in the year preceding the year in which the compliance period referred to in those subparagraphs begins is not required to cover the emitter’s GHG emissions, provided it notifies the Minister in writing not later than 6 months following the start date of the period.”.

5. Section 21 is amended

(1) by inserting the following subparagraph after subparagraph 1 of the second paragraph:

“(1.1) emissions units from the Minister’s reserve account;”;

(2) by adding “other than units referred to in subparagraph 1” at the end of subparagraph 3 of the second paragraph.

6. Section 25 is amended by striking out “and serial number” in subparagraph 3 of the first paragraph.

7. Section 27 is replaced by the following:

“**27.** Every emitter or participant who wishes to carry out a transaction to transfer emission allowances from the emitter’s or participant’s general account to the emitter’s or participant’s compliance account or to retire from the system certain emission allowances recorded in the emitter’s or participant’s general account must send to the Minister a request including the following information:

(1) the emitter’s or participant’s general and, where applicable, compliance account number;

(2) the quantity, type and, where applicable, vintage of the emission allowances to be transferred or retired.”.

8. Section 27.1 is amended

(1) by replacing “retirement request” wherever it occurs by “transfer or requirement request”;

(2) by replacing “or participant’s general account to the” in the fourth paragraph by “general account to the emitter’s compliance account, or from the emitter’s or participant’s general account to the”;

(3) by inserting “transfer or” after “concerning” in the fifth paragraph.

9. Section 27.2 is amended by striking out both occurrences of “or retirement”.

10. Section 32 is amended by replacing “sell the excess emission allowances or pay into its compliance account the emissions units or early reduction credits needed to cover its emissions for the current year or preceding years” in the last paragraph by “divest itself of the excess emission allowances, pay into its compliance account the emissions units or early reduction credits needed to cover its emissions for the current year or preceding years or, in the case of related entities, amend the distribution of the overall holding limit determined in accordance with section 33 in order to become compliant”.

11. Section 40 is amended by replacing “6-8 and 6-9” in the second paragraph by “6-8, 6-9, 6-12 and 6-13”.

12. Section 48 is amended

(1) by striking out “or money order, postal money order” in subparagraph 1 of the second paragraph;

(2) by replacing subparagraphs 1.1 and 2 of the second paragraph by the following:

“(1.1) an irrevocable letter of credit issued by a bank or financial services cooperative constituted under a statute of Québec, Canada or another province or territory of Canada;

(2) a bond issued or guaranteed by a bank or financial services cooperative constituted under a statute of Québec, Canada or another province or territory of Canada;”;

(3) by replacing “orders or bonds” in the third paragraph by “letters of credit or bonds”;

(4) by inserting the following after the third paragraph:

“The guarantee must be submitted in Canadian dollars. However, in the case of an auction for which the guarantee is required is held jointly with a partner entity in the United States, the guarantee may also be submitted in US dollars.”.

13. Section 49 is amended by striking out “, in proportion to the quantities respectively made available” in subparagraph 1 of the fourth paragraph.

14. Section 50 is amended by replacing “may be submitted in Canadian or US dollars” in the last paragraph by “must be submitted in the same currency as the financial guarantee submitted in accordance with section 48”.

15. Section 52 is amended

(1) by striking out “or exceed that bidder’s financial guarantee submitted in accordance with section 48” in the second paragraph;

(2) by inserting the following paragraphs after the second paragraph:

“Notwithstanding the second paragraph, when an emitter’s total bid exceeds its holding limit but the number of emission units and early reduction credits in its compliance account is below the quantity referred to in the third paragraph of section 32, the emitter’s bids are accepted up to that quantity.

When a bid submitted by a bidder takes the maximum value of the bidder’s bids to beyond the amount of its financial guarantee submitted in accordance with section 48, the Minister removes the excess lots from the bid.

The lots removed pursuant to the fourth paragraph are then re-evaluated based on the prices offered in the bids submitted by all the bidders, by descending value, beginning with the price immediately below the price in the bid that exceeded the bidder’s guarantee. The lots are considered by the Minister to be new bids submitted by the bidder when, at a given price, the re-evaluation means that their maximum value does not exceed the amount of the financial guarantee submitted.”;

(3) by striking out the fourth, eighth, ninth and tenth paragraphs.

16. Section 53 is replaced by the following:

“**53.** Within 7 days after the results of the auction are sent to the bidders, every winning bidder must pay in full, by transfer, for the emission units awarded in accordance with section 52. If the financial guarantee has been submitted in the form provided for in subparagraph 1 of the second paragraph of section 48, the payment is withheld from the guarantee.

If the emission units are not paid for in full in the time prescribed under the first paragraph, the Minister withholds the amount owed from the financial guarantee provided in accordance with section 48. When more than one type of guarantee has been provided, the Minister uses the guarantees in the order set out in the second paragraph of that section.

Upon receiving payment from a winning bidder, made out to the Minister of Finance, or after applying all or part of a winning bidder’s guarantee used, the Minister records the emission units awarded in the bidder’s general account and, in the case referred to in the third paragraph of section 52, in the winning bidder’s compliance account.

All or part of a guarantee provided in accordance with section 48 that has not been used for the purposes of an auction is returned to the bidder.

The amounts collected during the auction are paid into the Green Fund in accordance with section 46.16 of the Environment Quality Act (chapter Q-2).”.

17. Section 59 is amended by inserting “in Canadian dollars,” after “guarantee” in subparagraph 3 of the first paragraph.

18. Section 60.1 is amended by inserting “in Canadian dollars and” after “more than 1 offer,” in the third paragraph.

19. Section 62 is amended by replacing the first paragraph by the following:

“**62.** Within 7 days after the results of the sale are sent to the purchasers, every purchaser must pay in full, by transfer, for the emission units awarded in accordance with section 61. If the financial guarantee submitted in accordance with subparagraph 3 of the first paragraph of section 59 was in the form provided for in subparagraph 1 of the second paragraph of section 48, the payment is withheld from the guarantee.

If the emission units are not paid for in full in the time prescribed under the first paragraph, the Minister withholds the amount owed from the financial guarantee provided in accordance with subparagraph 3 of the first paragraph of section 59. When more than one type of guarantee has been provided, the Minister uses the guarantees in the order set out in the second paragraph of section 48.”

20. The following is inserted after section 64:

“**64.1.** The Minister publishes a summary of the sale by mutual agreement within 45 days on the website of the Ministère du Développement durable, de l’Environnement et des Parcs, including the following information:

- (1) the names of the persons registered as purchasers;
- (2) the settlement price of the emission units;
- (3) the total quantity and distribution of the units sold, in non-nominative.”

21. Section 70.1 is replaced by the following:

“**70.1.** The Minister keeps and publishes, on the website of the Ministère du Développement durable, de l’Environnement, de la Faune et des Parcs, a public register of registered offset credit projects that contains the names and professional contact information of promoters, project plans, project reports, validation and verification reports submitted in accordance with this Chapter, and information on project status.”

22. Section 70.5 is amended

(1) by replacing the part preceding subparagraph 1 of the first paragraph and subparagraph 1 by the following:

“**70.5.** A promoter wishing to be issued offset credits for a project must, before the project begins, apply to the Minister for the project to be registered in the register of offset credit projects by submitting the promoter’s name, professional contact information and account numbers, along with a project plan that includes the following information and documents:

(1) where applicable, the name and contact information of the person responsible for the promoter’s activities;”;

(2) by replacing “a copy of the assessment and a summary of the findings” in subparagraph 7 of the first paragraph by “a copy of the assessment and its conclusions”.

23. Section 70.11 is amended by replacing ““individual project submitted”” and ““individual project for renewal”” in the first paragraph by ““single project submitted”” and ““single project for renewal””, respectively.

24. Section 70.20 is amended by replacing ““individual active project”” and ““individual renewed active project”” in the third paragraph by ““single active project”” and ““single renewed active project””, respectively.

25. Section 71 is amended by inserting “53, 62,” after “or 51, section” in subparagraph 1.

26. Section 74 is amended

(1) by inserting “53, 62,” after “or 51, section” in the part of the first paragraph preceding subparagraph 1;

(2) by replacing the second paragraph by the following:

“A person who contravenes any other requirement of this Regulation is guilty of an offence and liable, in cases where no penalty is otherwise provided for in this Chapter or in the Environment Quality Act (chapter Q-2), in the case of a natural person, to a fine of \$3,000 to \$100,000 and, in other cases, to a fine of \$10,000 to \$600,000.”

27. Table B in Part I of Appendix C is amended

(1) by adding replacing “baked cathodes” and “baked anodes” in the first and third rows of the “Reference unit” column, corresponding to the “Aluminum” sector, by “baked cathodes removed from furnace” and “baked anodes removed from furnace”, respectively;

(2) by replacing “measured” in the fourth row of the “Reference unit” column, corresponding to the “Aluminum” section, by “calculated”;

(3) by inserting the following row after the fourteenth row corresponding to the “Other²” sector:

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Other ²	Soya and canola oil production	Metric tonne of soya and canola
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(4) by inserting the following row after the twenty-sixth row corresponding to the “Chemical” sector:

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Chemical	Polyethylene terephthalate (PET) production	Metric tonne of polyethylene terephthalate (PET)
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28. Appendix D is amended

(1) in Part I of Protocol 1, by replacing “reporting period” in the definition of the factors “ER”, “GHG_{project}” and “ΔGHG_{fossil}” in Equation 1 in section 4, and in the definition of the factor “GHG project” in Equation 2 in sub-section 4.1, and in the definition of the factor “C_{project}” in equation 9 in sub-section 4.2, by “project reporting period”;

(2) in the French text of Part I of Protocol 2, by inserting “de projet” after “période de rapport” in the definition of the factors “RE” and “EP” in Equation 1 in section 6 and in the definition of the factor “EP” in equation 7 in sub-section 6.2”;

(3) in Part I of Protocol 3:

(a) in the French text, by inserting “de projet” after “période de rapport” in the definition of the factors “RE” and “EP” in Equation 1 in section 7 and in the definition of the factor “EP” in equation 4 in sub-section 7.2”;

(b) by replacing subparagraph 2 of the second paragraph of sub-section 9.1.2 by the following:

“(2) the samples must be taken by a person who is independent of the promoter and the destruction facility and has the necessary training to carry out the task;”.

29. This Regulation comes into force on the fifteenth day following the date of its publication in the *Gazette officielle du Québec*.

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Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (chapter R-18.1) and section 124 of the Environment Quality Act (chapter Q-2), that the Regulation to amend the Regulation to amend the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances, appearing below, may be made by the Government on the expiry of 60 days from this publication.

The draft Regulation amends the section concerning the coming into force of Appendix B.1 of the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances, providing for the recognition of emission allowances issued by the State of California, to ensure concordance with the corresponding regulations of that State.

Further information may be obtained by contacting Diane Gagnon, Coordinator, carbon market team, Bureau des changements climatiques, Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs; telephone: 418 521-3868, extension 4605; email: diane.gagnon@mddefp.gouv.qc.ca; fax: 418 646-4920.

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