

INCLUSION OF CARBON EMISSION ALLOWANCES IN THE BILL EFFECTIVE JANUARY 1, 2015

The *Regulation respecting a cap-and-trade system for greenhouse gas emission allowances* establishes what is referred to as the **carbon market**.

Effective January 1, 2015, fuel distributors are required to cover the greenhouse gas (GHG) emissions produced by their customers' combustion of the products they distribute.

The carbon market replaces the duties payable to the Green Fund and is designed to generate funding for measures to reduce Quebec's GHG emissions.

In the Details about Your Bill section of my bill, I see that a line has been added: Carbon emission allowances. What are they?

- The charges for the purchase of emission allowances are taken from the Government of Quebec's *Regulation respecting a cap-and-trade system for greenhouse gas emission allowances*, establishing what is referred to as the **carbon market**.
- Like all fuel distributors, Gazifère is required to purchase emission allowances in the carbon market on behalf of its customers, and bill them accordingly for the emissions produced by their consumption of natural gas. For Gazifère's customers, emission allowances are billable monthly, and are determined by the volume of natural gas consumed.
- Effective January 1, 2015, the applicable unit rate is 2.63 cents/m³. The rate will be updated quarterly, when Gazifère's rates are adjusted. Rates are approved by the Régie de l'énergie.
- The carbon market replaces the Green Fund.

Why does my bill show charges related both to the Green Fund and to the carbon market?

- While the carbon market replaces the Green Fund from January 1, 2015, you may in fact be charged for both on the same bill because your billing cycle includes days prior to January 1, 2015.
- Before January 1, 2015, your natural gas consumption is subject to the Green Fund duty. From January 1, 2015, it is the cost generated by the purchase of emission allowances that will be billed to you on the basis of your consumption.

What impact will the purchase of emission allowances have on my bill?

- For a residential customer who consumes about 2,300 m³ of natural gas annually, replacement of the Green Fund duty by emission allowance charge represents an increase in your total cost of about \$41 a year, or \$3.50 a month.
- For a commercial customer consuming 14,000 m³ of natural gas annually, replacement of the Green Fund duty by the emission allowance charge represents an increase of \$258 a year, or \$21.50 a month.

Can I opt out of this requirement?

- No. Under the *Regulation respecting a cap-and-trade system for greenhouse gas emission allowances*, Gazifère is required to cover the GHG emissions produced by the natural gas consumption of any customer not designated a “large industrial emitter”.¹
- Gazifère’s *Conditions of Service and Tariff* (Annex - Purchase of emission allowances) sets out the obligation in greater detail.

Is it only Gazifère that bills customers for the purchase of emission allowances?

- No. All fuel distributors are required to bill for the emissions produced by the consumption of the products they distribute. This applies to Gaz Métro, among others, and the oil companies.²

Will Gazifère profit from the purchase of emission allowances?

- The answer is no. Gazifère is a natural gas distributor. It purchases emission allowances in the carbon market solely to meet the needs of its customers. The costs billed to customers match the amounts spent by Gazifère in order to purchase them.

What will Gazifère do to ensure that it purchases emission allowances at the best possible price?

- Gazifère has taken the necessary steps to understand the new regulations fully and make the appropriate preparations for their coming into force.
- Gazifère’s approach to the purchase of emission allowances in the carbon market has been approved by the Régie de l’énergie.
- Since the costs associated with the purchase of emission allowances are directly reflected in the rates paid by its customers, it is wholly in Gazifère’s interests to keep such costs under control in order to maintain its competitive advantage.

Can you describe Gazifère’s emission allowance purchasing strategy?

- No. Gazifère’s purchasing strategy includes information that is confidential and strategic in nature. In any case, public disclosure of such information would be contrary to the requirements of section 51 of the *Regulation respecting a cap-and-trade system for greenhouse gas emission allowances*.
- However, Gazifère’s purchasing strategy has been approved by the Régie de l’énergie, which reconciles the public interest with consumer protection and fairness for distributors.

Will natural gas remain a sound energy choice?

- Absolutely! For a residential customer consuming about 2,300 m³ annually, natural gas will be about 13% cheaper than electricity, and 56% cheaper than fuel oil.³

¹ Large industrial emitters are regulated directly by the government. These are companies whose GHG emissions exceed the threshold of 25,000 tonnes of CO₂. Large emitters are not billed by Gazifère for the purchase of emission allowances. They are participants themselves in the carbon market.

² Hydro-Québec is not subject to the new regulation, since the consumption of electricity does not generate GHG emissions.

³ Based on rates in effect on October 1, 2014.

- For a commercial customer consuming about 14,600 m³ annually, natural gas will be about 27% cheaper than electricity, and 57% cheaper than fuel oil.⁴
- Natural gas also offers a level of comfort matched by no other energy source.

What can I do to reduce my greenhouse gas emissions?

- The Gazifère GREEN section of our website, gazifere.com, provides practical tips and describes the financial assistance programs that will enable you to reduce your natural gas consumption, thereby reducing your greenhouse gas emissions.
- The Ministère de l'Énergie et des Ressources naturelles also offers ways of reducing your energy footprint; visit <http://www.efficaciteenergetique.gouv.qc.ca/en/home/#.VHzLzDHF98E> or call the toll-free number: 1 866 266-0008.

What are the differences between the Green Fund and the carbon market?

- The Green Fund and the carbon market serve the same purpose: to fund measures to reduce Quebec's GHG emissions.
- The two systems differ in their funding arrangements.
- The duty payable to the Green Fund was calculated from time to time by the government. Gazifère billed its customers on the basis of the notice of payment forwarded to it by the Régie de l'énergie.
- The purchase costs of emission allowances, on the other hand, depend on the price at which Gazifère is able to acquire emission allowances in the carbon market.

³ Based on rates in effect on October 1, 2014.

⁴ Based on rates in effect on October 1, 2014.