



Carbon credits – pricing, incentives and regulation

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Setting the stage

- ▶ “Carbon pricing has started to become a reality. Should carbon credits be considered to be **assets, expenses or investments?**”



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What does the carbon « issue » mean for Canada?

- ▶ An energy producer and consumer?
- ▶ A trading nation, and large energy exporter?
- ▶ A very diverse economy
- ▶ A productivity-challenged economy?



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Assets, expenses or investments?

- ▶ What is at issue?
 - ▶ Regulatory treatment?
 - ▶ Financial market uncertainty?
 - ▶ Incentives?
- ▶ What do we want?
 - ▶ Who is the « we »?
 - ▶ Carbon reductions? Economic stimulus? Green jobs?



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What does “pricing has started to become a reality” mean?

- ▶ How to reconcile
 - ▶ Range of definitions of credits (or offsets, allowances, etc)
 - ▶ Range of “credit” prices
 - ▶ April 30 EUA spot price € 15.79/ton
 - ▶ Alberta levy \$CND 15/ton
 - ▶ April 30 CCE price \$US 0.10/ton
 - ▶ Disconnect between definitions, prices and policy targets
- ▶ How can a “market” work under the above conditions?
- ▶ How can a regulatory system connect the dots?
- ▶ Wouldn't “a” price for carbon be much simpler?



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Regulatory evolution

- ▶ “Dealing” with carbon requires innovation, entrepreneurship, creativity, etc. and will be risky
- ▶ Can this occur with “conventional” regulatory approaches?
- ▶ Options/approaches other than COS regulation
 - ▶ Incentive approaches
 - ▶ Negotiated settlements



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How does carbon pricing relate to...

- ▶ Emission reductions
- ▶ Harmonization with the US “plans”
- ▶ Smart grid
- ▶ Interconnected Canadian grid
- ▶ Investment climate, for investors, and for infrastructure...
- ▶ Green jobs



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Constraints, or leverage?

- ▶ Investment
- ▶ Productivity
- ▶ Competitiveness



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What do we need?

- ▶ A clear and transparent price for carbon, integrated into an energy strategy
- ▶ Recognition of the delicate balance between national and provincial needs



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