

FAQs for climate change agreement



Has Nova Scotia met the Canadian targets for 2030?

Nova Scotia has already made great progress in reducing our greenhouse gas emissions and leads all provinces in doing so.

The province reached the federal government's 2030 target of reducing greenhouse gas emissions by 30 per cent below 2005 levels.

Our early action in the electricity sector means that almost 27 per cent of Nova Scotia's electricity is supplied by renewable energy sources like wind.

What is the difference between a carbon tax and a cap and trade program?

Both a carbon tax and a cap and trade system are designed to reduce GHG emissions by attaching a price to them.

A **carbon tax** is a direct tax on fossil fuels. The tax is an incentive for emitters to reduce their GHG emissions so that they can reduce costs

In a **cap and trade** program, government caps the total amount of GHG emissions permitted in the province by issuing allowances to companies. These allowances are the total amount of GHGs each company is allowed to emit. If a company wants to emit more than the allowances they have received, it can buy allowances from other companies that have emitted less than their total allotment under their respective cap. This is the "trade" component. Over time, as the cap for each company is reduced, allowances become scarcer, creating an incentive for emitters to find cost-effective ways to cut their GHG emissions.

What is Nova Scotia's cap and trade system and how will it work?

The Nova Scotia cap and trade system recognizes steps already taken by the province to address climate change. It specifically recognizes our early action in the electricity sector and the GHG emissions reductions that are anticipated to occur as a result of our significant investments in that sector.

This approach will require the government to establish a cap on GHG emissions in other sectors, and create market mechanisms in order to achieve GHG outcomes as efficiently and effectively as possible while limiting the cost to Nova Scotians. The province will spend the next year designing the system and getting input from Nova Scotians.

What is an emissions allowance?

One allowance is equal to one tonne of GHG, measured in carbon dioxide equivalent.

Why will the cap and trade program be internal to Nova Scotia?

Nova Scotia's cap and trade program limits trading to emitters within the province. This means that GHG reductions that happen in Nova Scotia stay in Nova Scotia. It also means that we won't be buying allowances from other jurisdictions, keeping investments local.

How will the system work?

There are two important pieces to our system. First, government will give out most allowances for free, which will minimize impacts to consumers. If a company emits more than its share of GHG emissions, it will need to buy extra allowances from other companies that have emitted less. Secondly, the system is internal to Nova Scotia, ensuring the GHG reductions occur in the province.

Over time, as the cap for each company is reduced, there are fewer allowances, creating an incentive for emitters to find cost-effective ways to cut their GHG emissions. This approach provides certainty for GHG reductions.

This also means that Nova Scotians will avoid a carbon tax or paying much more at the pumps or to heat their homes.

Are my power rates going to increase under a cap and trade program?

The electricity sector will be required to participate in the cap and trade program. Our model will minimize future impact on the pocketbooks of Nova Scotia ratepayers.

Why do we need a new equivalency agreement?

The federal government intends to develop new regulations to accelerate the closure of coal-fired electricity in Canada. In response, we will be building on and extending the existing equivalency agreement to include action post-2030.

This agreement, once finalized, will ensure that the province's GHG regulations apply in Nova Scotia instead of Canada's new coal-fired electricity regulations. The equivalency agreement will give Nova Scotia the flexibility to meet or exceed the GHG reductions that would have resulted from the federal coal regulation, at the lowest cost to ratepayers.

When will you roll out the cap and trade program?

Nova Scotia's cap and trade program is expected to begin in 2018, in line with federal requirements. Following consultation with stakeholders, legislation and regulation will be developed to meet the federal timeline.