



## Wanted: emissions credits

The new framework for emissions trading presents new opportunities for the service and supply sector

**When the Alberta government** introduced its regulatory emissions framework last year, few in the industry, apart from the 65 or so companies targeted as the largest net greenhouse gas (GHG) emitters, paid much attention.

Now as the New Year sounds the bell for action on reducing emissions, service and supply companies are waking to the possibility of making a business of GHG emissions.

"I'm looking to see if I can generate greenhouse gas credits by switching conventional drilling rigs from diesel fuel and to natural gas," says Jim Livingstone, a seasoned oilman who now develops and markets technology for the oil patch.

According to his calculations, every gallon of diesel fuel burned creates 22 pounds of carbon, which is a lot more than a rig would emit by burning natural gas. And the difference, he could bank as emissions credits and eventually put up for sale.

The provincial framework that makes this possible identifies about 100 industrial net emitters that produce over 100 megatons per year. Ranging from coal-fired power plants to exploration and production companies, these large net emitters will be required to reduce their GHG emissions intensity by 12 per cent.

Three options are available for meeting this target: implement technology to reduce emissions; buy emissions credits equivalent to the targeted reduction; or pay \$15 per ton into a technology fund for emissions reducing technology (or a combination of these).

"You have to be able to measure the emissions reduction and it has to be third-party audited," says emissions credits trading consultant Anthony Weisshaar, president of Terra Verde Emissions Credits Inc. "For example, if you're using a technology that reduces the amount of water in drilling compared to conventional practices, the company utilizing the technology can claim the emissions reduction from having fewer truckloads of water coming to the site."

Alberta's large GHG emitters had to calculate their baseline emissions by December 31, 2007. By the end of this March, they are expected to have their reduction targets delineated.

Weisshaar describes the process for creating emissions credits as follows: a company identifies an emissions reduction technology; it creates a "protocol"—rules for its use at each site—which is submitted to Alberta Environment for assessment; ▶

its approval makes it a “project,” which is submitted to Alberta Energy for acceptance.

“If the reductions are real, we have carbon offsets that can be marketed to net emitters or other buyers in this market,” Weisshaar says.

While emissions credits currently carry a nominal value of about \$15 per ton, Weisshaar anticipates this value to climb as the provincial framework heads into 2010 when it ties into a large federal emissions framework.

One feature in the federal plan that is expected to have a significant impact on the supply and demand of emissions credits is a limitation on the amount net emitters can pay into the emissions technology fund. In 2010, a maximum of only 70 per cent will be allowed—the remaining 30 per cent needs to be made up through technology advances or accepted offset credits. The allowable

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payment into the technology fund subsequently drops by 10 per cent each year and disappears altogether by 2018.

“So, while today the value of a greenhouse gas emission offset is \$15 a ton, I think we’ll soon see the price of offsets strengthen,” Weisshaar says. “That is because buyers—large emitters—will look at the future and assess what the federal system will mean to them.”

In the meantime, some net emitters not targeted by the provincial emissions framework are forging their own voluntary emission reductions targets and are ‘banking’ credits.

These emitters are taking the stance that GHG emission reductions, regulated or not, are good for the corporate image and stakeholder acceptance. What they will do with the credits later on remains to be seen.

All of which points to new opportunities for a range of service and supply companies, from those with technologies aimed at improving energy efficiencies to those that can capture fugitive emissions—methane, for example, has 24 times the GHG effect of CO<sub>2</sub>.

One hurdle to this brave new world of emissions trading is the issue of emissions credits ownership. Weisshaar says this is still a grey area that needs to be negotiated between the buyer and the seller of the technology.

“What’s important here,” he says, “is that in the absence of an agreement between the buyer and the seller of the technology, if both parties are claiming the same offset, Alberta Environment will set aside that offset until the two parties decide on a favourable solution.”

— Paul Stastny